HUMAN RESOURCE MANAGEMENT

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PREFACE

The book, Human Resource Management, broadly covers the principles on the basics of which Human resource industry functions as well as how the same has been applied and used by corporates and HR professionals across globe. It is aimed at catering to the needs of both students as well as professionals in the Human Resource arena. Human resource have to be selected, trained, developed and adapted to the work environment. This means HR and HRD are very important factors of any organizations. The entrepreneurs who have taken good care of their talented and key employees have always been very successful, prosperous and growing.

Comprehension and coverage of various topics have accordingly, been framed to ensure an optimized use of the modules described in the book so that the recent trends and happenings in the corporate making help is immense. I shall be highly grateful to continuous support in this direction from all my colleagues and students using the book, in order to ensure uplifting the book to the higher level. The layout of the book has also been designed to put the subject in better sequence, more so in Human Resource Management. Objectives of various parts have seen been added.

Module 1 - Introduction to Human Resource Management, discusses the meaning of Human Resource Management, its nature and scope, objectives in corporate as a tool, evolution in the traditional and changes in recent trends, their functions, policies and how to maintain the records.

Module 2 - Human Resource Planning & Procurement, discusses about the Human resource planning, objects, benefits and needs, levels of HRP, planning process, how to do job analysis, understand the description and specifications, how to recruit the manpower, placement and induce the human resources,

Module 3 - Human Resource Appraisal & Development, discusses the topics on how to identify and measure employee performance, criteria for job & its information, performance standards, how to use the performance appraisal, their methods and evaluation, training and its methodologies, learning psychology, needs and benefits of it, evolution of training and its approaches.

Module 4 - Human Resource Motivation, discuss about the insights ofhow to motivate and impact on employee behavior, based on motivational theories.

Module 5 - Human Resource Compensation, this discuss about the compensation policies and objectives, administering, determinants, survey and structure, behavioral aspects and human resource mobility.

Module 6 - Industrial Relations, discusses on the relations and administrations in industry, disciplinary actions and their purpose, grievances and how to handle them, key features and causes, industrial disputes, causes of it and legislations.

Module 7 - Trade unions, discusses onmeaning of union**,** nature and its scope, objectives and characteristics of unions, purpose, forms, functions and registration of unions, trade union movement in India, structure and the penalties imposed for offences in trade unions.

I, being a faculty, I had been collecting information from various sources, for which I feel deeply indebted to all those contributing to it, but due to non-availability of specific references, I have not been able to write individual acknowledgement. I will fail in my duty, if I do not mention the tremendous effort and patience's shown by my publisher in making the project extremely viable.

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INTRODUCTION TO HUMAN RESOURCE MANAGEMENT

Introduction:

Human Resource Management (HRM) is a process of bringing people and organizations together so that the goals of each are met. It is that part of the management process which is concerned with the management of human resources in an organization. It tries to secure the best from people by winning their wholehearted cooperation. In short, it may be defined as the art of procuring, developing and maintaining competent workforce to achieve the goals of an organization in an effective and efficient manner.

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

Human resource (or personnel) management, in the sense of getting things done through people, is an essential part of every manager’s responsibilities, but many organizations find it advantageous to establish a specialist division to provide an expert service dedicated to ensuring that the human resource function is performed efficiently.

“People are our most valuable asset” is a cliché which no member of any senior management team would disagree with. Yet, the reality for many organizations is that their people remain.

- Under valued
- Under trained
- Under utilized
- Poorly motivated, and consequently
- Perform well below their true capability

The rate of change facing organizations has never been greater and organizations must absorb and manage change at a much faster rate than in the past. In order to implement a successful business strategy to face this challenge, organizations, large or small, must ensure that they have the right people capable of delivering the strategy.

The market place for talented, skilled people is competitive and expensive. Taking on new staff can be disruptive to existing employees. Also, it takes time to develop ‘cultural awareness’, product/ process/ organization knowledge and experience for new staff members.

As organizations vary in size, aims, functions, complexity, construction, the physical nature of their product, and appeal as employers, so do the contributions of human resource management. But, in most the ultimate aim of the function is to: “ensure that at all times the business is correctly staffed by the right number of people with the skills relevant to the business needs”, that is, neither overstaffed nor understaffed in total or in respect of any one discipline or work grade.

Nature of Human Resource Management:

Human Resource Management is a process of bringing people and organizations together so that the goals of each are met. The various features of HRM include:

- It is pervasive in nature as it is present in all enterprises.
- Its focus is on results rather than on rules.
- It tries to help employees develop their potential fully.
- It encourages employees to give their best to the organization.
- It is all about people at work, both as individuals and groups.
- It tries to put people on assigned jobs in order to produce good results.
- It helps an organization meet its goals in the future by providing for competent and well-motivated employees.
- It tries to build and maintain cordial relations between people working at various levels in the organization.
- It is a multidisciplinary activity, utilizing knowledge and inputs drawn from psychology, economics, etc.

Human Resource Management: Scope

The scope of HRM includes

Personnel Aspect:

This is concerned with manpower planning, recruitment, selection, placement, transfer, promotion, training and development, layoff and retrenchment, remuneration, incentives, productivity etc.

Welfare Aspect:

It deals with working conditions and amenities such as canteens, crèches, rest and lunch rooms, housing, transport, medical assistance, education, health and safety, recreation facilities, etc.

Industrial Relations Aspect:

This covers union-management relations, joint consultation, collective bargaining, grievance and disciplinary procedures, settlement of disputes, etc.

Human Resource Management: Objectives

The prime objectives of Human Resource Management are;

- To help the organization reach its goals.
- To ensure effective utilization and maximum development of human resources.
- To ensure respect for human beings.
- To identify and satisfy the needs of individuals.
- To ensure reconciliation of individual goals with those of the organization.
- To achieve and maintain high morale among employees.

- To provide the organization with well-trained and well-motivated employees.
- To increase to the fullest, the employee's job satisfaction and self-actualization.
- To develop and maintain a quality of work life.
- To be ethically and socially responsive to the needs of society.
- To develop overall personality of each employee in its multidimensional aspect.
- To enhance employee's capabilities to perform the present job.
- To equip the employees with precision and clarity in transaction of business.
- To inculcate the sense of team spirit, team work and inter-team collaboration.

The objectives can be defined under four heads, as follows:

Societal Objectives:

The societal objectives are socially and ethically responsible for the needs and challenges of society. While doing so, they have to minimize the negative impact of such demands upon the organization. The failure of organizations to use their resources for society's benefit in ethical ways may lead to restrictions. For example, the society may limit human resource decisions to laws that enforce reservation in hiring and laws that address discrimination, safety or other such areas of societal concern.

Organizational Objectives:

The organizational objectives recognize the role of human resource management in bringing about organizational effectiveness. Human resource management is not an end in itself; it is only a means to assist the organization with its primary objectives. Simply stated the human resource department exists to serve the rest of the organization.

Functional Objectives:

Functional objectives try to maintain the department's contribution at a level appropriate to the organization's needs. Human resources are to be adjusted to suit the organization's demands. The department's level of service must be tailored to fit the organization it serves.

Personal Objectives:

Personal objectives assist employees in achieving their personal goals, at least insofar as these goals enhance the individual's contribution to the organization. Personal objectives of employees must be met if they are to be maintained, retained and motivated. Otherwise, employee performance and satisfaction may decline giving rise to employee turnover.

Evolution & Development of HRM:

Evolution and Development of HR Management

Before 1900, improving the working life of individuals was a major concern of reformers. Some employees attempted to start unions or strike for improved conditions. However, HR management as a specialized function in organizations began its formal emergence shortly before 1900.

Before that time, most hiring, firing, training, and pay-adjustment decisions were made by individual supervisors. Also, the scientific management studies conducted by Frederick W. Taylor and others, beginning in 1885, helped management identify ways to make work more efficient and less fatiguing, thus increasing worker productivity.

As organizations grew larger, many managerial functions such as purchasing and personnel began to be performed by specialists. The growth of organizations also led to the establishment of the first personnel departments about 1910. Work by individuals such as Frank and Lillian Gilbreth dealt with task design and efficiency. The Hawthorne Studies, conducted by Elton Mayo in the mid1920s, revealed the impact of work groups on individual workers. Ultimately, these studies led to the development and use of employee counselling and testing in industry.

In the 1930s, in US, the passage of several major labor laws, such as the National Labor Relations Act of 1935, led to the growth of unions. The importance of collective bargaining and union/management relations following the labor unions rise to power in the 1940s and 1950s expanded the responsibilities of the personnel area in many organizations, especially those in manufacturing, utilities, and transportation. Such work as keeping payroll and retirement records, arranging stockholder visits, managing school relations, and organizing company picnics was often the major role of personnel departments. The role of the HR department in the organization as a staff function to support operational (line) departments expanded during this period, and line/staff issues grew to influence HR departments in the following decades.

Increased legal requirements and constraints arising from the social legislation of the 1960s and 1970s forced dramatic changes in the HR departments of most organizations. HR departments had to become much more professional and more concerned about the legal ramifications of policies and practices. Also, organizations took a new look at employee involvement and quality of work as a result of concerns about the impact of automation and job design on worker productivity.

During the 1980s, the strategic role of HR management became essential as organizations reduced staff, closed plants, or restructured. Out placing employees and retraining the rest became prime concerns of HR departments. Containing the costs of health-care benefits also grew in importance.

During the 1990s, organizational restructuring continued. A study of HR executives involved in reengineering the HR management in their companies found that the traditional HR function began shifting its emphases. As Figure 2.1 indicates, the HR managers of the future will need to be more strategic and proactive.

Changing demographics and increasing shortages of workers with the needed capabilities have grown in importance. Related to the demographic shifts, HR management has had to address the issues and implications of work- force diversity. Both the outsourcing of HR activities and the computerization of the administrative aspects of HR activities, even in small firms, have received attention as well. Finally, growth in issues involving employee rights, such as drug testing and smoking restrictions, are affecting how HR activities are managed.

The 21st century would see the following inter-related phenomena emerging, posing challenges to the corporate world and culminating in Olympian competition:

- Borderless world
- Diversity
- Knowledge Power

The cross-cultural, cross-border mingling has resulted in the creation of a new class of people global citizens with global attitudes, tastes and networks. Since it unleashes multiple variables, the borderless world precludes immense complexity in the environment, in inter-organizational relationships, in modes of conducting business and in socio-cultural diversity.

One of the important duties of the modern HR manager is to get things done through people. He has to bring employees into contact with the organization in such a way that the objectives of both groups are achieved. He must be interested in the people, the work and the achievement of assigned objectives. To be effective, he must balance his concerns for people and work. In other words, he must know how to utilize human as well as non-human resources while translating goals into action.

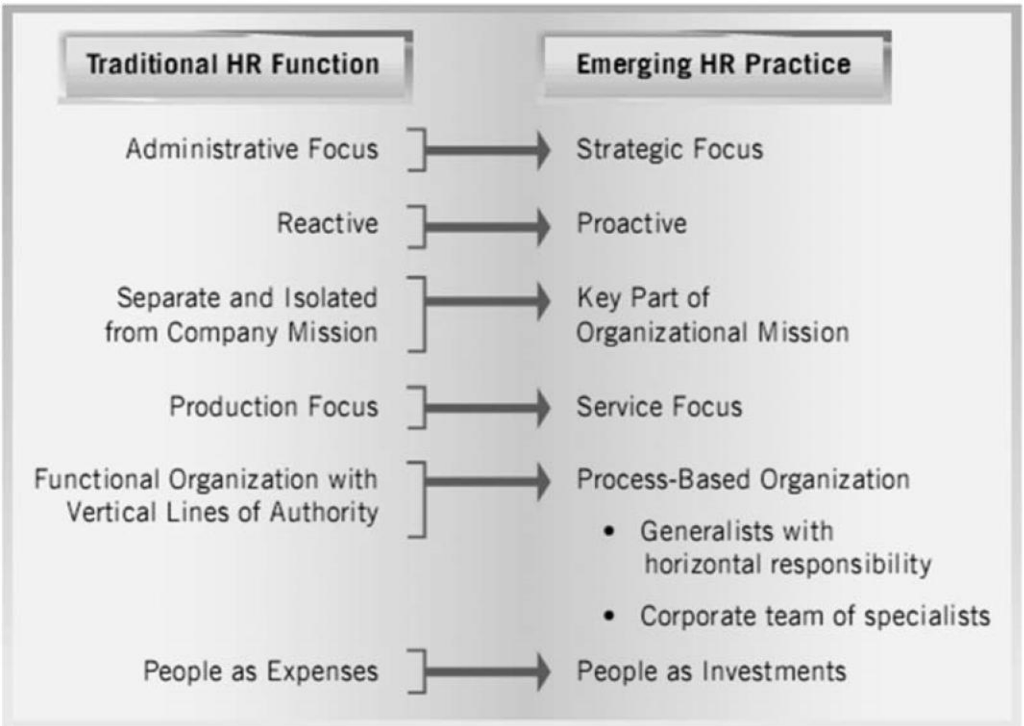


Figure 2.1: Shifts in HR Management

It is in managing human assets that the manager's capabilities are tested fully, because of the following reasons:

- Human resources are heterogeneous. They consist of many different individuals, each of whom has a unique personality, a combination of different emotional responses to different stimuli and different values, attitudes, motives and modes of thought.

- Human beings behave in widely different and complicated ways. Their reactions to promises, praise or criticism, for example, can be quite different. It is very difficult to predict their behavior especially in an organization where they work in-groups. Their behavior is neither consistent nor readily predictable.

- Modern employees are better educated, possess greater skills, have more sophisticated technology available for their use and enjoy higher standards of living than previous generations.

- A human being himself determines what he contributes. If he is motivated, he will work for an organization more efficiently and effectively.

So, it must be recognized by the manager that individuals, not organizations, create excellence. Recognizing the importance of the human element in the production process, PF Drucker had remarked that "man, of all the resources available to man, can grow and develop". The problem of establishing the right climate to maximize employee motivation and commitment is still with us.

Functions of HRM

Manpower planning:

The penalties for not being correctly staffed are costly.

- Understaffing loses the business economies of scale and specialization, orders, customers and profits.

- Overstaffing is wasteful and expensive, if sustained, and it is costly to eliminate because of modern legislation in respect of redundancy payments, consultation, minimum periods of notice, etc. Very importantly, overstaffing reduces the competitive efficiency of the business.

Planning staff levels requires that an assessment of present and future needs of the organization be compared with present resources and future predicted resources. Appropriate steps then be planned to bring demand and supply into balance.

Thus the first step is to take a 'satellite picture' of the existing workforce profile (numbers, skills, ages, flexibility, gender, experience, forecast capabilities, character, potential, etc. of existing employees) and then to adjust this for 1, 3 and 10 years ahead by amendments for normal turnover, planned staff movements, retirements, etc, in line with the business plan for the corresponding time frames.

The result should be a series of crude supply situations as would be the outcome of present planning if left unmodified. (This, clearly, requires a great deal of information accretion, classification and statistical analysis as a subsidiary aspect of personnel management.)

What future demands will be only influenced in part by the forecast of the personnel manager, whose main task may well be to scrutinize and modify the crude predictions of other managers. Future staffing needs will derive from:

- Sales and production forecasts
- The effects of technological change on task needs
- Variations in the efficiency, productivity, flexibility of labor as a result of training, work study, organizational change, new motivations, etc.
- Changes in employment practices (e.g. use of subcontractors or agency staffs, hiving-off tasks, buying in, substitution, etc.)
- Variations, which respond to new legislation, e.g. payroll taxes or their abolition, new health and safety requirements
- Changes in Government policies (investment incentives, regional or trade grants, etc.)

What should emerge from this 'blue sky gazing' is a 'thought out' and logical staffing demand schedule for varying dates in the future which can then be compared with the crude supply schedules. The comparisons will then indicate what steps must be taken to achieve a balance.

That, in turn, will involve the further planning of such recruitment, training, retraining, labor reductions (early retirement/redundancy) or changes in workforce utilization as will bring supply and demand into equilibrium, not just as a one–off but as a continuing workforce planning exercise the inputs to which will need constant varying to reflect 'actual' as against predicted experience on the supply side and changes in production actually achieved as against forecast on the demand side.

Recruitment and Selection of Employees:

Recruitment of staff should be preceded by:

An analysis of the job to be done (i.e. an analytical study of the tasks to be performed to determine their essential factors) written into a job description so that the selectors know what physical and mental characteristics applicants must possess, what qualities and attitudes are desirable and what characteristics are a decided disadvantage;

- In the case of replacement staff, a critical questioning of the need to recruit at all (replacement should rarely be an automatic process).
- Effectively, selection is 'buying' an employee (the price being the wage or salary multiplied by probable years of service) hence bad buys can be very expensive. For that reason, some firms (and some firms for particular jobs) use external expert consultants for recruitment and selection.
- Equally some small organizations exist to 'head hunt', i.e. to attract staff with high reputations from existing employers to the recruiting employer. However, the 'cost' of poor selection is such that, even for the mundane day-to-day jobs, those who recruit and select should be well trained to judge the suitability of applicants.

The main sources of recruitment are:

- Internal promotion and internal introductions (at times desirable for morale purposes)
- Careers officers (and careers masters at schools)
- University appointment boards
- Agencies for the unemployed
- Advertising (often via agents for specialist posts) or the use of other local media (e.g. commercial radio)

Where the organization does its own printed advertising it is useful if it has some identifying logo as its trade mark for rapid attraction and it must take care not to offend the sex, race, etc. antidiscrimination legislation either directly or indirectly. The form on which the applicant is to apply (personal appearance, letter of application, completion of a form) will vary according to the posts vacant and numbers to be recruited.

It is very desirable in many jobs that claim about experience and statements about qualifications are thoroughly checked and that applicants unfailingly complete a health questionnaire (the latter is not necessarily injurious to the applicant's chance of being appointed as firms are required to employ a percentage of disabled people).

Before letters of appointment are sent any doubts about medical fitness or capacity (in employments where hygiene considerations are dominant) should be resolved by requiring applicants to attend a medical examination. This is especially so where, as for example in the case of apprentices, the recruitment is for a contractual period or involves the firm in training costs.

Interviewing can be carried out by individuals (e.g. supervisor or departmental manager), by panels of interviewers or in the form of sequential interviews by different experts and can vary from a five minute 'chat' to a process of several days. Ultimately personal skills in judgment are probably the most important, but techniques to aid judgment include selection testing for:

- Aptitudes (particularly useful for school leavers)
- Attainments
- General intelligence

In more senior posts other techniques are:

- Leaderless groups
- Command exercises
- Group problem solving

(These are some common techniques - professional selection organizations often use other techniques to aid in selection).

Training in interviewing and in appraising candidates is clearly essential to good recruitment. Largely the former consists of teaching interviewers how to draw out the interviewee and the latter how to rate the candidates.

For consistency (and as an aid to checking that) rating often consists of scoring candidates for experience, knowledge, physical / mental capabilities, intellectual levels, motivation, prospective potential, leadership abilities etc. (according to the needs of the post). Application of the normal curve of distribution to scoring eliminates freak judgments.

Employee Motivation

To retain good staff and to encourage them to give of their best while at work requires attention to the financial and psychological and even physiological rewards offered by the organization as a continuous exercise.

Basic financial rewards and conditions of service (e.g. working hours per week) are determined externally (by national bargaining or government minimum wage legislation) in many occupations but as much as 50 per cent of the gross pay of manual workers is often the result of local negotiations and details (e.g. which particular hours shall be worked) of conditions of service are often more important than the basics. Hence there is scope for financial and other motivations to be used at local levels.

As staffing needs will vary with the productivity of the workforce (and the industrial peace achieved), so good personnel policies are desirable. The latter can depend upon other factors (like environment, welfare, employee benefits, etc.) but unless the wage packet is accepted as 'fair and just' there will be no motivation.

Hence while the technicalities of payment and other systems may be the concern of others, the outcome of them is a matter of great concern to human resource management.

Increasingly the influence of behavioral science discoveries is becoming important not merely because of the widely-acknowledged limitations of money as a motivator, but because of the changing mix and nature of tasks (e.g. more service and professional jobs and far fewer unskilled and repetitive production jobs).

The former demand better-educated, mobile and multi-skilled employees who are much more likely to be influenced by things like job satisfaction, involvement, participation, etc. than the economically dependent employees of yesteryear.

Hence human resource management must act as a source of information about and a source of inspiration for the application of the findings of behavioural science. It may be a matter of drawing the attention of senior managers to what is being achieved elsewhere and the gradual education of middle managers to new points of view on job design, work organization and worker autonomy.

Employee Evaluation

An organization needs constantly to take stock of its workforce and to assess its performance in existing jobs for three reasons:

- To improve organizational performance via improving the performance of individual contributors (should be an automatic process in the case of good managers, but (about annually) two key questions should be posed: o What has been done to improve the performance of a person last year?
- What can be done to improve his or her performance in the year to come?).

- To identify potential, i.e. to recognize existing talent and to use that to fill vacancies higher in the organization or to transfer individuals into jobs where better use can be made of their abilities or developing skills.

- To provide an equitable method of linking payment to performance where there are no numerical criteria (often this salary performance review takes place about three months later and is kept quite separate from 1. and 2. but is based on the same assessment).

On-the-spot managers and supervisors, not HR staffs, carry out evaluations. The personnel role is usually that of:

- Advising top management of the principles and objectives of an evaluation system and designing it for particular organizations and environments.

- Developing systems appropriately in consultation with managers, supervisors and staff representatives. Securing the involvement and cooperation of appraisers and those to be appraised.

- Assistance in the setting of objective standards of evaluation / assessment, for example:

    1. Defining targets for achievement;
    2. Explaining how to quantify and agree objectives;
    3. Introducing self-assessment;
    4. Eliminating complexity and duplication.

- Publicizing the purposes of the exercise and explaining to staff how the system will be used.

- Organizing and establishing the necessary training of managers and supervisors who will carry out the actual evaluations/ appraisals. Not only training in principles and procedures but also in the human relations skills necessary. (Lack of confidence in their own ability to handle situations of poor performance is the main weakness of assessors). Monitoring the scheme - ensuring it does not fall into disuse, following up on training/job exchange etc. recommendations, reminding managers of their responsibilities.

Full-scale periodic reviews should be a standard feature of schemes since resistance to evaluation / appraisal schemes is common and the temptation to water down or render schemes ineffectual is ever present (managers resent the time taken if nothing else).

Basically an evaluation / appraisal scheme is a formalization of what is done in a more casual manner anyway (e.g. if there is a vacancy, discussion about internal moves and internal attempts to put square pegs into 'squarer holes' are both the results of casual evaluation). Most managers approve merit payment and that too calls for evaluation. Made a standard routine task, it aids the development of talent, warns the inefficient or uncaring and can be an effective form of motivation.

Industrial Relations

Good industrial relations, while a recognizable and legitimate objective for an organization, are difficult to define since a good system of industrial relations involves complex relationships between:

a) Workers (and their informal and formal groups, i.e. trade union, organizations and their representatives);

b) Employers (and their managers and formal organizations like trade and professional associations);

c) The government and legislation and government agencies l and 'independent' agencies like the Advisory Conciliation and Arbitration Service.

Oversimplified, work is a matter of managers giving instructions and workers following them - but (and even under slavery we recognize that different 'managing' produces very different results) the variety of 'forms' which have evolved to regulate the conduct of parties (i.e. laws, custom and practice, observances, agreements) makes the giving and receipt of instructions far from simple. Two types of 'rule' have evolved:

- 'Substantive', determining basic pay and conditions of service (what rewards workers should receive);
- 'Procedural,' determining how workers should be treated and methods and procedures.

Determining these rules are many common sense matters like:

- Financial, policy and market constraints on the parties (e.g. some unions do not have the finance to support industrial action, some have policies not to strike, some employers are more vulnerable than others to industrial action, some will not make changes unless worker agreement is made first, and rewards always ultimately reflect what the market will bear);
- The technology of production (the effect of a strike in newspaper production is immediate it may be months before becoming effective in shipbuilding);
- The distribution of power within the community - that tends to vary over time and with economic conditions workers (or unions) dominating in times of full employment and employers in times of recession.

Broadly in the Western style economies the parties (workers and employers) are free to make their own agreements and rules. This is called 'voluntarism'. But it does not mean there is total non-interference by the government. That is necessary to:

- Protect the weak (hence minimum wage);
- Outlaw discrimination (race or sex);
- Determine minimum standards of safety, health, hygiene and even important conditions of service;
- To try to prevent the abuse of power by either party.

HR Manager's Responsibilities

The personnel manager's involvement in the system of industrial relations varies from organization to organization, but normally he or she is required to provide seven identifiable functions, thus:

- To keep abreast of industrial law (legislation and precedents) and to advise managers about their responsibilities e.g. to observe requirements in respect of employing disabled persons, not to discriminate, not to disclose 'spent' convictions of employees, to observe codes of practice etc. in relation to discipline and redundancy, and similarly to determine organizational policies (in conjunction with other managers) relevant to legal and moral requirements.

- To conduct (or assist in the conduct) of either local negotiation (within the plant) or similarly to act as the employer's representative in national negotiations. This could be as a critic or advisor in respect of trade etc. association policies or as a member of a trade association negotiating team. Agreements could be in respect of substantive or procedural matters. Even if not directly involved the personnel manager will advise other managers and administrators of the outcome of negotiations.

- To ensure that agreements reached are interpreted so as to make sense to those who must operate them at the appropriate level within the organization (this can involve a lot of new learning at supervisory level and new pay procedures and new recording requirements in administration and even the teaching of new employment concepts – like stagger systems of work - at management level).

- To monitor the observance of agreements and to produce policies that ensures that agreements are followed within the organization. An example would be the policy to be followed on the appointment of a new but experienced recruit in relation to the offered salary where there is a choice of increments to be given for experience, ability or qualification.

- To correct the situations which go wrong? 'Face' is of some importance in most organizations and operating at 'remote' staff level personnel managers can correct industrial relations errors made at local level without occasioning any loss of dignity (face) at the working level. 'Human resource management' and the obscurity of its reasoning can be blamed for matters which go wrong at plant level and for unwelcome changes, variations of comfortable 'arrangements' and practices and unpopular interpretation of agreements.

- To provide the impetus (and often devise the machinery) for the introduction of joint consultation and worker participation in decision-making in the organization. Formal agreement in respect of working conditions and behavior could never cover every situation likely to arise. Moreover, the more demanding the task (in terms of the mental contribution by the worker to its completion) the more highly–educated the workers need to be and the more they will want to be consulted about and involved in the details of work life. Matters like the rules for a flexi time system or for determining the correction of absenteeism and the contents of jobs are three examples of the sort of matters that may be solely decided by management in some organizations but a matter for joint consultation (not negotiation) in others with a more twenty-first-century outlook and philosophy. Human resource management is very involved in promoting and originating ideas in this field.

- To provide statistics and information about workforce numbers, costs, skills etc. as relevant to negotiations (i.e. the cost of pay rises or compromise proposals, effect on differentials and possible recruitment/retention consequences of this or whether agreement needs to be known instantly); to maintain personnel records of training, experience, achievements, qualifications, awards and possibly pension and other records; to produce data of interest to management in respect of personnel matters like absentee figures and costs, statistics of sickness absence, costs of welfare and other employee services, statements about development in policies by other organizations, ideas for innovations; to advise upon or operate directly, grievance, redundancy, disciplinary and other procedures.

Provision of Employee Services

Attention to the mental and physical well-being of employees is normal in many organizations as a means of keeping good staff and attracting others.

The forms this welfare can take are many and varied, from loans to the needy to counselling in respect of personal problems.

Among the activities regarded as normal are:

- Schemes for occupational sick pay, extended sick leave and access to the firm's medical adviser;
- Schemes for bereavement or other special leave;
- The rehabilitation of injured/unfit/ disabled employees and temporary or permanent move to lighter work;
- The maintenance of disablement statistics and registers (there are complicated legal requirements in respect of quotas of disabled workers and a need for 'certificates' where quota are not fulfilled and recruitment must take place);
- Provision of financial and other support for sports, social, hobbies, activities of many kinds which are work related;
- Provision of canteens and other catering facilities;
- Possibly assistance with financial and other aid to employees in difficulty (supervision, maybe, of an employee managed benevolent fund or scheme);
- Provision of information handbooks,
- Running of pre-retirement courses and similar fringe activities;
- Care for the welfare aspects of health and safety legislation and provision of first-aid training.

The location of the health and safety function within the organization varies. Commonly a split of responsibilities exists under which 'production' or 'engineering' management cares for the provision of safe systems of work and safe places and machines etc., but HRM is responsible for administration, training and education in awareness and understanding of the law, and for the alerting of all levels to new requirements.

Employee Education, Training and Development

In general, education is 'mind preparation' and is carried out remote from the actual work area, training is the systematic development of the attitude, knowledge, skill pattern required by a person to perform a given task or job adequately and development is 'the growth of the individual in terms of ability, understanding and awareness'.

Within an organization all three are necessary in order to:

- Develop workers to undertake higher-grade tasks;
- Provide the conventional training of new and young workers (e.g. as apprentices, clerks,etc.);
- Raise efficiency and standards of performance;
- Meet legislative requirements (e.g. health and safety);
- Inform people (induction training, pre-retirement courses, etc.);

From time to time meet special needs arising from technical, legislative, and knowledge need changes. The diagnosis of other than conventional needs is complex and often depends upon the intuition or personal experience of managers and needs revealed by deficiencies. Sources of inspiration include:

- Common sense - it is often obvious that new machines, work systems, task requirements and changes in job content will require workers to be prepared;
- Shortcomings revealed by statistics of output per head, performance indices, unit costs, etc and behavioural failures revealed by absentee figures, lateness, sickness etc. records;
- Recommendations of government and industry training organizations;
- Inspiration and innovations of individual managers and supervisors;
- Forecasts and predictions about staffing needs;
- Inspirations prompted by the technical press, training journals, reports of the experience of others;
- The suggestions made by specialist (e.g. education and training officers, safety engineers, work-study staff and management services personnel).

Designing training is far more than devising courses; it can include activities such as:

- Learning from observation of trained workers;
- Receiving coaching from seniors;
- Discovery as the result of working party, project team membership or attendance at meetings; Job swaps within and without the organization;
- Undertaking planned reading, or follow from the use of self–teaching texts and video tapes; Learning via involvement in research, report writing and visiting other works or organizations.

So far as group training is concerned in addition to formal courses there are:

- Lectures and talks by senior or specialist managers;

- Discussion group (conference and meeting) activities;
- Briefing by senior staffs;
- Role-playing exercises and simulation of actual conditions;
- Video and computer teaching activities;
- Case studies (and discussion) tests, quizzes, panel 'games', group forums, observation exercises and inspection and reporting techniques.

Evaluation of the effectiveness of training is done to ensure that it is cost effective, to identify needs to modify or extend what is being provided, to reveal new needs and redefine priorities and most of all to ensure that the objectives of the training are being met.

The latter may not be easy to ascertain where results cannot be measured mathematically. In the case of attitude and behavioural changes sought, leadership abilities, drive and ambition fostered, etc., achievement is a matter of the judgment of senior staffs. Exact validation might be impossible but unless on the whole the judgments are favourable the cooperation of managers in identifying needs, releasing personnel and assisting in training ventures will cease.

In making their judgments senior managers will question whether the efforts expended have produced:

- More effective, efficient, flexible employees;
- Faster results in making newcomers knowledgeable and effective than would follow from experience;
- More effective or efficient use of machinery, equipment and work procedures;
- Fewer requirements to implement redundancy (by retraining);
- Fewer accidents both personal and to property;
- Improvements in the qualifications of staff and their ability to take on tougher roles;
- Better employee loyalty to the organization with more willingness to innovate and accept change.

Personnel Policy:

Personnel Policy can be defined as a "set of rules that define the manner in which an organization deals with a human resources or personnel-related matter. A personnel policy should reflect good practice, be written down, be communicated across the organization, and should adapt to changing circumstances.

The major steps involved in Personnel Policy framing is as follows"

- Identify the need for a policy
- Information collection
- Policy Drafting and Review
- Management Support
- Implement the Policy
- Communicate the policy

Identify the Need for a Policy

It is imperative for any organization to have the necessary policies and procedures to ensure a safe, organized, convivial, empowering, non-discriminatory work place. Yet, the organization may want to write a policy for every exception to accepted and expected behaviour. Policy development is for the many employees not for the few exceptions.

Consequently, Organization s does not want to create policies for every contingency, thus allowing very little management latitude in addressing individual employee needs. Conversely, Organizations want to have needed policies, so that employees never feel as if they reside in a free-for-all environment of favouritism and unfair treatment. Hence the need analysis for a policy is a prerequisite in policy framing.

A policy is necessary:

- If the actions of employees indicate confusion about the most appropriate way to behave (dress codes, email and Internet policies, cell phone use),
- If guidance is needed about the most suitable way to handle various situations (standards of conduct, travel expenditures, purchase of company merchandise),
- When needed to protect the company legally (consistent investigation of charges of harassment, non-discriminatory hiring and promotion),
- To keep the company in compliance with governmental policies and laws (Minimum Wages, Factory Law),
- To establish consistent work standards, rules, and regulations (progressive discipline, safety rules, break rules, smoking rules), and
- To provide consistent and fair treatment for employees (benefits eligibility, paid time off, tuition assistance, bereavement time, jury duty).

There may be other reasons, additionally, for why Organization may want to develop a policy. Remember, though, that one employee's poor behaviour should not require a policy that will affect all other employees.

Information Collection:

Once Organizations have determined that a policy is necessary, determine the goal Organization want to accomplish in writing the particular policy. When possible, Organization may want to tell employees why the policy is being implemented. Organization need enough details in the policy to make the company's position clear, yet Organization can never hope to cover every potential situation addressed by the policy.

Policy Drafting and Review:

With the collected information in hand, write the policy using simple words and concepts. Speak directly to the people who will be reading, enforcing, and living by the policy. A HR person should ask "what if" a question to make certain the policy is covering the basics and the normal exceptions and questions. Do not obsess over this, however; as stated, no policy ever covers every possible contingency.

It is suggested to select several employees, or even a small pilot group, to read the policy and ask any questions they might have about the policy. This review provides feedback that employees will be able to understand and follow the policy. Then the Policy requires to be rewritten based on the feedback.

Management Support:

The Policy should be reviewed with the managers who will have to lead and put into effect the policy. Organization may want to have their support and ownership of the policy. Organization would have started this process much earlier, even as early as when Organization identified the need for the policy, but management support as Organization implement the policy is crucial.

If the policy has legal implications, is litigious by its nature, has personal implications for employees (such as security procedures), Organization would want to have Organization's attorney review the policy before Organization distribute the policy further. Make sure Organization communicate to the attorney that Organization does not want the policy rewritten in "legalese." Organization want the policy reviewed for legal implications and appropriate wording.

Implement the Policy:

In small groups, individually, or in a company meeting, depending generally on the controversial nature of the policy and the ease with which it will be understood, distribute and review the new policy. Employees should be given chance to ask questions on this policy.

The policy should always consist of the policy on a piece of paper with the employee sign off on a second sheet. Employees can sign off that they have received and understand the policy, yet retain a copy for their own files.

Communication of Policy:

The Policy should be included in the Organization's employee handbook. Organization may also want the policy to become part of Organization's New Employee Orientation. Some companies place policies in their Intranet or in a policy folder on the computer network's common drive. Organization may also want to archive and date former policies that this policy replaces. Organization may need them for legal or other reference in the future.

Record-keeping:

The oldest and most basic personnel function is employee recordkeeping. This function involves recording, maintaining, and retrieving employee related information for a variety of purposes. Records which must be maintained include application forms, health and medical records, employment history (jobs held, promotions, transfers, and lay-offs), seniority lists, earnings and hours of work, absences, turnover, tardiness, and other employee data. Complete and up-to-date employee records are essential for most personnel functions. More than ever employees today have a great interest in their personnel records. They want to know what is in them, why certain statements have been made, and why records may or may not have been updated.

Personnel records provide the following:

1. A store of up-to-date and accurate information about the company's employees.
2. A guide to the action to be taken regarding an employee, particularly by comparing him with other employees.
3. A guide when recruiting a new employee, e.g. by showing the rates of pay received by comparable employees.
4. A historical record of previous action taken regarding employees.
5. The raw material for statistics which check and guide personnel policies.
6. The means to comply with certain statutory requirements.

The Company maintains three employee files for each employee.

A **personnel file** is maintained for each employee of the organization. These personnel files contain confidential documents and are managed and maintained by Human Resources staff. Typical documents in a personnel file include the employment application, a family emergency contact form, documented disciplinary action history, a resume, employee handbook and at-will employer sign off sheets, current personal information, and job references. Not all personnel files contain the same documents but each personnel file has some documents that are the same.

Payroll files are also maintained; payroll files contain a history of the employee's jobs, departments, compensation changes, and so on.

An **employee medical file** is also maintained. The contents of the medical file are not available to anyone except Human Resources designated staff and the employee whose records are retained in the file. Medical files receive the highest degree of safe storage and confidentiality.

Summary:

HRM is a strategic approach to the acquisition, motivation, development and management of the organization's human resources. It is a specialized field that attempts to define an appropriate corporate culture, and introducing programmes which reflect and support the core values of the enterprise and ensure its success.

HRM is proactive rather than reactive, i.e., always looking forward to what needs to be done and then doing it, rather than waiting to be told what to do about recruiting, paying or training people, or dealing with employee relations problems as they arise. The techniques for the application of HRM will include many familiar functions of personnel managers, such as manpower planning, selection, performance appraisal, salary administration, training and management development. These will be overlaid by special programmes designed to improve communication systems, involvement, commitment, and productivity.

Broadly, there are three meanings attached to the concept of HRM. In the first place, persons working in an organization are regarded as a valuable source, implying that there is a need to invest time and effort in their development. Secondly, they are human resources which mean that they have their own special characteristics and, therefore, cannot be treated like material resources.

The approach focuses on the need to humanize organizational life and introduce human values in the organization. And thirdly, human resources do not merely focus on employees as individuals, but also on other social realities, units and processes in the organization. These include the role or the job a person has in the organization, the dyadic unit, (consisting of the person and his superior), the various teams in which people work, inter-team processes, and the entity of the total organization.

In its essence, HRM is the qualitative improvement of human beings who are considered the most valuable assets of an organization-the sources, resources, and end-users of all products and services. HRM is, no doubt, an outgrowth of the older process and approach. But it is much more than its parent disciplines viz., personnel management, and behavioral science. HRM is also more comprehensive and deep-rooted than training and development. Its approach is multi-disciplinary from the beginning to the end. It is a scientific process of continuously enabling the employees to improve their competency and capability to play their present as well as future expected roles so that the goals of the organization are achieved more fully and at the same time the needs of the employees are also met to an adequate extent.

HRM is a production model approach to personnel management. The HRM model is characterized as being employee-oriented with an emphasis on the maximization of individual skills and motivation through consultation with the workforce so as to produce high levels of commitment to company strategic goals. It is a resource to be used to its fullest capacity. It is an asset to be invested in. HRM is concerned with both the structure of work in a firm and with all the related employment practices that are needed to carry out the work. HRM is not simply about HR or 'people practices', it is about the management of work and people in the firm. Managing people includes both individual and collective dimensions. The traditional personnel management is non-strategic, separate from the business, reactive, short-term, and constrained by a limited definition of its role as dealing with mostly unionized and low level employees. The major attention of traditional personnel function is on personnel administration or management while the major attention of HRM is on developing people and their competencies. If personnel management is curative, HRM is preventive. The key distinguishing feature of HRM is its evolving strategic role.

The management of human resources is more of an art than a science. In practice it is an "art" full of pitfalls, judgment calls, and learning from past mistakes.

Review Questions:

1. Discuss the nature of human resource management? Also define the scope of HRM in today's organizational context.
2. Discuss
   a. Societal Objectives
   b. Organizational Objectives
   c. Personal Objectives
3. Explain in detail about Evolution and Development of Human Resource Management.
4. What are all the various functions of HRM? Discuss the same with relevant examples.
5. Why a Personnel Policy is very vital in an organization? Explain the same with illustrations from your organization of choice.
6. Discuss about Record Keeping in HRM. What are all the essential records that are maintained for an employee?
7. Discuss
   a. Industrial Relations
   b. Employee Evaluation
   c. Recruitment and Selection of Employees
   d. Traditional HR function

HUMAN RESOURCE PLANNING AND PROCUREMENT

Introduction:

Human Resource Planning (HRP) may be defined as strategy for acquisition, utilization, improvement and preservation of the human resources of an enterprise. The objective is to provide right personnel for the right work and optimum utilization of the existing human resources. HRP exists as a part of the planning process of business. This is the activity of the management which is aimed at coordinating requirements for and the availability of different types of employers. The major activities of HRP include: forecasting (future requirements), inventorying (present strength), anticipating (comparison of present and future requirements) and planning (necessary programme to meet future requirements)

HUMAN RESOURCE PLANNING:

Objectives of HRP:

The objectives of HRP are mainly to:

- Ensure optimum utilization of human resources currently employed;
- Assess or forecast future requirements;
- Cope up with the changing scenario;
- Attaching with business plans of organization;
- Anticipate redundancies;
- Provide basis for human resource development (HRD); and
- Assist in productivity bargaining.

Benefits of HRP:

- Proper HRP results into a number of benefits. Some of them are:
- Create reservoir of talent.
- Preparation for future HR needs.
- Promote employees in a systematic manner.
- Provide basis for HRD.
- Help in career and succession planning.

Need for HRP

Major reasons for the emphasis on HRP at macro level include:

Employment-Unemployment Situation

Though in general the number of educated unemployed is on the rise, there is acute shortage for a variety of skills. This emphasizes the need for more effective recruitment and retaining people.

Technological Changes:

The myriad changes in production technologies, marketing methods and management techniques have been extensive and rapid. Their effect has been profound on job contents and job contexts.

These changes cause problems relating to redundancies, retraining and redeployment. All these suggest the need to plan manpower needs intensively and systematically.

Organizational Changes:

In the turbulent environment marked by cyclical fluctuations and discontinuities, the nature and pace of changes in organizational environment, activities and structures affect manpower requirements and require strategic considerations.

Demographic Changes:

The changing profile of the work force in terms of age, sex, literacy, technical inputs and social background has implications for HRP.

Skill Shortages:

Unemployment does not mean that the labor market is a buyer's market. Organizations have generally become more complex and require a wide range of specialist skills that are rare and scarce. Problems arise when such employees leave.

Governmental Influences:

Government control and changes in legislation with regard to affirmative action for disadvantaged groups, working conditions and hours of work, restrictions on women and child employment, casual and contract labor, etc. have stimulated the organizations to become involved in systematic HRP.

Legislative Controls:

The days of executive fiat and 'hire and fire' policies are gone. Now legislation makes it difficult to reduce the size of an organization quickly and cheaply. It is easy to increase but difficult to shed the fat in terms of the numbers employed because of recent changes in labor law relating to lay-offs and closures. Those responsible for managing manpower must look far ahead and thus attempt to foresee manpower problems.

Impact of Pressure Groups:

Pressure groups such as unions, politicians and persons displaced from land by location of giant enterprises have been raising contradictory pressures on enterprise management such as internal recruitment and promotions, preference to employees' children, displace persons, sons of the soil etc.

Systems Concept:

The spread of systems thinking and the advent of the macro-computer, as part of the on-going revolution in information technology, emphasize planning and newer ways of handling voluminous personnel records.

Lead Time:

The long lead time is necessary in the selection process and for training and deployment of the employee to handle new knowledge and skills successfully.

Levels of HRP

HRP is carried out at the following levels:

a. **National Level:** The Central Government plans for human resources at the national level. It forecasts the demand for and supply of human resources as a whole. For example, the Government of India specifies the objectives of HRP in successive five-year plans.

b. **Sectoral Levels:** Central and State Governments, formulate HRPs for different sectors. For example, industrial sector, agricultural sector etc.

c. **Industry Level:** HRP for specific industries are prepared by the particular industries.

d. **Unit Level:** HRP for a particular department/sector of an industry is prepared at this level. It again includes the following levels.

   - Plant level;
   - Department level; and
   - Divisional level.

HR Planning Process

The steps in the HR planning process are shown in Figure 1.1. Notice that the HR planning process begins with considering the organizational objectives and strategies. Then both external and internal assessments of HR need and supply sources must be done and forecasts developed. Key to assessing internal human resources is having solid information, which is accessible through a human re- source information system (HRIS).

Once the assessments are complete, forecasts must be developed to identify the mismatch between HR supply and HR demand. HR strategies and plans to address the imbalance, both short and long term, must be developed.

HR strategies are the means used to aid the organization in anticipating and managing the supply and demand for human resources. These HR strategies provide overall direction for how HR activities will be developed and managed. Finally, specific HR plans are developed to provide more specific direction for the management of HR activities.

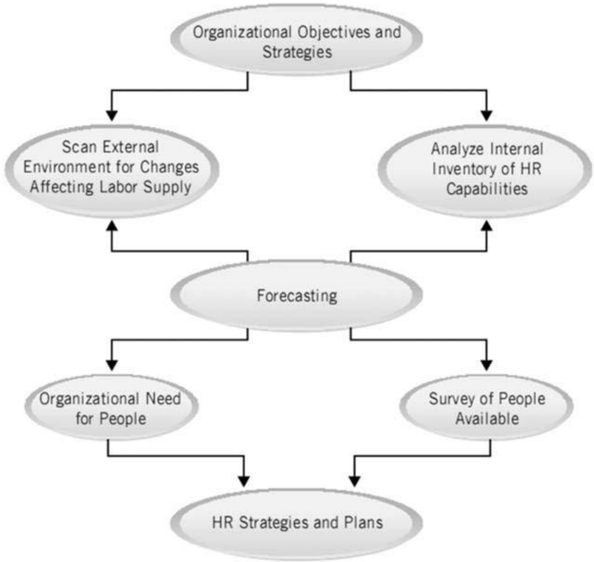


Figure 1.1: HRP Process

Developing the HR Plan

The HR plan must be guided by longer-term plans. For example, in planning for human resources, an organization must consider the allocation of people to jobs over long periods of time not just for the next month or even the next year. This allocation requires knowledge of any foreseen expansions or reductions in operations and any technological changes that may affect the organization. On the basis of such analyses, plans can be made for shifting employees within the organization, laying off or otherwise cutting back the number of employees, or retraining present employees. Factors to consider include the current level of employee knowledge, skills, and abilities in an organization and the expected vacancies resulting from retirement, promotion, transfer, sick leave, or discharge.

In summary, the HR plan provides a road map for the future, identifying where employees are likely to be obtained, when employees will be needed, and what training and development employees must have. Through succession planning, employee career path scan be tailored to individual needs that are consistent with organizational requirements.

Further, the compensation system has to fit with the performance appraisal system, which must fit with HR development decisions, and so on. In summary, the different HR activities must be aligned with the general business strategy, as well as the overall HR strategy, in order to support business goals.

Evaluating HR Planning

If HR planning is done well, the following benefits should result: Upper management has a better view of the human resource dimensions of business decisions. HR costs may be lower because management can anticipate imbalances before they become unmanageable and expensive. More time is available to locate talent because needs are anticipated and identified before the actual staffing is required.

Better opportunities exist to include women and minority groups in future growth plans. Development of managers can be better planned.

To the extent that these results can be measured, they can form the basis for evaluating the success of HR planning. Another approach is to measure projected levels of demand against actual levels at some point in the future. But the most telling evidence of successful HR planning is an organization in which the human resources are consistently aligned with the needs of the business over a period of time.

Environmental Scanning and its effect on HRP

Environmental Scanning is the process of studying the environment of the organization to pinpoint opportunities and threats. Scanning especially affects HR planning because each organization must draw from the same labor market that supplies all other employers. Indeed, one measure of organizational effectiveness is the ability of an organization to compete for a sufficient supply of human resources with the appropriate capabilities.

Many factors can influence the supply of labor available to an employer. Some of the more significant environmental factors are identified in Figure 1.2. They include government influences; economic, geographic, and competitive conditions; workforce composition; and work patterns.

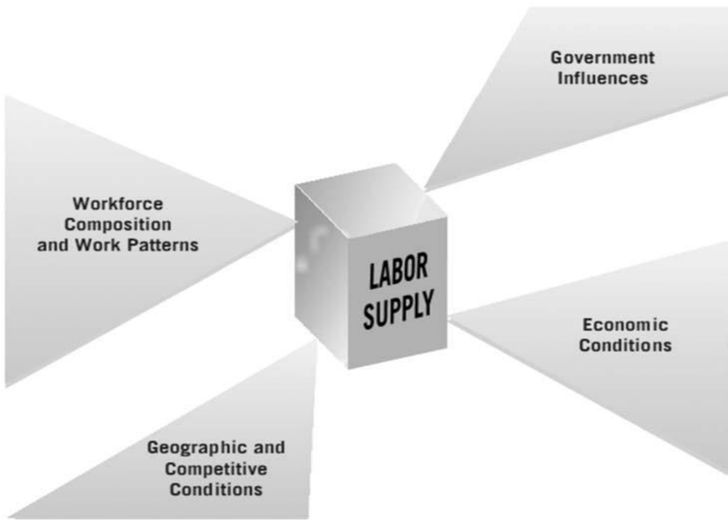


Figure 1.2: External Environmental Scanning

Government Influences:

A major element that affects labor supply is the government. Today, managers are confronted with an expanding and often bewildering array of government rules as regulation of HR activities has steadily increased. As a result, HR planning must be done by individuals who understand the legal requirements of various government regulations.

Tax legislation at local, state, and national levels also affects HR planning. Pension provisions and Social Security legislation may change retirement patterns and funding options. Elimination or expansion of tax benefits for job-training expenses might alter some job-training activities associated with workforce expansions. Employee benefits may be affected significantly by tax law changes.

Tax credits for employee day care and financial aid for education may affect employer practices in recruiting and retaining workers. In summary, an organization must consider a wide variety of government policies, regulations, and laws when doing HR planning.

Economic Conditions:

The general business cycle of recessions and booms also affects HR planning. Such factors as interest rates, inflation, and economic growth help determine the availability of workers and figure into organizational plans and objectives. Decisions on wages, overtime, and hiring or laying off workers all hinge on economic conditions. For example, suppose economic conditions lead to a decrease in the unemployment rate. There is a considerable difference between finding qualified applicants in a 3% unemployment market and in a 7% unemployment market. In the 3% unemployment market, significantly fewer qualified applicants are likely to be available for any kind of position. Those who are available may be less employable because they are less educated, less skilled, or unwilling to work. As the unemployment rate rises, the number of qualified people looking for work increases, making it easier to fill jobs.

Geographic and Competitive Concerns:

Employers must consider the following geographic and competitive concerns in making HR plans:

a. Net migration into the area.

b. Other employers in the area.

c. Employee resistance to geographic relocation.

d. Direct competitors in the area.

e. Impact of international competition on the area.

The net migration into a particular region is important. For example, in the past decade, the population of U.S. cities in the South, Southwest, and West have grown rapidly and provided a ready source of labor.

Other employers in a geographic region can greatly expand or diminish the labor supply. If, for example, a large military facility is closing or moving to another geographic location, a large supply of good civilian labor, previously employed by the military, may be available for a while. In contrast, the opening of a new plant may decrease the supply of potential employees in a labor market for some time.

Within the last decade, there has been growing reluctance on the part of many workers, especially those with working spouses, to accept geographic relocation as a precondition of moving up in the organization. This trend has forced organizations to change their employee development policies and practices, as well as their HR plans.

Direct competitors are another important external force in staffing. Failure to consider the competitive labor market and to offer pay scales and benefits competitive with those of organizations in the same general industry and geographic location may cost a company dearly in the long run. Underpaying or under competing may result in a much lower-quality workforce.

Finally, the impact of international competition, as well as numerous other external factors, must be considered as part of environmental scanning. A global competition for labor appears to be developing as global competitors shift jobs and workers around the world.

Job Analysis:

Emerging from years of downsizing and restructuring, and with a new appreciation for the value of their human resources, many organizations are moving rapidly to embrace a new approach to the management of human resource (HR) process. Job analysis helps to understand the qualities needed by employees, defined through behavioral descriptors, to provide optimum work performance. These qualities range from personality characteristics and abilities to specific skills and knowledge. By linking HR activities through a common language and framework, by reflective the values and mission of the organization and by establishing clear expectations of performance for employees integrates HR practices, defines business strategy of the organization and maximizes the delivery of its services to clients. The critical role of modern job analysis is in guiding, learning and development at activities of employees. Modern Job analysis addresses development through the provision of tools for employees that address:

a. What it takes to do a job;

b. What an individual brings to the job; and

c. What the gaps (learning and development needs) are.

The purpose of this input is to clearly define the context and status of Job Analysis as an HR approach, situate its use within the organization and describe the issues that need to be addressed with respect to its growing application across departments and agencies.

Definition of Job Analysis:

Job analysis is the fundamental process that forms the basis of all human resource activities. The importance of job analysis has been well-established for years, dating back to at least the First World War. The United States Government's Uniform Guidelines on Employee Selection Procedures (1978) and the American Psychological Association's Principles for the Validation and use of Personnel Selection Procedures stipulate that job analysis is essential to the valediction of any and all major human resources activities.

In its simplest terms, a job analysis is a systematic process for gathering, documenting and analysing date about the work required for a job. The data collected in a job analysis, and reflected through a job description, includes a description of the context and principal duties of the job, and information about the skills, responsibilities, mental models and techniques for job analysis. These include the Position Analysis Questionnaire, which focuses on generalized human behaviours and interviews, task inventories, functional job analysis and the job element method.

A job analysis provides an objective picture of the job, not the person performing the job, and as such, provides fundamental information to support all subsequent and related HR activities, such as recruitment, training, development, performance management and succession planning. Job analysis serves two critical functions with respect to these processes.

Job analysis helps ensure that decisions made with respect to HR processes are good decisions i.e., fair and accurate (e.g., selection of the right person for the job, appropriate decisions about training, performance management, development, etc.) and its helps ensure the defensibility of decisions made to employee (resulting in good HR management) and to the courts (resulting in saving of costs, time and reputation).

Importance of Job analysis:

According to scientific management, the key to productivity is a precise understanding of the tasks that constitute a job. If the motions of workers are to become standardized and machine-like, then it is necessary to be certain about what is to be accomplished, as well as what abilities and materials are necessary to do the job. For many years, job analysis was considered the backbone of the scientific clipboards and stopwatches was the method used to determine the most efficient way to perform specific jobs.

As the popularity of scientific management declined after World War II, however, so did the popularity of job analysis. With the new emphasis on human relations as the key to productivity job analysis was used primarily to set salary scales. But in the modern times workers and employers began to take renewed interest in this area because of concerns about two issues: unfair discrimination and comparable worth. There are two areas where unfair discrimination in hiring can occur: in the standards set for being hired; and in the procedures used to assess the applicant's ability to meet those standards. Job analysis addresses the question of what tasks, taken together actually constitutes a job.

Without this information, standards for hiring may appear to be arbitrary or worse, designed to exclude certain individual or groups from the workplace.

More recently, the issue of comparable worth has also contributed to a new interest in job analysis. Comparable worth refers to equal pay for individuals who hold different jobs but perform work that is comparable in terms of knowledge required or level of responsibility. The major issue of the comparable worth controversy is that women who are employed in jobs that are comparable to those held by men are paid, on the average, about 65 percent of what a man would earn. In order to determine the comparability of job tasks so that salaries can also be compared, a proper job analysis is necessary. Comparable work is an issue of considerable interest to many people.

Nature of Job Analysis:

The most basic building block of HR management, job analysis, is a systematic way to gather and analyze information about the content and human requirement of jobs, and the context in which jobs are performed. Job analysis usually involves collecting information on the characteristics of a job that differentiate it from other jobs. Information that can be helpful in making the distinction includes the following:

a) Work activities and behaviors.
b) Machines and equipment used.
c) Interactions with others.
d) Working conditions.
e) Performance standards.
f) Supervision given and received.
g) Financial and budgeting impact.
h) Knowledge, skills, and abilities needed.

Job Analysis and Job Design:

It is useful to clarify the differences between job design and job analysis. Job design is broader in nature and has as its primary thrust meshing the productivity needs of the organization with the needs of the individuals performing the various jobs. Increasingly, a key aim for job design is to provide individuals meaningful work that fits effectively into the flow of the organization. It is concerned with changing, simplifying, enlarging, enriching, or otherwise making jobs such that the efforts of each worker fit together better with other jobs.

Job analysis has a much narrower focus in that it is a formal system for gathering data about what people are doing in their jobs. The information generated by job analysis may be useful in redesigning jobs, but its primary purpose is to get a clear understanding of what is done on a job and what capabilities are needed to do a job as it has been designed. Documents that capture the elements identified during a job analysis are job descriptions and job specifications.

Job Analysis and Changing nature of jobs:

Increasingly, commentators and writers are discussing the idea that the nature of jobs and work is changing so much that the concept of a job may be obsolete for many people. For instance, in some high-technology industries employees work in cross-functional project teams and shift from project to project. The focus in these industries is less on performing specific tasks and duties and more on fulfilling responsibilities and attaining results. For example, a project team of eight employees developing software to allow various credit cards to be used with ATMs worldwide will work on many different tasks, some individually and some with other team members. When that project is finished, those employees will move to other projects, possibly with other employers. Such shifts may happen several times per year. Therefore, the basis for recruiting, selecting, and compensating these individuals is their competence and skills, not what they do. Even the job of managers changes in such situations, for they must serve their project teams as facilitators, gatherers of resources, and removers of roadblocks. However, in many industries that use lower-skilled workers, traditional jobs continue to exist. Studying these jobs and their work consequences is relatively easy because of the repetitiveness of the work and the limited number of tasks each worker performs. Clearly, studying the two different types of jobs the lower-skilled ones and highly technical ones requires different approaches. Many of the typical processes associated with identifying job descriptions are still relevant with the lower skilled, task-based jobs. However, for fast-moving organizations in high technology industries, a job description is becoming an obsolete concept. Employees in these virtual jobs must be able to function without job descriptions and without the traditional parameters that are still useful with less changeable jobs.

Task Based Job Analysis

Analysing jobs based upon what is done on the job focuses on the tasks, duties, and responsibilities performed in a job. A task is a distinct, identifiable work activity composed of motions, whereas a duty is a larger work segment composed of several tasks that are performed by an individual. Because both tasks and duties describe activities, it is not always easy or necessary to distinguish between the two.

For example, if one of the employment supervisor's duties is to interview applicants, one task associated with that duty would be asking questions. Job responsibilities are obligations to perform certain tasks and duties.

For jobs that remain task-based, many standard phases of the job analysis process can continue. As indicated in the phases of traditional job analysis that is outlined later in the chapter, extensive effort is made to clarify what specifically is done on a job. Development of job descriptions identifies what is done and lists job functions.

Competency approach to Job Analysis

There is a growing interest in focusing on the competencies that individuals need in order to perform jobs, rather than on the tasks, duties, and responsibilities composing a job. This shift emphasizes that it is the capabilities that people have that truly influence organizational performance. As E.E. Lawler suggests, instead of thinking of individuals having jobs that are relatively stable and can be written up into typical job descriptions, it may be more relevant to focus on the competencies used. Competencies are basic characteristics that can be linked to enhanced performance by individuals or teams of individuals. The groupings of competencies may include knowledge, skills, and abilities.

Visible and Hidden Competencies

Figure 2.1 illustrates that there are both hidden and visible competencies. Knowledge, being more visible, is recognized by many employers in matching individuals to jobs. With skills, although some are evident such as skill in constructing financial spreadsheets, others such as negotiating skills, may be less identifiable. But it is the hidden competencies of abilities, which may be more valuable, that can enhance performance. For example, the abilities to conceptualize strategic relationships and to resolve interpersonal conflicts are more difficult to identify and assess.

A growing number of organizations are using some facets of competency analysis. A survey of over 200 organizations sponsored by the American Compensation Association (ACA) asked about the major reasons that firms have used the competency approach. The three primary reasons given were

a. Communicating valued behaviours throughout the organization;

b. Raising the competency levels of the organization; and

c. Emphasizing the capabilities of people to enhance organizational competitive advantage.

Many earlier efforts to use competencies have been job-based, meaning that competencies are identified in the context of specific jobs. In this way the competency approach is a logical extension of traditional job analysis activities. However, some organizations are taking the competency approach to another level by focusing on role-based competencies. This shift has been accentuated by the growing use of work teams, whereby individuals move among tasks and jobs. Some of the roles might be leader, supporter, tactician, technical expert, administrator, or others. Through competency analysis, the competencies needed for individuals playing different roles in work teams can be identified. Then selection criteria, development activities, and other HR efforts must be revised to focus on the different sets of competencies needed for the various roles.

Competency Analysis Methodology:

Unlike the traditional approach to analysing jobs, which identifies the tasks, duties, knowledge, and skills associated with a job, the competency approach considers how the knowledge and skills are used. The competency approach also attempts to identify the hidden factors that are often critical to superior performance. For instance, many supervisors talk about employees' attitudes, but they have difficulty identifying what they mean by attitude. The competency approach uses some methodologies to help supervisors identify examples of what they mean by attitude and how those factors affect performance.

Several methodologies are available and being used to determine competencies, with behavioral event interviews being commonly found. This process involves the following steps:

- A team of senior managers identifies future performance results areas critical to the business and strategic plans of the organization. These concepts may be broader than those used in the past.
- Panel groups are assembled composed of individuals knowledgeable about the jobs in the company. This group can include both high- and low-performing employees, supervisors, managers, trainers, and others.
- A facilitator from HR or an outside consultant interviews the panel members to get specific examples of job behaviors and actual occurrences on the jobs. During the interview the individuals are also asked about their thoughts and feelings during each of the described events.
- Using the behavioral events, the facilitator develops detailed descriptions of each of the competencies. This descriptive phase provides clarity and specifics so that employees, supervisors, managers, and others in the organization have a clearer understanding of the competencies associated with jobs.
- The competencies are rated and levels needed to meet them are identified. Then the competencies are specified for each of the jobs.
- Finally, standards of performance are identified and tied to the jobs. Appropriate selection screening, training, and compensation processes focusing on competencies must be developed and implemented.

Examples of the competencies used in organizations vary widely. In one survey of 10 companies, the following were most common.

- Customer focus.
- Leadership.
- Team orientation.
- Innovation.
- Technical expertise.
- Adaptability.
- Results orientation.

Organizational Components and Job Analysis:

Effective HR management demands that job analysis be the foundation for a number of other HR activities. The process of analyzing jobs in organizations requires planning of several factors. As Figure 2.1 indicates, some of the considerations are how it is to be done, who provides data, and who conducts and uses the data so that job descriptions and job specifications can be prepared and reviewed. Once those decisions are made, then several results are linked to a wide range of HR activities. The most fundamental use of job analysis is to provide the information necessary to develop job descriptions and specifications.

Job Analysis Responsibilities:

Most methods of job analysis require that a knowledgeable person describe what goes on in the job or make a series of judgments about specific activities required to do the job. Such information can be provided by the employee doing the job, the supervisor, and/or a trained job analyst. Each source is useful, but each has drawbacks. The supervisor seems to be the best source of information on what should be done, but employees often know more about what actually is done. However, both may lack the knowledge needed to complete a job analysis and draw the appropriate conclusions from it. Thus, job analysis requires a high degree of coordination and cooperation between the HR unit and operating managers.

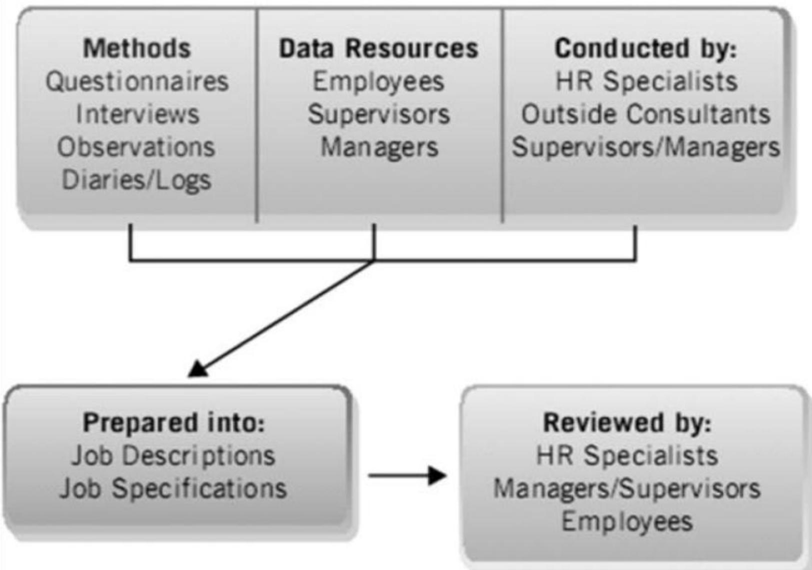


Figure 2.1: Decisions in Job Analysis Process

The responsibility for job analysis depends on who can best perform various aspects of the process. Figure 2.2 shows a typical division of responsibilities in organizations that have an HR unit. In small organizations, managers have to perform all the work activities identified in Figure 2.2. In larger companies, the HR unit supervises the process to maintain its integrity and writes the job descriptions and specifications for uniformity. The managers review the efforts of the HR unit to ensure accuracy and completeness. They also may request reanalysis when jobs change significantly.

HR Unit	Managers
• Prepares and coordinates job analysis procedures • Writes job descriptions and specifications for review by managers • Revises and periodically reviews job descriptions and specifications • Reviews managerial input to ensure accuracy • May seek assistance from outside experts for difficult or unusual analyses	• Complete or assist in completing job analysis information • Review and maintain accuracy of job descriptions/job specifications • May request new job analysis as jobs change • Identify performance standards based on job analysis information

Figure 2.2: Typical Job Analysis Responsibilities

Job Descriptions and Job Specifications

In most cases, the job description and job specifications are combined into one document that contains several different sections. An overview of each section follows next.

Job Descriptions

A job description indicates the tasks, duties, and responsibilities of a job. It identifies what is done, why it is done, where it is done, and briefly, how it is done. Performance standards should flow directly from a job description, telling what the job accomplishes and how performance is measured in key areas of the job description. The reason for including the performance standards is clear. If employees know what is expected and how performance is to be measured, they have a much better chance of performing satisfactorily. Figure 2.3 shows a job description duty statement and some performance standards used for a customer response representative in a telecommunications firm.

Unfortunately, performance standards often are omitted from job descriptions. Even if performance standards have been identified and matched to job descriptions, they may not be known by employees if the job descriptions are not provided to employees but used only as tools by the HR department and managers. Such an approach limits the value of job descriptions.

Job Title: Customer Response Representative
Supervisor: Customer Response Supervisor

Duty	Performance Standards
Discusses nonpayment of bills with customers and notifies them of nonpayment disconnecting of service.	• Flags accounts within two days that are not to be disconnected according to discussions with Local Manager. • Mails notices to cable television customers so they will be received at least five days prior to disconnection date. • Determines which accounts require credit deposit, based on prior payment history. • Calmly discusses the nonpayment status of the account, along with options for reconnection with customers. • Disconnects and reconnects long distance calling cards for nonpayments with 100% accuracy.
Receives and records trouble reports from customers on mechanized trouble-reporting system for telephone or proper form for cable television. Dispatches reports to appropriate personnel.	• Completes all required trouble information on the trouble-reporting system accurately with no more than five errors annually. • Dispatches trouble ticket information to voice mail with 100% accuracy. • Tests line if needed or as requested by technician for telephone troubles.

Figure 2.3: Sample Job Description

Job Specifications:

While the job description describes activities to be done, it is job specifications that list the knowledge, skills, and abilities an individual need to perform a job satisfactorily. Knowledge, skills, and abilities (KSAs) include education, experience, work skill requirements, personal abilities, and mental and physical requirements. Job specifications for a data entry operator might include a required educational level, a certain number of months of experience, a typing ability of 60 words per minute, a high degree of visual concentration, and ability to work under time pressure. It is important to note that accurate job specifications identify what KSAs a person needs to do the job; not necessarily what qualifications the current employee possesses.

Techniques of collecting information for Job Analysis

Information about jobs can be collected by means of questionnaire and/or interviews.

a) Questionnaires

Questionnaires, to be completed by job-holders and approved by job-holder's superiors, are useful when a large number of jobs are to be covered. They can also save interviewing time by recording purely factual information and by helping the analyst to structure his or her questions in advance to cover areas which need to be explored in greater depth.

Questionnaire should provide the following basic information:

- The job title of the job-holder.
- The title of the job-holder's superior.
- The job titles and numbers of staff reporting to the job-holder (best recorded by means of an organization chart).
- A brief description (one or two sentences) of the overall role or purpose of the job.
- A list of the main tasks or duties that the job-holder has to carry out. As appropriate, these should specify the resources controlled, the equipment used, the contacts made and the frequency with which the tasks are carried out.

b) Interview

To obtain the full flavour of a job it is usually necessary to interview job-holders and to check the findings with their superiors. The aim of the interview is to obtain all the relevant facts about the job, covering the areas listed above in the section on questionnaires.

To achieve this aim job analyst should:

- Work to a logical sequence of questions which help the interviewee to order his or her thoughts about the job;
- Pin people down on what they actually do;
- Ensure that the job-holder is not allowed to get away with vague or inflated descriptions of his or her work; and
- Obtain a clear statement from the job-holder about his or her authority to make decisions and the amount of guidance received from his or her superior.

Techniques of Writing Job Descriptions

Job descriptions are based on the detailed job analysis and should be as brief and as factual as possible. The headings under which job descriptions are written are set out below.

Job Title

The existing or proposed job title indicates as clearly as possible the function in which the job is carried out and the level of the job within that function.

Reporting to

The job title of the manger or superior to whom the job-holder is directly responsible is given under this heading.

Overall Responsibilities

This part describes as concisely as possible the overall purpose of the job. The aim is to convey in no more than two or three sentences a broad picture of the job which will clearly distinguish it from other jobs and establish the role of job-holder.

Main Tasks

The steps taken to define the main tasks of the job are as follows:

1. Identify and list the tasks that have to be carried out. No attempt is made to describe in detail how they are carried out, but some indications are given of the purpose or objectives of each task.

2. Analyze the initial list of tasks and, so far as possible, simplify the list by grouping related tasks together so that no more than, say, seven or eight main activity areas remain.

3. Decide on the order in which tasks should be described. The alternatives include:

- Frequency with which they are carried out (continually, hourly, daily, weekly, monthly, intermittently);
- Chronological order;
- Order of importance; and
- The main process of management that are carried out, for example, setting objectives, planning, organizing, coordinating, operating, directing and motivating staff, and controlling.

4. Describe each main task separately in short numbered paragraphs. No more than one or at most two sentences are used for the description, but, if necessary, any separate tasks carried out within the task can be tabulated (a, b, c, etc) under the overall description of the activity.

A typical sentence describing a task should:

a. Start with an active verb to eliminate all unnecessary wording. Active verbs are used which express the actual responsibility to recommend, to do, ensure that someone else does something, or to collaborate with someone, e.g. Prepares, completes, recommends, supervises, ensures that, liaises with;
b. State what is done as succinctly as possible; and
c. State why it is done: this indicates the purpose of the job gives a lead to setting targets or performance standards.

Recruitment & Selection:

Recruitment:

Staffing is the process of matching appropriate people with appropriate jobs. From the viewpoint of organizations, staffing entails using HR planning information to determine the correct numbers and kinds of candidates, locating them, and then selecting those who are most likely to be satisfactory employees. From the standpoint of job applicants, the staffing process affects how they see jobs and organizations, and the likelihood that they will be matched with jobs that are rewarding for them. The organizational perspective is the primary focal point in this chapter and the next.

Staffing consists of two parts: recruiting and selection. This chapter examines recruiting, and the next examines selection. Recruiting is the process of generating a pool of qualified applicants for organizational jobs. If the number of available candidates only equals the number of people to be hired, there is no real selection- the choice has already been made. The organization must either leave some openings unfilled or take all the candidates.

Many employers currently are facing shortages of workers with the appropriate knowledge, skills, and abilities (KSAs) in tight labor markets. However, because business cycles go up and down, the demand for labor changes and the number of people looking for work changes. Because he labor market is the environment in which staffing takes place, learning some basics about labor markets aids understanding of recruiting.

There actually are not one, but several labor markets that are the external sources from which employers attract employees. These markets occur because different conditions characterize different geographical areas, industries, occupations, and professions at any given time.

There are many ways to identify labor markets, including by geographical area, type of skill, and educational level. Some labor market segments might include managerial, clerical, professional and technical, and blue collar. Classified differently, some markets are local, others regional, and others national; and there are international labor markets as well. For instance, an interesting labor market segment opened up with the demise of the Soviet Union. A number of excellent Soviet scientists became available due to the absence of job opportunities in their own countries. Several research organizations, including Sun Microsystems, have recruited them for jobs. Many of these recruits have continued to live in their home countries and are linked electronically to their employers in the United States.

Recruiting locally for a job market that is really national likely will result in disappointing applicant rates. For example, attempting to recruit a senior accounting faculty member in a small town is not likely to be successful. Conversely, it may not be necessary to recruit nationally for workers in unskilled positions on the assembly line. The job qualifications needed and the distribution of the labor supply determine which labor markets are relevant.

Changes in a labor market may force changes in recruiting efforts. If a new major employer locates in a regional labor market, then other employers may see a decline in their numbers of applicants.

To understand the components of labor markets in which recruiting takes place, three different concepts must be considered. Those three groups are labor force population, applicant population, and applicant pool.

The labor force population includes all individuals who are available for selection if all possible recruitment strategies are used. This vast array of possible applicants may be reached in very different ways. Different recruiting methods for example, newspaper ads versus college recruiting will reach different segments of the labor force population.

The applicant population is a subset of the labor force population that is available for selection using a particular recruiting approach. For example, an organization might limit its recruiting for management trainees to MBA graduates from major universities. This recruiting method will result in a very different group of applicants from those who would have applied had the employer chosen to advertise openings for management trainees on a local radio station.

At least four recruiting decisions affect the nature of the applicant population:

- **Recruiting method:** advertising medium chosen and considering use of employment agencies Recruiting message: what is said about the job and how it is said
- **Applicant qualifications required**: education level and amount of experience necessary
- **Administrative procedures**: time of year recruiting is done, the follow-ups with applicants, and use of previous applicant files

The applicant pool consists of all persons who are actually evaluated for selection. Many factors can affect the size of the applicant pool. For example, the organization mentioned previously is likely to interview only a small percentage of the MBA graduates at major universities, because not all graduates will want to be interviewed. The applicant pool at this step will depend on the reputation of the organization and industry as a place to work, the screening efforts of the organization, and the information available to the applicant population. Assuming a suitable candidate can be found, the final selection is made from the applicant pool.

The supply and demand of workers in the labor force population has a substantial impact on the staffing strategies of organizations. Internal labor markets also influence recruiting because many employers choose to promote from within whenever possible, but hire externally for entry-level jobs. A discussion of these and other strategic decisions to be made in recruiting follows.

Planning and Strategic Decisions about Recruiting

The decisions that are made about recruiting help dictate not only the kinds and numbers of applicants, but also how difficult or successful recruiting efforts may be. Figure 3.1 shows an overview of these recruiting decisions.

Recruiting strategy entails identifying where to recruit, who to recruit, and what the job requirements will be. One key consideration is deciding about internal vs. external searches that must be made.

Figure 3.1: Recruiting Decisions

Internal vs. External Recruiting:

Advantages and disadvantages are associated with promoting from within the organization (internal recruitment) and hiring from outside the organization (external recruitment) to fill openings. Promotion from within generally is thought to be a positive force in rewarding good work, and some organizations use it well indeed. However, if followed exclusively, it has the major disadvantage of perpetuating old ways of operating. In addition, there are equal employment concerns with using internal recruiting if protected class members are not already represented adequately in the organization.

Recruiting externally can infuse the organization with new ideas. Also, it may be cheaper to recruit professionals such as accountants or computer programmers from outside than to develop less skilled people within the organization. But recruiting from outside the organization for any but entry-level positions presents the problem of adjustment time for the new employees. Another drawback to external recruiting is the negative impact on current employees that often results from selecting an outsider instead of promoting a current employee.

Most organizations combine the use of internal and external methods. Organizations that operate in a rapidly changing environment and competitive conditions may need to place a heavier emphasis on external sources in addition to developing internal sources. However, for those organizations existing in environments that change slowly, promotion from within may be more suitable. Employers may also choose to look globally for some external candidates.

Flexible Staffing as Recruiting:

Decisions as to who should be recruited hinge on whether to seek traditional full time employees or use more flexible approaches, which might include temporaries, independent contractors, or professional employer organizations (PEOs) and leased employees.

A number of employers feel that the cost of keeping a full-time regular work-force has become excessive and is getting worse because of increasing government-mandated costs. But it is not just the money that is at issue. It is also the number of governmental regulations that define the employment relationship, making many employers reluctant to hire new employees. Using flexible staffing arrangements allows an employer not only to avoid some of the cost of full-time benefits such as vacation pay and pension plans, but also to recruit in a somewhat different market. Flexible staffing makes use of recruiting sources and workers who are not traditional employees. These arrangements use temporary workers, independent contractors, and employee leasing.

Recruitment Process

In larger organizations, recruiting often begins when a manager notifies someone in the HR unit that an opening needs to be filled. Submitting a requisition to the HR unit, much like submitting a supply requisition to the purchasing department, is a common way to trigger recruiting efforts. The HR representative and the manager must review the job description and job specifications so that both have clear, up-to-date information on the job duties and specific qualifications desired of an applicant. Sometimes the HR rep and the manager may decide that those qualifications need to be altered. For example, deciding whether a job is for a computer programmer or a systems analyst would significantly affect the content of a recruiting advertisement and the screening of applicants. Some of the Specifications which are normally specified are

Physical Specifications: For certain jobs some special physical features may be required. For example, for assembly of a TV set or some other electronic equipment good vision is required, for a typing job you need finger dexterity, for a heavy job you need a strong, heavy and thick-set body. The particular physical abilities and skills necessary for a given job have to be specified. These may refer to height, weight, vision, finger dexterity, voice, poise, hand and foot coordination, motor coordination, colour discrimination, age-range, etc.

Mental Specifications: These include intelligence, memory, judgment, ability to plan, ability to estimate, to read, to write, to think and concentrate, scientific faculties, arithmetical abilities, etc. Different jobs require different degrees of such abilities and the more important ones should be specified.

Emotional and Social Specifications: These include characteristics which will affect his working with others, like personal appearance, manners, emotional stability, aggressiveness, or submissiveness, extroversion or introversion, leadership, cooperativeness, initiative and drive, skill in dealing with others, socia1 adaptability, etc.

Behavioural Specifications: Certain management personnel at higher levels of management are expected to behave in a particular manner. These are not formally listed but have to be kept in mind during the process of recruitment, selection and placement.

Methods of Recruitment

All methods of recruitment can be put into three categories: (a) Direct Methods (b) Indirect Methods, and (c) Third-Party Methods.

a) Direct Methods

Direct Methods include sending recruiters to educational and professional institutions, employee contacts with public, manned exhibits and waiting lists. Schools and Colleges: For clerical, labor and apprenticeship help, high schools can be extensively used. For technical, managerial and professional jobs, colleges, university departments and specialized institutes, like the IITs and IIMs, are used. These institutions usually have a placement officer a teacher-in-charge of placement, who normally provides help in attracting employers arranging interviews, furnishing space and other facilities and providing student resumes. The companies maintain a list of such institutions, keep in touch with them, send their brochures indicating job openings, future prospects, etc. On the basis of these students who want to be considered for the given job (s) are referred to the company recruiter.

Employees' Contact with the Public: The employees of the organization are told about the existence of particular vacancies and they bring this to the notice of their relatives, friends and acquaintances.

Manned Exhibits: The organizations send recruiters to conventions and seminars, setting up exhibition at fairs, and using mobile offices to go to the desired centres.

Waiting Lists: Many firms lean heavily on their own application files. These records list individuals who have indicated their interest in jobs, either after visiting the organization's employment office or making enquiries by mail or phone. Such records prove a very useful source if they are kept up-to date.

b) Indirect Methods

Indirect Methods cover advertising in newspapers, on the radio, in. trade and professional journals, technical journals and brochures. When qualified and experienced persons are not available through other sources, advertising in newspapers and professional and technical journals is made. Whereas all types of advertisements can be made in newspapers and magazines, only particular types of posts should be advertised in the professional and technical journals; for example, only engineering jobs should be inserted in journals of engineering.

A well thought-out and planned advertisement for an appointment reduces the possibility of unqualified people applying. If the advertisement is clear and to the point, candidates can assess their abilities and suitability for the position and only those who possess the requisite qualifications will apply.

c) Third-Party Methods

Various agencies are used for recruitment under these methods. These include commercial and private employment agencies, state agencies, and placement offices of schools, colleges and professional associations, recruiting firms, management consulting firms, indoctrination seminars for college professors, friends and relatives.

Private Employment Agencies specialize in specific occupation like general office help, salesmen, technical workers, accountants, computer staff, engineers and executives, etc. These agencies bring together the employers and suitable persons available for a job. Because of their specialization, they can interpret the needs of their clients and seek out particular types of persons.

State or Public Employment Agencies, also known as Employment or Labour Exchanges, are the main agencies for public employment. They also provide a wide range of services, like counselling, assistance in getting jobs, information about the labour market, labour and wage rates, etc.

Executive Search Agencies maintain complete information records about employed executives and recommend persons of high calibre for managerial, marketing and production engineers' posts. These agencies are looked upon as 'head hunters', 'raiders', and 'pirates'.

Indoctrination Seminars for College Professors: These are arranged to discuss the problems of companies to which professors are invited. Visits and banquets are arranged so that professors may be favourably impressed and later speak well of the company and help in getting required personnel. Friends and Relatives of Present Employees constitute a good source from which employees may be drawn. This, however, is likely to encourage nepotism, i.e. persons of one's own community or caste may only be employed. This may create problems for the organization.

Trade Unions are often called on by the employers to supply whatever additional employees may be needed. Unions may be asked for recommendations largely as a matter of courtesy and an evidence of good will and cooperation.

Professional Societies may provide leads and clues in providing promising candidates for engineering, technical and management positions. Some of these maintain mail order placement services.

Temporary Help Agencies employ their own labour force, both full-time and part- time and make them available to their client organizations for temporary needs.

Casual Labour Source is one which presents itself daily at the factory gate or employment office. Most industrial units rely to some extent on this source. This source, you will realize, is the most uncertain of all sources.

Deputation: Persons possessing certain abilities useful to another organization are sometimes deputed to it for a specified duration. Ready expertise is available but, as you can guess, such employees do not easily become part of the organization.

Selection, Placement and Induction:

Selection is the process of choosing individuals who have relevant qualifications to fill jobs in an organization. Without qualified employees, an organization is in a poorer position to succeed. Selection is much more than just choosing the best available person. Selecting the appropriate set of knowledge, skills, and abilities (KSAs) which come packaged in a human being is an attempt to get a fit between what the applicant can and wants to do, and what the organization needs. The task is made more difficult because it is not always possible to tell exactly what the applicant really can and wants to do. Fit between the applicant and the organization affects both the employer's willingness to make a job offer and an applicant's willingness to accept a job. Fitting a person to the right job is called placement.

More than anything else, placement of human resources should be seen as a matching process. Gaps between an individual's skills and the job requirements are common factors that lead to rejection of an applicant. How well an employee is matched to a job affects the amount and quality of the employees work. This matching also directly affects training and operating costs. Workers who are unable to produce the expected amount and quality of work can cost an organization a great deal of money and time. Estimates are that hiring an inappropriate employee costs an employer three to five times that employee's salary before it is resolved.

Yet hiring mistakes are relatively common. Good selection and placement decisions are an important part of successful HR management. Some would argue that these decisions are the most important part. Productivity improvement for an employer may come from changes in incentive pay plans, improved training, or better job design; but unless the employer has the necessary people with the appropriate KSAs in place, those changes may not have much impact. The very best training will not enable someone with little aptitude for a certain job to do that job well and enjoy it.

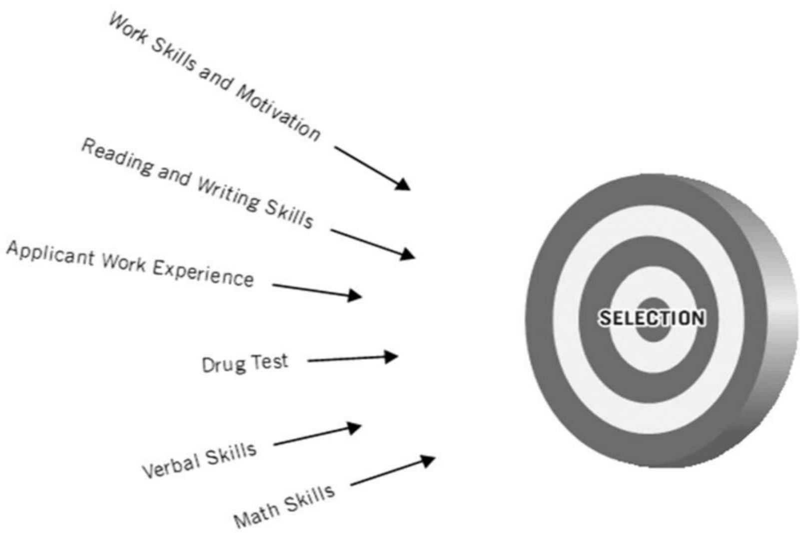


Figure 3.2: Reasons to select or Reject

To put selection decisions in perspective, consider that organizations on average reject a high percentage of applicants. In some situations, about five out of six applicants for jobs are rejected.

Figure 3.2 depicts the reasons why employers most often select/reject applicants. Perhaps the best perspective on selection and placement comes from two traditional HR truisms that clearly identify the importance of effective employment selection.

"Good training will not make up for bad selection." The implication here is that when the right people with the appropriate KSAs are not selected for jobs, it is very difficult for the employer to recover later by somehow trying to train those individuals without the proper aptitude, interests, or other KSA deficiencies.

"If you don't hire the right one, your competitor will." There is an opportunity cost in failure to select the right employee, and that cost is that the "right one" went somewhere else.

Nature of Selection:

Already having the needed knowledge, skills, and abilities (KSAs) may be very important for a new employee to do a job well. For example, specific KSAs may be used to hire people for a given job: math skills, ability to weld, or knowledge of spreadsheets. Job analysis can provide the basis for identifying appropriate KSAs if it is done properly. People already in jobs can help identify the most important KSAs for success as part of job analysis. These KSAs can be used to place an applicant in a suitable job based on how well their KSAs match.

However, specific KSAs may not be necessary immediately in some jobs; they can be taught on the job. In fact, for certain jobs it may be good selection strategy to deemphasize the precise matching of applicants specific KSAs to a job and focus on more general predictors of success.

Closely Match Job/Person KSAs for Selection When:	Use General Predictors for Selection When:
• New employee will be closely monitored so that performance problems will be obvious. • KSAs brought to job are more important than what employees learn on the job. • Few changes will occur in the jobs —and the changes will be gradual when they occur. • One job candidate clearly has greatly superior KSAs.	• Employees work independently, having a high degree of autonomy and low structure, which requires conscientiousness to succeed. • KSAs learned on the job are more important than those brought to the job. • Many changes and much problem solving are necessary, and employees must learn very quickly, using creative approaches. • Several job candidates are virtually equal in key KSAs.

Figure 3.3: Selection Strategy Choices

For example, if an employer hires at the entry level and promotes from within for most jobs, specific KSAs might be less important than general ability to learn and conscientiousness. Ability to learn allows a person to grasp new information and make good decisions based on that job knowledge. Conscientiousness might include thoroughness, responsibility, and an organized approach to the job. Figure 3.3 shows some situations when focusing on specific KSAs is a better approach for selection decisions, and when relying on general intelligence and conscientiousness may be better. Whether an employer uses specific KSAs or the more general approach, effective selection of employees involves using criteria and predictors of job performance.

Criteria, Predictors, and Job Performance:

At the heart of an effective selection system is knowledge of what constitutes appropriate job performance and what characteristics in employees are associated with that performance. Once the definition of employee success (performance) is known, the employee specifications required to achieve that success can be determined. A selection criterion is a characteristic that a person must have to do the job successfully. A certain pre-existing ability is often a selection criterion.

One example is the criterion appropriate employee permanence, which considers that a person must stay in a job long enough for the employer at least to break even on the training and hiring expenses incurred to hire the employee. Figure 3.4 shows that ability; motivation, intelligence, conscientiousness, appropriate risk, and permanence might be good selection criteria for many jobs.

Figure 3.4: Job Performance, Selection Criteria and Predictors

To predict whether a selection criterion (such as motivation or ability) is present, employers try to identify predictors as measurable indicators of selection criteria. For example, in Figure 3.4 good predictors of the criterion appropriate permanence might be individual interests, salary requirements, and tenure on previous jobs.

The information gathered about an applicant should be focused on finding predictors of the likelihood that the applicant will be able to perform the job well. Predictors can take many forms, but they should be job related, valid, and reliable. A test score can be a predictor of success on the job only if it is valid.

Previous experience can be a predictor of success if it is related to the necessary performance on the current job. Any selection tool used (for example, application form, test, interview, education requirements, or years of experience required) should be used only if it is a valid predictor of job performance. Using invalid predictors can result in selecting the wrong candidate and rejecting the right one.

Selection Process

Initial Screening or Preliminary Interview:

This is a sorting process in which prospective applicants are given the necessary information about the nature of the job and also, necessary information is elicited from the candidates about their education, experience, skill, salary expected, etc. If the candidate is found to be suitable, he is selected for further process and, if not, he is eliminated. This is a crude screening and can be done across the counter in the organization's employment offices. This is done by a junior executive in the personnel department. Due care should be taken so that suitable candidates are not turned down in a hurry. Since this provides personal contact for an individual with the company, the interviewer should be courteous, kind, receptive and informal.

Application Scrutiny:

You might have seen that sometimes applications are asked on a plain sheet. This is done where no application forms are designed. The applicant is asked to give details about age, marital status, educational qualifications, work experience and references. Different types of application forms may be used by the same organization for different types of employees, e.g., one for managers, the other for supervisors and a third for other employees. Some forms are simple, general and easily answerable, while others may require elaborate, complex and detailed information. Reference to nationality, race, caste, religion and place of birth has been regarded as evidence of discriminatory attitudes and should be avoided. An application form should be designed to serve as a highly effective preliminary screening device, particularly, when applications arc received in direct response to an advertisement and without any preliminary interview.

The application can be used in two ways: (i) to find out on the basis of information contained therein as to the chances of success of the candidate in the job for which he is applying, and (ii) to provide a starting point for the interview.

It is often possible to reject candidates on the basis of scrutiny of the applications as they are found to be lacking in educational standards, experience or some other relevant eligibility and traits.

Selection Test

A test is a sample of an aspect of an individual's behaviour, performance or attitude. It can also be a systematic procedure for comparing the behaviour of two or more persons.

Purpose of Tests: The basic assumption underlying the use of tests in personnel selection is that individuals are different in their job-related abilities and skills and that these skills can be adequately and accurately measured. Tests seek to eliminate the possibility of prejudice on the part of the interviewer or supervisor. Potential ability only will govern selection decisions. The other major advantage is that the tests may uncover qualifications and talents that would not be detected by interviews or by listing of education and job experience.

Types of Tests: The various tests used in selection can be put in to four categories:

(a) Achievement or Intelligence Tests,

(b) Aptitude or Potential Ability Tests,

(c) Personality Tests, and

(d) Interest Tests.

These tests and what they measure are described below.

a) Achievement or Intelligence Tests

These are also called 'proficiency tests'. These measure the skill or knowledge which is acquired as a result of a training programme and on the job experience. These measure what the applicant can do. These are of two types:

Test for Measuring Job Knowledge: These are known as 'Trade Tests'. These are administered to determine knowledge of typing, shorthand and in operating calculators, adding machines, dictating and transcribing machines or simple mechanical equipment. These are primarily oral tests consisting of a series of questions which are believed to be satisfactorily answered only by those who know and thoroughly understand the trade or occupation. Oral tests may be supplemented by written, picture or performance types.

Work Sample Tests: these measures the proficiency with which equipment can be handled by the candidate. This is done by giving him a piece of work to judge how efficiently he does it. For example, a typing test would provide the material to be typed and note the time taken and mistakes committed.

b) Aptitude or Potential Ability Tests

These tests measure the latent ability of a candidate to learn a new job or skill. Through these tests you can detect peculiarity or defects in a person's sensory or intellectual capacity. These focus attentions on particular types of talent such as learning, reasoning and mechanical or musical aptitude 'Instruments' used are variously described as tests of 'intelligence', 'mental ability', 'mental alertness', or simply as 'personnel tests'. These are of three types:

- **Mental Tests:** These measure the overall intellectual ability or the intelligence quotient (I.Q.) of a person and enable us to know whether he has the mental capacity to deal with new problems. These determine an employee's fluency in language, memory, interaction, reasoning, speed of perception, and spatial visualization.

- **Mechanical Aptitude Tests:** These measure the capacity of a person to learn a particular type of mechanical work. These are useful when apprentices, machinists, mechanics, maintenance workers, and mechanical technicians are to be selected.

- **Psychomotor or Skill Tests:** These measure a person's ability to do a specific job. These are administered to determine mental dexterity or motor ability and similar attributes involving muscular movement, control and coordination. These are primarily used in the selection of workers who have to perform semi-skilled and repetitive jobs, like assembly work, packing, testing, and inspection and so on.

c) Personality Tests

These discover clues to an individual's value system, his emotional reactions, maturity and his characteristic mood. The tests help in assessing a person's motivation, his ability to adjust himself to the stresses of everyday life and his capacity for interpersonal relations and for projecting an impressive image of himself. They are expressed in terms of the relative significance of such traits of a person as self-confidence, ambition, tact, emotional control, optimism, decisiveness, sociability, conformity, objectivity, patience, fear, distrust, initiative, judgment, dominance, impulsiveness, sympathy, integrity, and stability. These tests are given to predict potential performance and success for supervisory or managerial jobs.

The personality tests are basically of three types:

- **Objective Tests:** These measure neurotic tendencies, self-sufficiency, dominance, submission and self-confidence.
- **Projective Tests:** In these tests, a candidate is asked to project his own interpretation onto certain standard stimuli. The way in which he responds to these stimuli depends on his own values, motives and personality.
- **Situation Tests:** These measure an applicant's reaction when he is placed in a peculiar situation,his ability to undergo stress and his demonstration of ingenuity under pressure. These tests usually relate to a leaderless group situation, in which some problems are posed to a group and its members are asked to reach some conclusions without the help of a leader.

d) Interest Tests

These tests are designed to discover a person's areas of interest and to identify the kind of work that will satisfy him. The interest tests are used for vocational guidance, and are assessed in the form of answers to a well-prepared questionnaire.

Interview

An interview is a conversation with a purpose between one person on one side and another person or persons on the other. An employment interview should serve three purposes, viz., (i) obtaining information, (ii) giving information, and (iii) motivation. It should provide an appraisal of personality by obtaining relevant information about the prospective employee's background, training work history, education and interests. The candidate should be given information about the company, the specific job and the personnel policies.

It should also help in establishing a friendly relationship between the employer and the applicant and motivate the satisfactory applicant to want to work for the company or organization. In practice, however, it may turn out to be a one-sided affair. It helps only in obtaining information about the candidate. The other two purposes are generally not served.

Types of Interview

Informal Interview: This is may take place anywhere. The employer or a manager in the personnel department may ask a few questions, like name, place of birth, previous experience, etc. It is not planned and is used widely when the labour market is tight and you need workers very badly. A friend or a relative of the employer may take a candidate to the house of the employer or manager where this type of interview may be conducted.

Formal Interview: This held in a more formal atmosphere in the employment office by the employment officer with the help of well-structured questions. The time and place of the interview are stipulated by the employment office.

Planned Interview: This is a formal interview carefully planned. The interviewer has a plan of action worked out in relation to time to be devoted to each candidate, type of information to be sought, information to be given, the modality of interview and so on. He may use the plan with some amount of flexibility.

Patterned Interview: This is also a planned interview but planned to a higher degree of accuracy, precision and exactitude. A list of questions and areas are carefully prepared. The interviewer goes down the list of questions, asking them one after another.

Non-directive Interview: This is designed to let the interviewee speak his mind freely. The interviewer is a careful and patient listener, prodding whenever the candidate is silent. The idea is to give the candidate complete freedom to 'sell' himself without encumbrances of the interviewer's questions.

Depth Interview: This is designed to intensively examine the candidate's background and thinking and to go into considerable detail on a particular subject to special interest to the candidate. The theory behind it is that if the candidate is found good in his area of special interest, the chances are high that if given a job he would take serious interest in it.

Stress Interview: This is designed to test the candidate and his conduct and behaviour by putting him under conditions of stress and strain. This is very useful to test the behaviour of individuals under disagreeable and trying situations.

Group Interview: This is designed to see how the candidates react to and against each other. All the candidates may be brought together in the office and they may be interviewed. The candidates may, alternatively, be given a topic for discussion and be observed as to who will lead the discussion, how they will participate in the discussion, how each will make his presentation and how they will react to each other's views and presentation.

Panel Interview: This is done by members of the interview board or a selection committee. This is done usually for supervisory and managerial positions. It pools the collective judgment and wisdom of members of the panel. The candidate may be asked to meet the panel individually for a fairly lengthy interview.

Physical Examination

Applicants who get over one or more of the preliminary hurdles are sent for a physical examination either to the organization's physician or to a medical officer approved for the purpose.

A physical examination serves the following purposes:

- It gives an indication regarding fitness of a candidate for the job concerned.
- It discovers existing disabilities and obtains a record thereof, which may be helpful later in deciding the company's responsibility in the event of a workman's compensation claim.
- It helps in preventing employment of those suffering from some type of contagious diseases.
- It helps in placing those who are otherwise employable but whose physical handicaps may necessitate assignment only to specified jobs.

Reference Checks

The applicant is asked to mention in his application the names and addresses of three such persons who usually know him well. These may be his previous employers, friends, or professional colleagues.

They are approached by mail or telephone and requested to furnish their frank opinion, without incurring any liability, about the candidate either on specified points or in general. They are assured that all information supplied would be kept confidential. Yet, often either no response is received or it is generally a favourable response.

Final Decision

Applicants who cross all the hurdles are finally considered. If there are more persons than the number required for a job the best ones, i.e., those with the highest scores are finally selected.

Placement

Sometimes a particular person is selected for a given jab. Often more than one person may be selected for the jobs of similar nature. In the second case, individual employees have to be put under individual supervisors with the approval of the latter. In the first case also his approval is also necessary but it should be done early in the selection process. A proper placement reduces employee turnover, absenteeism and accident rates and improves morale.

Induction

This is the last activity in relation to a newly employed person before he is trained for his job. Induction is introduction of an employee to the job and the organization. The primary purpose is to 'sell' the company to the new employee so that he may feel proud of his association with the company.

An employee has to work with fellow employees and his supervisor. For this he must know them, the way they work and also the policies and practices of the organization so that he may integrate himself with the enterprise. Any neglect in the area of induction and orientation may lead to high lab or turnover, confusion, wasted time and expenditure.

Induction Programme

A good induction programme should cover the following:

- The company, its history and products, process of production and major operations involved in his job.
- The significance of the job with all necessary information about it including job training and job hazards.
- Structure of the organization and the functions of various departments.
- Employee's own department and job, and how he fits into the organization.
- Personnel policy and sources of information.
- Company policies, practices, objectives and regulations.
- Terms and conditions of service, amenities and welfare facilities.
- Rules and regulations governing hours of work and over-time, safety and accident prevention, holidays and vacations, methods of reporting, tardiness and, absenteeism.
- Grievances procedure and discipline handling.
- Social benefits and recreation services.
- Opportunities, promotions, transfer, suggestion schemes and job satisfaction.

An induction programme consists primarily of three steps:

General orientation by the staff: It gives necessary general information about the history and the operations of the firm. The purpose is to help an employee to build up some pride and interest in the organization.

Specific orientation by the job supervisor: The employee is shown the department and his place of work; the location of facilities and is told about the organization's specific practices and customs. The purpose is to enable the employee to adjust with his work and environment.

Follow-up orientation by either the personnel department or the supervisor: This is conducted within one week to six months of the initial induction and by a foreman or a specialist.

The purpose is to find out whether the employee is reasonably well satisfied with him. Through personal talks, guidance and counselling efforts are made to remove the difficulties experienced by the newcomer.

Summary

Case Study: Mc Donald's Global HR Management

One of the best-known companies worldwide is Mc-Donald's Corporation. The fast-food chain, with its symbol of the golden arches, has spread from the United States into 91 countries. With over 18,000 restaurants worldwide, McDonald's serves 33 million people each day. International sales are an important part of McDonald's business, and over 50% of the company's operating income results from sales outside the United States. To generate these sales, McDonalds employs over one million people, and by 2000, McDonald's had grown to over two million employees.

Operating in so many different countries means that McDonald's has had to adapt its products, services, and HR practices to legal, political, economic, and cultural factors in each one of those countries. A few examples illustrate how adaptations have been made. In some countries, such as

India, beef is not acceptable as a food to a major part of the population, so McDonald's uses lamb or mutton. To appeal to Japanese customers, McDonald's has developed teriyaki burgers. Separate dining rooms for men and women have been constructed in McDonald's restaurants in some Middle Eastern countries.

HR practices also have had to be adapted. Before beginning operations in a different country, HR professionals at McDonald's research the country and determine how HR activities must be adjusted. One method of obtaining information is to contact HR professionals from other U.S. firms operating in the country and ask those questions about laws, political factors, and cultural issues. In addition, the firm conducts an analysis using a detailed outline to ensure that all relevant information has been gathered. Data gathered might include what employment restrictions exist on ages of employees and hours of work, what benefits must be offered to full-time and part time employees (if part-time work is allowed), and other operational requirements. For instance, in some of the former communist countries in Eastern Europe, employers provide locker rooms and showers for their employees. These facilities are necessary because shower facilities, and even consistent water supplies, are unavailable in many homes, particularly in more rural areas around major cities. Also, public transportation must be evaluated to ensure that employees have adequate means to travel to work.

Once a decision has been made to begin operations in a new country, the employment process must begin. Often, McDonald's is seen as a desirable employer, particularly when its first restaurant is being opened in a country. For instance, in Russia, 27,000 people initially applied to work at the first Moscow McDonald's, which currently has over 1,500 employees. Because customer service is so important to McDonald's, recruiting and selection activities focus on obtaining employees with customer service skills.

For worker positions such as counter representative and cashier, the focus is to identify individuals who will be friendly, customer-service-oriented employees. A trial process whereby some applicants work for a few days on a conditional basis may be used to ensure that these individuals will represent McDonald's appropriately and will work well with other employees.

For store managers, the company uses a selection profile emphasizing leadership skills, high work expectations, and management abilities appropriate to a fast-paced restaurant environment. Once applicant screening and interviews have been completed, individuals are asked to work for up to a week in a restaurant. During that time, both the applicants and the company representatives evaluate one another to see if the job fit is appropriate. After the first group of store managers and assistant managers are selected, future managers and assistant managers are chosen using internal promotions based on job performance.

Once the restaurants are staffed, training becomes crucial to acquaint new employees with their jobs and the McDonald's philosophy of customer service and quality. McDonald's has taken its Hamburger University curriculum from the United States and translated it into 22 different languages to use in training centers throughout the world. Once training has been done for trainers and managers, they then conduct training for all employees selected to work at McDonald's locations in the foreign countries.

Review Questions:

1. Discuss the need and objectives of HRP. Discuss HRP as applicable to a manufacturing organization.
2. Discuss HR Planning Process in detail. Also discuss the various levels of HRP.
3. Define Job Analysis and its relevance in an IT organization.
4. What are all the various classifications of Job Analysis? Discuss the same.
5. What is Job Description and Job Specification? As a HRP Manager, how you will prepare the same for employees at positions of your choice?
6. Why Recruitment plays a vital role in an organization? What are all the factors to be considered while recruiting a new employee?
7. Discuss Recruitment Process.
8. Discuss Selection and Placement in detail.
9. Discuss about an effective Induction Programme with suitable illustrations.

HUMAN RESOURCE APPRAISAL AND DEVELOPMENT

Introduction

The history of performance appraisal is quite brief. Its roots in the early 20th century can be traced to Taylor's pioneering Time and Motion studies. But this is not very helpful, for the same may be said about almost everything in the field of modern human resources management. As a distinct and formal management procedure used in the evaluation of work performance, appraisal really dates from the time of the Second World War - not more than 60 years ago. Yet in a broader sense, the practice of appraisal is a very ancient art. In the scale of things historical, it might well lay claim to being the world's second oldest profession! There is, says Dulewicz (1989), "... a basic human tendency to make judgments about those one is working with, as well as about oneself." Appraisal, it seems, is both inevitable and universal. In the absence of a carefully structured system of appraisal, people will tend to judge the work performance of others, including subordinates, naturally, informally and arbitrarily. The human inclination to judge can create serious motivational, ethical and legal problems in the workplace. Without a structured appraisal system, there is little chance of ensuring that the judgments made will be lawful, fair, defensible and accurate. Performance appraisal systems began as simple methods of income justification. That is, appraisal was used to decide whether or not the salary or wage of an individual employee was justified.

The process was firmly linked to material outcomes. If an employee's performance was found to be less than ideal, a cut in pay would follow. On the other hand, if their performance was better than the supervisor expected, a pay rise was in order.

Little consideration, if any, was given to the developmental possibilities of appraisal. If was felt that a cut in pay, or a rise, should provide the only required impetus for an employee to either improve or continue to perform well.

Sometimes this basic system succeeded in getting the results that were intended; but more often than not, it failed. For example, early motivational researchers were aware that different people with roughly equal work abilities could be paid the same amount of money and yet have quite different levels of motivation and performance. These observations were confirmed in empirical studies. Pay rates were important, yes; but they were not the only element that had an impact on employee performance. It was found that other issues, such as morale and self-esteem, could also have a major influence. As a result, the traditional emphasis on reward outcomes was progressively rejected. In the 1950s in the United States, the potential usefulness of appraisal as tool for motivation and development was gradually recognized. The general model of performance appraisal, as it is known today, began from that time.

Human Resource Appraisal

Definition:

Performance appraisal may be defined as a structured formal interaction between a subordinate and supervisor, that usually takes the form of a periodic interview (annual or semi-annual), in which the work performance of the subordinate is examined and discussed, with a view to identifying weaknesses and strengths as well as opportunities for improvement and skills development.

In many organizations - but not all - appraisal results are used, either directly or indirectly, to help determine reward outcomes. That is, the appraisal results are used to identify the better performing employees who should get the majority of available merit pay increases, bonuses, and promotions.

By the same token, appraisal results are used to identify the poorer performers who may require some form of counselling, or in extreme cases, demotion, dismissal or decreases in pay. (Organizations need to be aware of laws in their country that might restrict their capacity to dismiss employees or decrease pay). Whether this is an appropriate use of performance appraisal - the assignment and justification of rewards and penalties - is a very uncertain and contentious matter. Research (Bannister & Balkin, 1990) has reported that appraises seem to have greater acceptance of the appraisal process, and feel more satisfied with it, when the process is directly linked to rewards. Such findings are a serious challenge to those who feel that appraisal results and reward outcomes must be strictly isolated from each other. There is also a group who argues that the evaluation of employees for reward purposes, and frank communication with them about their performance, are part of the basic responsibilities of management. The practice of not discussing reward issues while appraising performance is, say critics, based on inconsistent and muddled ideas of motivation.

In many organizations, this inconsistency is aggravated by the practice of having separate wage and salary reviews, in which merit raises and bonuses are decided arbitrarily, and often secretly, by supervisors and managers.

Identifying and Measuring Employee Performance:

Performance is essentially what an employee does or does not do. Performance of employees that affects how much they contribute to the organization could include:

- Quantity of output
- Quality of output
- Timeliness of output
- Presence at work
- Cooperativeness

Obviously other dimensions of performance might be appropriate in certain jobs, but those listed are common to most. However, they are general; each job has specific job criteria or job performance dimensions that identify the elements most important in that job. For example, a college professor's job might include the job criteria of teaching, research, and service. Job criteria are the most important factors people do in their jobs; in a sense, job criteria define what the organization is paying an employee to do. Because these criteria are important, individual's performance on job criteria should be measured, compared against standards, and then the results must be communicated to each employee. Jobs almost always have more than one job criterion or dimension. For example, a baseball outfielders job criteria include home runs, batting average, fielding percentage, and on-base performance, to name a few. In sports and many other jobs, multiple job criteria are the rule rather than the exception, and it follows that a given employee might be better at one job criterion than at another. Some criteria might have more importance than others to the organization. Weights are a way to show the relative importance of several job criteria in one job.

Job Criteria and Information-Types:

The data or information that managers receive on how well employees are performing their jobs can be of three different types. Trait-based information identifies a subjective character trait such as pleasant personality, initiative, or creativity and may have little to do with the specific job. Traits tend to be ambiguous, and many court decisions have held that performance evaluations based on traits such as adaptability and general demeanour are too vague to use as the basis for performance-based HR decisions.

Behavior-based information focuses on specific behaviours that lead to job success. For a salesperson, the behavior of verbal persuasion can be observed and used as information on performance. Behavioral information is more difficult to identify, but has the advantage of clearly specifying the behaviors management wants to see. A potential problem is that there may be several behaviors, all of which can be successful in a given situation. For example, identifying exactly what verbal persuasion is for a salesperson might be difficult.

Results-based information considers what the employee has done or accomplished. For jobs in which measurement is easy and appropriate, a results-based approach works very well. However, that which is measured tends to be emphasized, and the equally important but immeasurable parts of the job may be left out. For example, a car sales representative who gets paid only for sales may be unwilling to do any paperwork or other work not directly related to selling cars. Further, ethical or even legal issues may arise when only results are emphasized and not how the results were achieved.

Relevance of Criteria:

When measuring performance, it is important that relevant criteria be used. Generally, criteria are relevant when they focus on the most important aspects of employees' jobs. For example, measuring customer service representatives in an insurance claims centre on their appearance may be less relevant than measuring the number of calls handled properly. This example stresses that the most important job criteria should be identified and be linked back to the employees' job descriptions.

Potential Criteria Problems:

Because jobs usually include several duties and tasks, if the performance measures leave out some important job duties, the measures are deficient. For example, measuring the performance of an employment interviewer only on the number of applicants hired, but not on the quality of those hires, could be deficient. If some irrelevant criteria are included, the criteria are said to be contaminated. An example of contaminated criteria might be appearance for a telemarketing sales representative who is not seen by the customers. Managers use deficient or contaminated criteria for measuring performance much more than they should.

Performance measures also can be thought of as objective or subjective. Objective measures can be directly counted for example, the number of cars sold or the number of invoices processed. Subjective measures are more judgmental and more difficult to measure directly. One example of a subjective measure is a supervisor's ratings of an employee's customer service performance. Unlike subjective measures, objective measures tend to be more narrowly focused, which may lead to the objective measures being inadequately defined.

However, subjective measures may be prone to contamination or other random errors. Neither is a panacea, and both should be used carefully.

Performance Standards:

To know that an employee produces 10 'Santro's" per day does not provide a complete basis for judging employee performance as satisfactory or not. A standard against which to compare the information is necessary. Maybe 15 Santro's is considered a sufficient day's work. Performance standards define the expected levels of performance, and are benchmarks, or goals, or targets depending on the approach taken. Realistic, measurable, clearly understood performance standards benefit both the organization and the employees. In a sense, performance standards define what satisfactory job performance is. It is important to establish standards before the work is performed, so that all involved will understand the level of accomplishment expected.

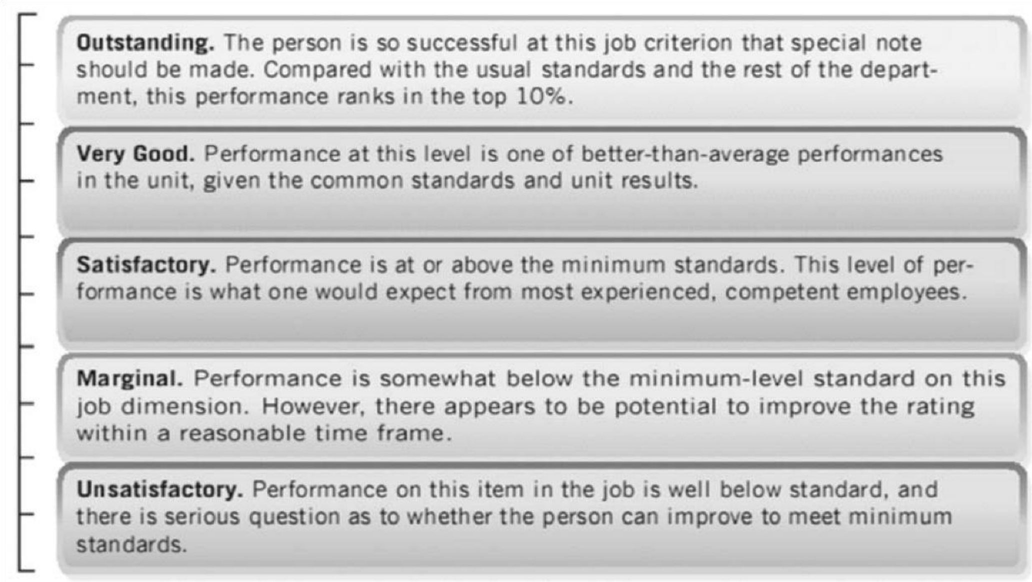


Figure 1.1: Terms defined in standards (illustration)

The extent to which standards have been met often is expressed in either numerical or verbal ratings, for example, outstanding or unsatisfactory. It may sometimes be difficult for two or more people to reach agreement on exactly what the level of performance has been relative to the standard. Figure 1.1 shows terms used in evaluating employee performance on standards at one company. Notice that each level is defined in terms of performance standards, rather than numbers, in order to minimize different interpretations of the standards.

Sales quotas and production output standards are familiar numerical performance standards. A nonnumeric standard of performance is that a cashier in a retail store must balance the cash drawer at the end of each day.

Standards are often set by someone external to the job, such as a supervisor or a quality control inspector, but they can be written effectively by employees as well. Experienced employees usually know what constitutes satisfactory performance of tasks in their job descriptions, and so do their supervisors. Therefore, these individuals often can collaborate effectively on setting standards.

Uses of Performance Appraisal:

Performance appraisal (PA) is the process of evaluating how well employees perform their jobs when compared to a set of standards, and then communicating that information to those employees. Such appraisal also has been called employee rating, employee evaluation, performance review, performance evaluation, and results appraisal.

Performance appraisal sounds simple enough; and research shows that it is widely used for administering wages and salaries, giving performance feedback, and identifying individual employee strengths and weaknesses. Most U.S. companies have performance appraisal systems for office, professional, technical, supervisory, middle management, and non-union production workers.

For situations in which an employer deals with a strong union, performance appraisals are usually conducted only on the salaried, non-union employees. Generally, unions emphasize seniority over merit, which precludes the use of performance appraisal. Because unions officially view all members as equal in ability, the worker with the most experience is considered the most qualified, and a performance appraisal is unnecessary.

Performance appraisal often is many managers' least-favoured activity, and there may be good reasons for that feeling. Not all performance appraisals are positive, and discussing ratings with poorly performing employees may not be pleasant. Also, it may be difficult to differentiate among employees if sufficient performance data are not available.

Further, some supervisors are uncomfortable playing God with employees' raises and careers, which they may feel is a result of conducting performance appraisals. Performance appraisal has two general uses in organizations, and these roles often are potential conflicts. One role is to measure performance for the purpose of rewarding or otherwise making administrative decisions about employees. Promotions or layoffs might hinge on these ratings, often making them difficult for managers to do. Another role is development of individual potential. In that role, the manager is featured more as a counsellor than as a judge, and the atmosphere is often different. Emphasis is on identifying potential and planning employees' growth opportunities and direction.

Administrative Uses:

A performance appraisal system is often the link between the rewards employees hope to receive and their productivity. Compensation based on performance appraisal is at the heart of the idea that raises should be given for performance accomplishments rather than for seniority. Under performance oriented systems, employees receive raises based on how well they perform their jobs. The manager's role historically has been as an evaluator of a subordinate's performance, which then leads to managers making compensation recommendations or decisions for employees. If any part of the process fails, the most productive employees do not receive the larger rewards, resulting in perceived inequity in compensation.

The use of performance appraisal to determine pay is very common. Other administrative uses of performance appraisal, such as decisions on promotion, termination, layoff, and transfer assignments, are very important to employees. For example, the order of layoffs can be justified by performance appraisals.

For this reason, if an employer claims that the decision was performance-based, the performance appraisals must document clearly the differences in employee performance. Similarly, promotion or demotion based on performance must be documented with performance appraisals.

Performance appraisals are essential when organizations terminate, promote, or pay people differently, because they are a crucial defines if employees sue over such decisions. Thus, necessity likely accounts for the widespread administrative use of performance appraisals. But certain problems, including leniency, are common when ratings are to be used for administrative purposes.

Development Uses:

Performance appraisal can be a primary source of information and feedback for employees, which is key to their future development. When supervisors identify the weaknesses, potentials, and training needs of employees through performance appraisal feedback, they can inform employees about their progress, discuss what skills they need to develop, and work out development plans. The manager's role in such a situation is like that of a coach. The coach's job is to reward good performance with recognition, explain what improvement is necessary, and show employees how to improve. After all, people do not always know where they could improve, and managers really cannot expect improvement if they are unwilling to explain where and how improvement can occur. The purpose of developmental feedback is to change or reinforce individual behavior, rather than to compare individuals as in the case of administrative uses of performance appraisal. Positive reinforcement for the behaviors the organization wants is an important part of development.

The development function of performance appraisal also can identify areas in which the employee might wish to grow. For example, in a performance appraisal interview that was targeted exclusively to development, an employee found out that the only factor keeping her from being considered for a management job in her firm was a working knowledge of cost accounting. Her supervisor suggested that she consider taking such a course at weekends at the local institute.

The use of teams provides a different set of circumstances for developmental appraisal. The manager may not see all of the employee's work, but team members do. Teams can provide developmental feedback, as we noted earlier in the feature on 360-degree appraisal. However, it is still an open question whether teams can handle administrative appraisal. When teams are allowed to design appraisal systems, they prefer to get rid of judgment and they apparently have a very hard time dealing with differential rewards. Perhaps, then, group appraisal is best used for developmental purposes.

Performance Appraisal Methods and Evaluation

Performance can be appraised by a number of methods

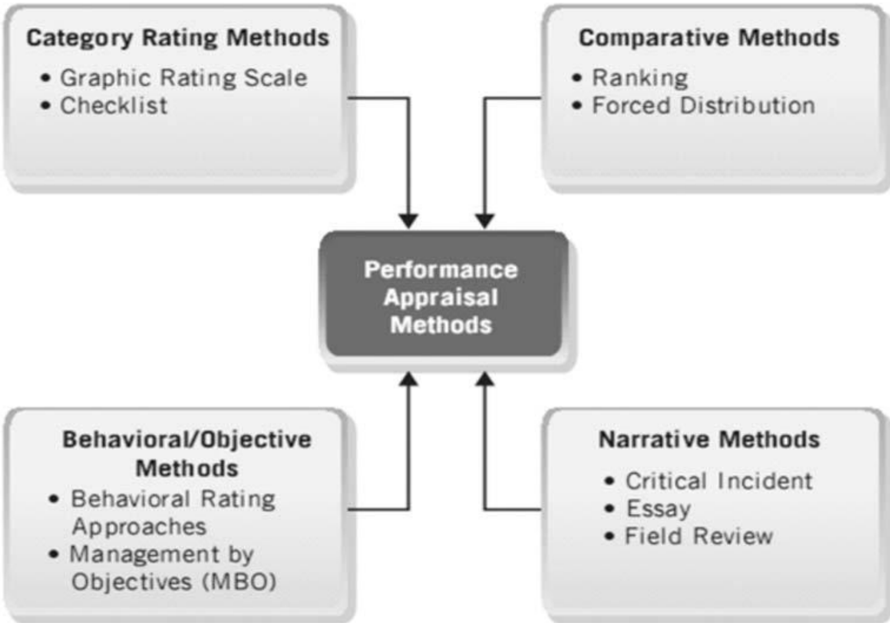


Figure 1.2: Performance Appraisal Methods

In Figure 1.2, various methods are categorized into four major groups. In this section, after describing each method, the discussion considers combinations of methods. Combinations occur across different jobs in the same organization and even within the same jobs when appropriate.

Category Rating Methods

The simplest methods for appraising performance are category rating methods, which require a manager to mark an employee's level of performance on a specific form divided into categories of performance. The graphic rating scale and checklist are common category rating methods.

Graphic Rating Scale

The graphic rating scale allows the rater to mark an employee's performance on a continuum. Because of its simplicity, this method is the one most frequently used. The rater checks the appropriate rating on the scale for each duty listed. More detail can be added in the space for comments following each factor rated. There are actually two types of graphic rating scales in use today. They are sometimes both used in rating the same person. The first and most common type lists job criteria (quantity of work, quality of work, etc.). The second is more behavioral, with specific behaviors listed and the effectiveness of each rated.

There are some obvious drawbacks to the graphic rating scale as well. Often, separate traits or factors are grouped together, and the rate is given only one box to check. Another drawback is that the descriptive words sometimes used in such scales may have different meanings to different raters.

Terms such as initiative and cooperation are subject to many interpretations, especially if used in conjunction with words such as outstanding, average, and poor.

Graphic rating scales in many forms are used widely because they are easy to develop; but they encourage errors on the part of the raters, who may depend too heavily on the form itself to define performance. Both graphic rating scales and the checklist (which follows) tend to focus much emphasis on the rating instrument itself and its limitations. In so far as they fit the person and job being rated, the scales work well. However, if the instrument is a poor fit, managers who must use them frequently complain about the rating form.

Checklist

The checklist is composed of a list of statements or words. Raters check statements most representative of the characteristics and performance of employees. The following are typical checklist statements:

- can be expected to finish work on time
- seldom agrees to work overtime
- is cooperative and helpful
- accepts criticism
- strives for self-improvement

The checklist can be modified so that varying weights are assigned to the statements or words. The results can then be quantified. Usually, the weights are not known by the rating supervisor because they are tabulated by someone else, such as a member of the HR unit.

There are several difficulties with the checklist: (1) as with the graphic rating scale, the words or statements may have different meanings to different raters; (2) raters cannot readily discern the rating results if a weighted checklist is used; and (3) raters do not assign the weights to the factors. These difficulties limit the use of the information when a rater discusses the checklist with the employee, creating a barrier to effective developmental counseling.

Comparative Methods

Comparative methods require that managers directly compare the performance of their employees against one another. For example, a data-entry operator's performance would be compared with that of other data-entry operators by the computing supervisor. Comparative techniques include ranking, paired comparison, and forced distribution.

Ranking

The ranking method consists of listing all employees from highest to lowest in performance. The primary drawback of the ranking method is that the size of the differences among individuals is not well defined. For example, there may be little difference in performance between individuals ranked second and third, but a big difference in performance between those ranked third and fourth. This drawback can be overcome to some extent by assigning points to indicate the size of the gaps. Ranking also means that someone must be last. It is possible that the last-ranked individual in one group would be the top employee in a different group. Further, ranking becomes very unwieldy if the group to be ranked is very large.

Forced Distribution

Forced distribution is a technique for distributing ratings that can be generated with any of the other methods. However, it does require a comparison among people in the work group under consideration. With the forced distribution method, the ratings of employees' performance are distributed along a bell-shaped curve. Using the forced distribution method, for example, a head nurse would rank nursing personnel along a scale, placing a certain percentage of employees at each performance level. Figure 1.3 shows a scale used with a forced distribution.

This method assumes that the widely known bell-shaped curve of performance exists in a given group. In fact, generally, the distribution of performance appraisal ratings does not approximate the normal distribution of the bell-shaped curve. It is common for 60% to 70% of the workforce of an organization to be rated in the top two performance levels. This pattern could reflect outstanding performance by many employees, or it could reflect leniency bias.

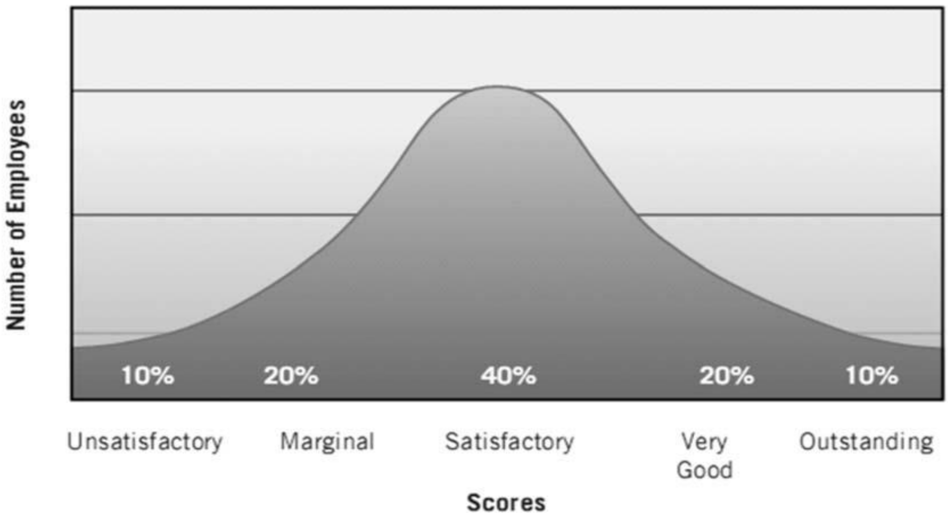


Figure 1.3: Forced Distribution

There are several drawbacks to the forced distribution method. One problem is that a supervisor may resist placing any individual in the lowest (or the highest) group. Difficulties may arise when the rater must explain to the employee why he or she was placed in one grouping and others were placed in higher groupings. Further, with small groups, there may be no reason to assume that a bell shaped distribution of performance really exists. Finally, in some cases the manager may feel forced to make distinctions among employees that may not exist.

Narrative Methods

Managers and HR specialists frequently are required to provide written appraisal information. Documentation and description are the essence of the critical incident, the essay, and the field review methods. These records describe an employee's actions rather than indicating an actual rating.

Critical Incident

In the critical incident method, the manager keeps a written record of both highly favourable and unfavourable actions in an employee's performance. When a critical incident involving an employee occurs, the manager writes it down. A list of critical incidents is kept during the entire rating period for each employee. The critical incident method can be used with other methods to document the reasons why an employee was rated in a certain way.

The critical incident method also has its unfavourable aspects. First, what constitutes a critical incident is not defined in the same way by all supervisors. Next, producing daily or weekly written remarks about each employee's performance can take considerable time. Further, employees may become overly concerned about what the superior writes and begin to fear the manager's black book.

Essay

The essay, or free-form, appraisal method requires the manager to write a short essay describing each employee's performance during the rating period. The rater usually is given a few general headings under which to categorize comments. The intent is to allow the rater more flexibility than other methods do. As a result, the essay is often combined with other methods.

Field Review

The field review has as much to do with who does the evaluation as the method used. This approach can include the HR department as a reviewer, or a completely independent reviewer outside the organization. In the field review, the outside reviewer becomes an active partner in the rating process. The outsider interviews the manager about each employee's performance, and then compiles the notes from each interview into a rating for each employee. Then the rating is reviewed by the supervisor for needed changes. This method assumes that the outsider knows enough about the job setting to help supervisors give more accurate and thorough appraisals.

The major limitation of the field review is that the outsider has a great deal of control over the rating. Although this control may be desirable from one viewpoint, managers may see it as a challenge to their authority. In addition, the field review can be time consuming, particularly if a large number of employees are to be rated.

Behavioural / Objectives Methods

In an attempt to overcome some of the difficulties of the methods just described, several different behavioural approaches have been used. Behavioural approaches hold promise for some situations in overcoming some of the problems with other methods.

Behavioural Rating Approaches

Behavioural rating approaches attempt to assess an employee's behaviours instead of other characteristics. Some of the different behavioural approaches are behaviourally anchored rating scales (BARS), behavioural observation scales (BOS), and behavioural expectation scales (BES). BARS match descriptions of possible behaviours with what the employee most commonly exhibits. BOS are used to count the number of times certain behaviours are exhibited.

BES order behaviours on a continuum to define outstanding, average, and unacceptable performance. BARS were developed first and are used here as an example of behavioural rating approaches.

Behavioural rating approaches describe examples of employee job behaviours. These examples are anchored, or measured, against a scale of performance levels. Figure 1.4 shows a behavioural observation rating scale that rates customer service skills. What constitutes various levels of performance is clearly defined in the figure. Spelling out the behaviour associated with each level of performance helps minimize some of the problems noted earlier for other approaches.

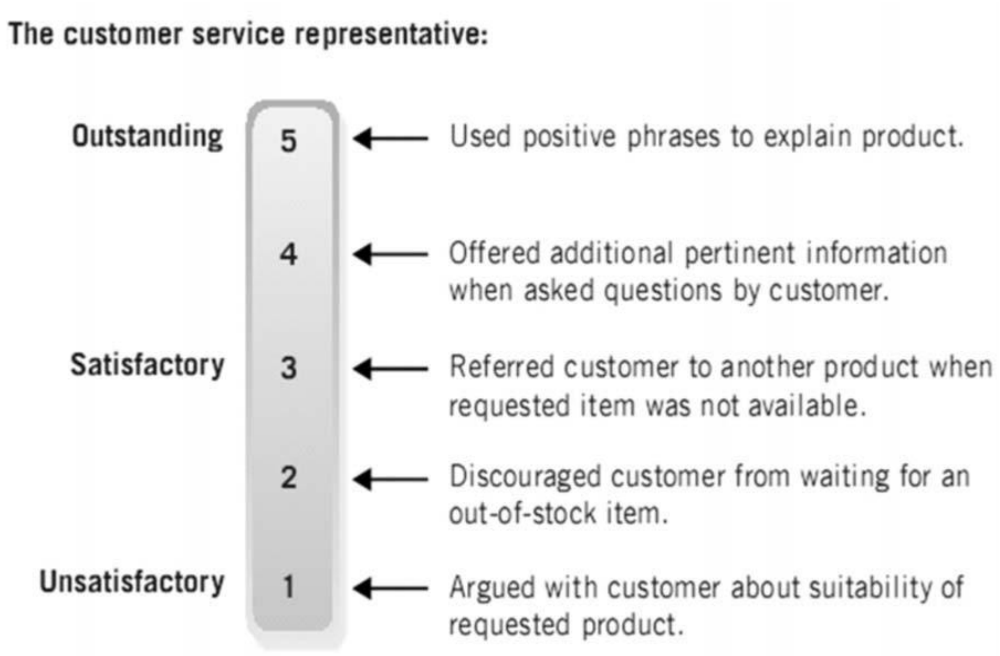


Figure 1.4: Customer Service Skills

Constructing Behavioural Scales

Construction of a behavioural scale begins with identifying important job dimensions. These dimensions are the most important performance factors in an employee's job description. For example, for a college professor, the major job dimensions associated with teaching might be:

- Course organization
- Attitude toward students
- Fair treatment, and
- Competence in subject area.

Short statements, similar to critical incidents, are developed that describe both desirable and undesirable behaviour's (anchors). Then they are retranslated, or assigned to one of the job dimensions.

This task is usually a group project, and assignment to a dimension usually requires the agreement of 60% to 70% of the group.

The group, consisting of people familiar with the job, then assigns each anchor a number, which represents how good or bad the behaviour is. When numbered, these anchors are fitted to a scale.

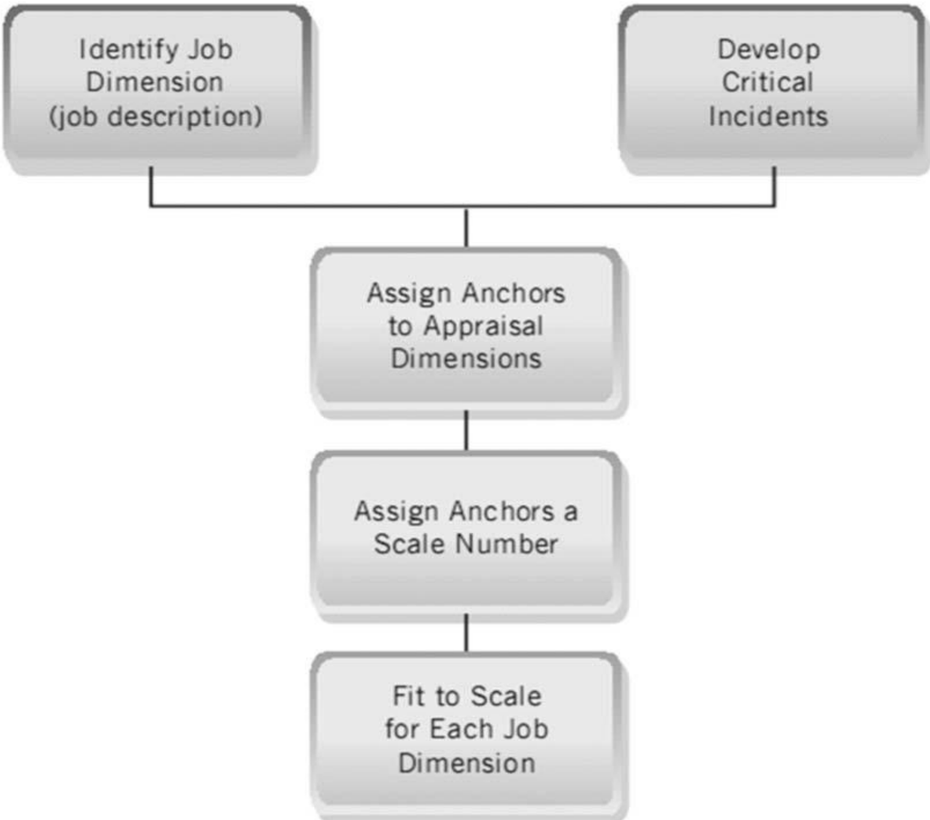


Figure 1.5: Development Process for Behavioral Anchors

There are several problems associated with the behavioural approaches that must be considered. First, developing and maintaining behaviourally anchored rating scales require extensive time and effort. In addition, several appraisal forms are needed to accommodate different types of jobs in an organization. In a hospital, nurses, dietitians, and admission clerks all have different jobs; separate BARS forms would need to be developed for each distinct job.

Management by Objectives

Management by objectives (MBO) specifies the performance goals that an individual hope to attain within an appropriate length of time. The objectives that each manager sets are derived from the overall goals and objectives of the organization, although MBO should not be a disguised means for a superior to dictate the objectives of individual managers or employees. Although not limited to the appraisal of managers, MBO is most often used for this purpose. Other names for MBO include appraisal by results, target-coaching, work planning and review, performance objectives, and mutual goal setting.

Key MBO Ideas

Three key assumptions underlie an MBO appraisal system. First, if an employee is involved in planning and setting the objectives and determining the measure, a higher level of commitment and performance may result.

Second, if the objectives are identified clearly and precisely, the employee will do a better job of achieving the desired results. Ambiguity and confusion and therefore less effective performance may result when a superior determines the objectives for an individual. By setting their own objectives, the employee gains an accurate understanding of what is expected.

Third, performance objectives should be measurable and should define results. Vague generalities such as initiative and cooperation, which are common in many superior-based appraisals, should be avoided. Objectives are composed of specific actions to be taken or work to be accomplished. Sample objectives might include:

- Submit regional sales report by the fifth of every month.
- Obtain orders from at least five new customers per month.
- Maintain payroll costs at 10% of sales volume.
- Have scrap loss of less than 5%.
- Fill all organizational vacancies within 30 days after openings occur.

The MBO Process

Implementing a guided self-appraisal system using MBO is a four-stage process. These phases are shown in Figure 1.6 and discussed next.

- **Job review and agreement:** The employee and the superior review the job description and the key activities that comprise the employee's job. The idea is to agree on the exact makeup of the job.

- **Development of performance standards**: Specific standards of performance must be mutually developed. In this phase a satisfactory level of performance that is specific and measurable is determined. For example, a quota of selling five cars per month may be an appropriate performance standard for a sales-person.

- **Guided objective setting**: Objectives are established by the employee in conjunction with, and guided by, the superior. For the automobile salesperson, an objective might be to improve performance; the salesperson might set a new objective of selling six cars per month. Notice that the objective set may be different from the performance standard. Objectives should be realistically attainable.

- **Continuing performance discussions**: The employee and the superior use the objectives as bases for continuing discussions about the employee's performance. Although a formal review session may be scheduled, the employee and the manager do not necessarily wait until the appointed time to discuss performance. Objectives are modified mutually, and progress is discussed during the period.

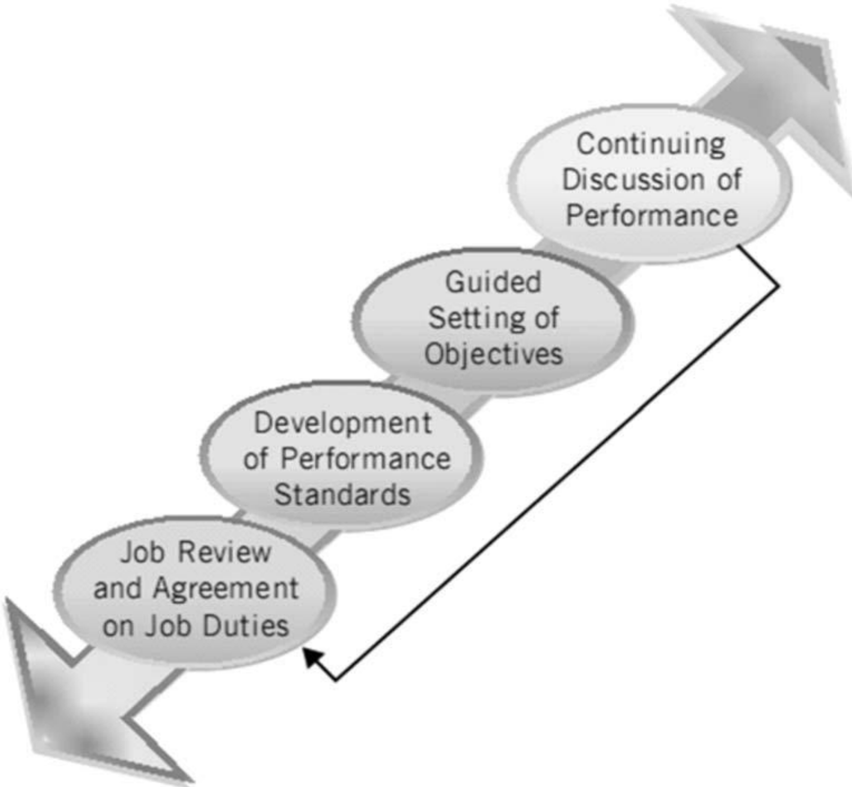


Figure 1.6: MBO Process

MBO Critique

No management tool is perfect, and certainly MBO is not appropriate for all employees or all organizations. Jobs with little or no flexibility are not compatible with MBO. For example, an assembly line worker usually has so little job flexibility that performance standards and objectives are already determined. The MBO process seems to be most useful with managerial personnel and employees who have a fairly wide range of flexibility and control over their jobs. When imposed on a rigid and autocratic management system, MBO may fail. Extreme emphasis on penalties for not meeting objectives defeats the development and participative nature of MBO.

Combination of Methods

There is no one best appraisal method. Indeed, research has suggested that the method used does not change the accuracy or solve rate errors. A performance measurement system that uses a combination of the preceding methods is possible and may be sensible in certain circumstances. Consider combinations to offset the following advantages and disadvantages: Category rating methods are easy to develop, but they usually do little to measure strategic accomplishments.

Further, they may make inter-rate reliability problems worse. Comparative approaches help reduce leniency, central tendency, and strictness errors, which makes them useful for administrative decisions such as pay raises.

But the comparative approaches do a poor job of linking performance to organizational goals, and they do not provide feedback for improvement as well as other methods.

Narrative methods work best for development because they potentially generate more feedback information. However, without good definitions of criteria or standards, they can be so unstructured as to be of little value. Also, these methods are poor for administrative uses. The behavioral/objective approaches work well to link performance to organizational goals, but both can require much more effort and time to define expectations and explain the process to employees. These approaches may not work well for lower-level jobs. When managers can articulate what they want a performance appraisal system to accomplish, they can choose and/or mix the methods just mentioned to get the combinations of advantages they want.

For example, one combination might include a graphic rating scale of performance on major job criteria, a narrative of developmental needs, and an overall ranking of employees in a department. Different categories of employees (e.g., salaried exempt, non-exempt salaried, maintenance) might require different combinations.

Human Resource Training:

Training is required at every stage of work and for every person at work. To keep oneself updated with the fast changing technologies, concepts, values and environment, training plays a vital role. Training programmes are also necessary in any organization for improving the quality of work of the employees at all levels. It is also required when a person is moved from one assignment to another of a different nature. Taking into account this context, this unit aims at providing insight into the concept, need and methods of training, also areas of evaluation of training, retraining and dimensions of organizational learning.

Traditionally, about two-thirds of the training expenses have been devoted to developing professional managers and one-third to first-line workers. But that proportion is changing. Organizations are realizing that they need to develop the capabilities of their first-line workers just as much as the capabilities of their managers. Something else is changing as well. An old axiom in HR management was, when times get tough, training is the first expenditure cut. Accordingly, often training expenditures are reduced significantly. But a growing number of employers have recognized that training is not just a cost; it is an investment in the human capital of the organization that benefits the entire organization.

What is interesting is that as organizations restructure and implement strategic changes, training becomes more important. Employees who must adapt to the changes need training to update their capabilities. Also, managers must have training and development to enhance their leadership skills and abilities. In a number of situations, effective training often produces productivity gains that more than offset the cost of the training. The HR Perspective describes a study intended to document the economic value of training.

Definition

Training is a process whereby people acquire capabilities to aid in the achievement of organizational goals. Because this process is tied to a variety of organizational purposes, training can be viewed either narrowly or broadly. In a limited sense, training provides employees with specific, identifiable knowledge and skills for use on their present jobs.

Sometimes a distinction is drawn between training and development, with development being broader in scope and focusing on individuals gaining new capabilities useful for both present and future jobs.

Training Responsibilities

A typical division of training responsibilities is shown in Figure 2.1. The HR unit serves as a source of expert training assistance and coordination. The unit often has a more long-range view of employee careers and the development of the entire organization than do individual operating managers. The difference is especially true at lower levels in the organization.

HR Unit	Managers
• Prepares skill-training materials • Coordinates training efforts • Conducts or arranges for off-the-job training • Coordinates career plans and employee development efforts • Provides input and expertise for organizational development	• Provide technical information • Monitor training needs • Conduct on-the-job training • Continually discuss employees' growth and future potential • Participate in organizational change efforts

Figure 2.1: Typical Training Responsibilities

However, managers are likely to be the best source of technical information used in skills training. They also are in a better position to decide when employees need training or retraining. Because of the close and continual interaction, they have with their employees, it is appropriate that managers determine and discuss employee career potentials and plans with individual employees.

It has been increasingly evident that operating managers and HR professionals must work together effectively if training is to be done well. Therefore, a training partnership between the HR staff members and operating managers must develop. In this partnership HR serves more as a consultant and training planner with managers, rather than as an entity controlling training.

Types of Training

Internal Training:

Training in on-the-job locations tends to be viewed as being very applicable to the job, it saves the cost of sending employees away for training, and it often avoids the cost of outside trainers. However, trainees who are learning while working can incur costs in the form of lost customers and broken equipment, and they may get frustrated if matters do not go well.

Often, technical training is conducted inside organizations. Technical training is usually skills based, for example, training to run precision computer-controlled machinery. Due to rapid changes in technology, the building and updating of technical skills have become crucial training needs. Basic technical skills training are also being mandated by federal regulations in areas where the Occupational Safety and Health Administration (OSHA), the Environmental Protection Agency (EPA), and other agencies have regulations. As noted in the opening discussion, web-based training and intranets also are growing as internal means of training.

One internal source of training that has grown is informal training, which occurs internally through interactions and feedback among employees. One study found that 70% of what employees know about their jobs they learned informally from other employees, not from formal training programs. Several factors account for the amount of informal learning. First, as employees work in teams and on projects with others, they ask questions, receive explanation, and share information with coworkers. Second, rather than relying on the employer to train them and keep their capabilities current, employees request assistance from other employees more knowledgeable or skilled. Third, informal learning occurs among employees striving to meet organizational goals and deadlines. However, problems with informal training include the fact that some training done by fellow employees may not be accurate and may miss certain important details.

External Training

External training occurs for several reasons: It may be less expensive for an employer to have an outside trainer conduct training in areas where internal training resources are limited. There may not be sufficient time to develop internal training materials. The HR staff may not have the level of expertise needed for the subject matter where training is needed. There are advantages to having employees interact with managers and peers in other companies in training programs held externally.

One growing trend is the outsourcing of training. Vendors are being used to train employees. For example, many software providers have user's conferences where employees from a number of employers receive detailed training on using the software and new features being added. Also, vendors can do training inside the organization if sufficient numbers of employees are to be trained.

Several computer software vendors offer employees technical certifications on their software. For example, being a Master Certified Novell Engineer or Microsoft Certified Product Specialist gives employees credentials that show their level of technical expertise. The certifications also provide employees items to put on their resumes should they decide to change jobs. These certifications also benefit employers, who can use the certifications as job specifications for hiring and promotion purposes. If an employer pays for employees to become certified, employees may view the employer more positively and be less prone to leave.

Learning Principles: The Psychology of Learning

Working in organizations is a continual learning process, and learning is at the heart of all training activities. Different learning approaches are possible, and learning is a complex psychological process that is not fully understood by practitioners or research psychologists.

Often, trainers or supervisors present information and assume that merely by presenting it they have ensured that it will be learned. But learning takes place only when information is received, understood, and internalized in such a way that some change or conscious effort has been made to use the information. Managers can use the research on learning to make their training efforts more effective. Some major learning principles that guide training efforts are presented next.

Intention to Learn

People learn at different rates and are able to apply what they learn differently. Ability to learn must be accompanied by motivation, or intention, to learn. Motivation to learn is determined by answers to questions like these: How important is my job to me? How important is it that I learn that information? Will learning this help me in any way? and what's in it for me? Additionally, people vary in their beliefs about their abilities to learn through training. These perceptions may have nothing to do with their actual ability to learn, but rather reflect the way they see themselves. People with low selfefficacy (low level of belief that they can accomplish something) benefit from one-on-one training. People with high self-efficacy seem to do better with conventional training. Because self-efficacy involves a motivational component, it affects a person's intention to learn.

Whole Learning

It is usually better to give trainees an overall view of what they will be doing than to deal immediately with the specifics. This concept is referred to as whole learning or Gestalt learning. As applied to job training, this means that instructions should be divided into small elements after employees have had the opportunity to see how all the elements fit together.

Another concept is intentional advice, which refers to providing trainees information about the processes and strategies that can lead to training success. By focusing the trainees' attention on what they will encounter during training and how it is linked to their jobs, trainers can improve trainees' participation in the training process. For instance, if customer service representatives are being trained to handle varying types of difficult customer calls, the training should give an overview of the types of calls, the verbal cues indicating the different types of calls, and the desired outcomes for each type of call.

Reinforcement

The concept of reinforcement is based on the law of effect, which states that people tend to repeat responses that give them some type of positive reward and avoid actions associated with negative consequences. The reinforces that an individual receives can be either external or internal, and many training situations provide both kinds. A new salesclerk who answers a supervisor's question correctly and is complimented for doing so may receive both an external reward (the compliment) and an internal reward (a feeling of pride). A person who is positively reinforced for learning is more likely to continue to learn.

Behaviour Modification

A comprehensive approach to training has been developed based on the concept of reinforcement. This popular approach, behavior modification, uses the theories of psychologist B.F. Skinner, who stated that learning is not doing; it is changing what we do. Behavior modification makes use of four means of changing behavior, labeled intervention strategies. The four strategies are positive reinforcement, negative reinforcement, punishment, and extinction. Each is reviewed next.

A person who receives a desired reward receives positive reinforcement. If an employee is on time every day during the week and, as a result, receives extra pay equivalent to one hour of normal work, the employee has received positive reinforcement of his or her good attendance by receiving a desired award.

Negative reinforcement occurs when an individual works to avoid an undesirable consequence. An employee who arrives at work on time every day may do so to avoid a supervisor's criticism. Thus, the potential for criticism leads to the employee's taking the desired action.

Action taken to repel a person from undesirable action is punishment. A grocery manager may punish a stock clerk for leaving the stockroom dirty by forcing her to stay after work and clean it up.

Behavior can also be modified through a technique known as extinction, which is the absence of an expected response to a situation. The hope is that unreinforced behavior will not be repeated.

All four strategies can work to change behavior, and combinations may be called for in certain situations. But research suggests that for most training situations, positive reinforcement of the desired behavior is most effective.

Immediate Confirmation

Another learning concept is immediate confirmation: people learn best if reinforcement is given as soon as possible after training. Feedback on whether a learner's response was right or wrong should be given as soon as possible after the response. To illustrate, suppose a corporate purchasing department has developed a new system for reporting inventory information. The purchasing manager who trains inventory processors may not have the trainees fill out the entire new inventory form when teaching them the new procedure. Instead the manager may explain the total process and then break it into smaller segments, having each trainee complete the form a section at a time. By checking each individual's form for errors immediately after each section is complete, the purchasing manager can give immediate feedback, or confirmation, before the trainees fill out the next section. This immediate confirmation corrects errors that, if made throughout the whole form, might establish a pattern that would need to be unlearned.

Learning Practice and Patterns

Learning new skills requires practice and application of what is learned. Both research and experience show that when designing training, behavioural modelling, practice, and learning curves are all important considerations.

Behaviour Modelling

The most elementary way in which people learn and one of the best is behaviour modelling, or copying someone else's behaviour. A variation of modelling occurs when people avoid making mistakes they see others make. The use of behaviour modelling is particularly appropriate for skill training in which the trainees must use both knowledge and practice.

Active Practice

Active practice occurs when trainees perform job-related tasks and duties during training. It is more effective than simply reading or passively listening. Research has found that active practice was the factor most closely associated with improved performance following training.

Once some basic instructions have been given, active practice should be built into every learning situation. It is one of the advantages of good on-the-job training.

Assume a person is being trained as a customer service representative. After being given some basic selling instructions and product details, the trainee should be allowed to call a customer to use the knowledge received.

Spaced Vs Mass Practice

Active practice can be structured in two ways. The first, spaced practice occurs when several practice sessions are spaced over a period of hours or days. The other, massed practice, occurs when a person does all of the practice at once. Spaced practice works better for some kinds of learning, whereas massed practice is better for others. For example, training cashiers to operate a new machine could be alternated with having the individuals do tasks they already know how to do. Thus, the training is distributed instead of being concentrated into one period.

For other kinds of tasks, such as memorizing tasks, massed practice is usually more effective. Can you imagine trying to memorize the list of model options for a dishwasher one model per day for 20 days as an appliance distribution sales person? By the time you learned the last option, you would have forgotten the first one.

Learning Curves

People in different training situations learn in different patterns, called learning curves. The kind of learning curve typical of a given task has implications for the way the training program is designed. In some situations, the amount of learning and/or the skill level increases rapidly at first, then the rate of improvement slows. For example, when an employee first learns to operate a stamping machine, the rate of production increases rapidly at first and then slows as the normal rate is approached. Learning to perform most routine jobs follows such a curve.

Another common pattern occurs when a person tries to learn an unfamiliar, difficult task that also requires insight into the basics of the job. In this pattern, learning occurs slowly at first, then increases rapidly for a while, and then flattens out. Learning to debug computer systems is one example, especially if the learner has little previous contact with computers.

Transfer of Training

For effective transfer of training from the classroom to the job, two conditions must be met. First, the trainees must be able to take the material learned in training and apply it to the job context in which they work. Second, use of the learned material must be maintained over time on the job. One way to aid transfer of training to job situations is to ensure that the training is as much like the jobs as possible. In the training situation, trainees should be able to experience the types of situations they can expect on the job. For example, training managers to be better interviewers should include role playing with applicants who respond in the same way that real applicants would.

Needs and Benefits of Training

Training is essential because technology is developing continuously and at a fast rate. Systems and practices get outdated soon due to new discoveries in technology, including technical, managerial and behavioural aspects. Organizations that do not develop mechanisms to catch up with and use the growing technology soon become stale. However, developing individuals in the organization can contribute to its effectiveness of the organization.

There are some other reasons also for which this training becomes necessary. Explained below are various factors, giving rise to the need for training.

- Employment of inexperienced and new labour requires detailed instructions for effective performance on the job.
- People have not to work, but work effectively with the minimum of supervision, minimum of cost, waste and spoilage, and to produce quality goods and services.
- Increasing use of fast changing techniques in production and other operations requires training into newer methods for the operatives.
- Old employees need refresher training to enable them to keep abreast of changing techniques and the use of sophisticated tools and equipment.
- Training is necessary when a person has to move from one job to another because of transfer, promotion or demotion.

Such development, however, should be monitored so as to be purposeful. Without proper monitoring, development is likely to increase the frustration of employees if when, once their skills are developed, and expectations raised, they are not given opportunities for the application of such skills. A good training sub-system would help greatly in monitoring the directions in which employees should develop in the best interest of the organization. A good training system also ensures that employees develop in directions congruent with their career plans.

- Hence, a well-planned and well-executed training programme should result in:
- Reduction in waste and spoilage;
- Improvement in methods of work;
- Reduction in learning time;
- Reduction in supervisory burden;
- Reduction in machine breakage and maintenance cost;
- Reduction in accident rate;
- Improvement in quality of products;
- Improvement in production rate;
- Improvement of morale and reduction in grievances;
- Improvement of efficiency and productivity;
- Reduction in manpower obsolescence;
- Enabling the organization to provide increased financial incentives, opportunity
- For internal promotion and raising of pay rates;
- Wider awareness among participants, enlarged skill; and
- Personal growth.

Systems Approach to Training

The success of orientation or any other type of training can be gauged by the amount of learning that occurs and is transferred to the job. Too often, unplanned, uncoordinated, and haphazard training efforts significantly reduce the earning that could have occurred. Training and learning will take place, especially through informal work groups, whether an organization has a coordinated effort or not because employees learn from other employees. But without a well-designed, systematic approach to training, what is learned may not be what is best for the organization. Figure 2.2 shows the relevant components of the three major phases in a training system: (1) the assessment phase, (2) the implementation phase, and (3) the evaluation phase.

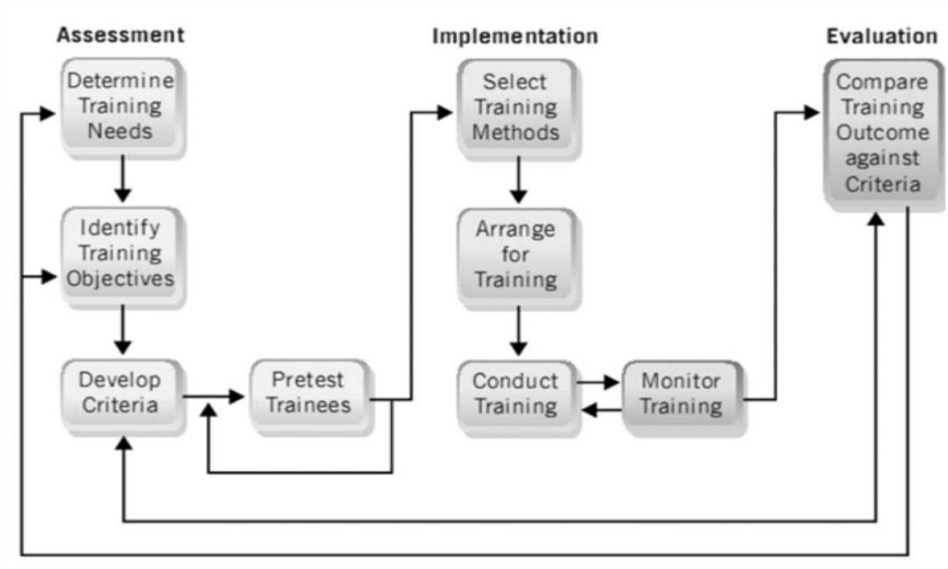


Figure 2.2: Model of a Training System

Assessment Phase

In the assessment phase, planners determine the need for training and specify the objectives of the training effort. Looking at the performance of clerks in a billing department, a manager might find that their data-entry and keyboard abilities are weak and that they would profit by having instruction in these areas. An objective of increasing the clerks' keyboard entry speed to 60 words per minute without errors might be established. The number of words per minute without errors is the criterion against which training success can be measured, and it represents the way in which the objective is made specific. To make the bridge between assessment and implementation, the clerks would be given a keyboard data-entry test.

Implementation Phase

Using the results of the assessment, implementation can begin. For instance, a billing supervisor and an HR training specialist could work together to determine how to train the clerks to increase their speeds. Arrangements for instructors, classrooms, materials, and so on would be made at this point. A programmed instruction manual might be used in conjunction with a special data-entry class set up at the company. Implementation occurs when training is actually conducted.

Evaluation Phase

The evaluation phase is crucial. It focuses on measuring how well the training accomplished what its originators expected. Monitoring the training serves as a bridge between the implementation and evaluation phases and provides feedback for setting future training objectives.

Training Needs Assessment

Training is designed to help the organization accomplish its objectives. Determining organizational training needs is the diagnostic phase of setting training objectives. Just as a patient must be examined before a physician can prescribe medication to deal with an ailment, an organization or an individual employee must be studied before a course of action can be planned to make the patient function better. Managers can identify training needs by considering three sources. Figure 2.3 depicts some of the methods used, for each of the three sources.

Organizational Analyses

The first way to diagnose training needs is through organizational analysis, which considers the organization as a system. An important part of the company's strategic human resource planning is the identification of the knowledge, skills, and abilities (KSAs) that will be needed by employers in the future as both jobs and the organization change.

Both internal and external forces that will influence training must be considered when doing organizational analyses. The problems posed by the technical obsolescence of current employees and an insufficiently educated labour pool from which to draw new workers should be confronted before those training needs become critical. To illustrate, consider a medium-sized telecommunications firm that is facing increasing competition and changes in its industry.

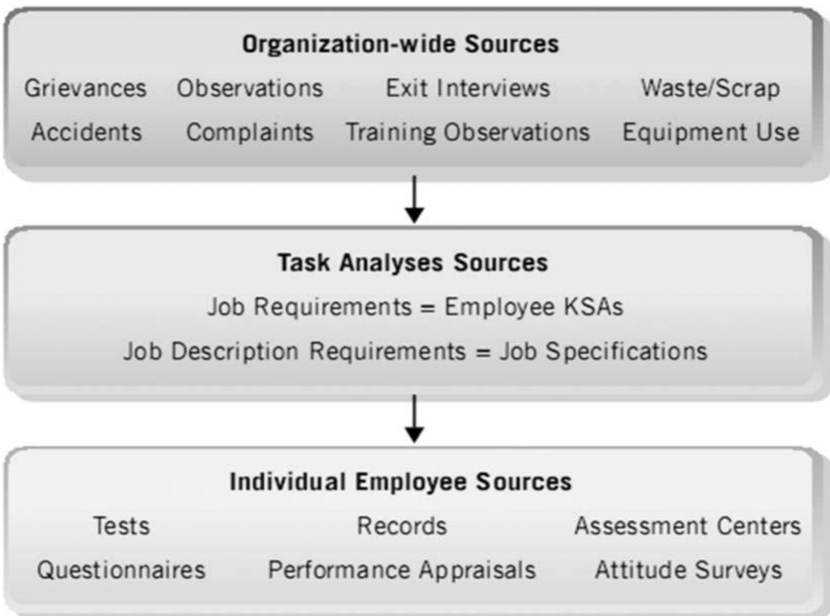


Figure 2.3: Levels of Training Need Assessment

During its strategic planning, the firm recognized that greater computerization of its operations was needed. The firm identified that establishing an intranet in the company was going to mean that increased internal and external communications were to occur electronically. Many employees needed to be trained to use computer software and given laptops to use both at work and away from the office.

One important source for organizational analyses comes from various operational measures of organizational performance. On a continuing basis, detailed analyses of HR data can show training weaknesses. Departments or areas with high turnover, high absenteeism, low performance, or other deficiencies can be pinpointed. After such problems are analysed, training objectives can be developed. Specific sources of information and operational measures for an organizational-level needs analysis may include the following:

- Grievances
- Complaints from customers
- Accident records
- Equipment utilization figures
- Observations
- Training committee observations
- Exit interviews
- Waste/scrap/quality control data

Task Analyses

The second way to diagnose training needs is through analyses of the tasks performed in the organization. To do these analyses, it is necessary to know the job requirements of the organization. Job descriptions and job specifications provide information on the performances expected and skills necessary for employees to accomplish the required work. By comparing the requirements of jobs with the knowledge, skills, and abilities of employees, training needs can be identified.

To continue an example, assume that at a telecommunications firm, analyses were done to identify the tasks to be performed by engineers who were to serve as technical instructors for other employees. By listing the tasks required of a technical instructor, management established a program to teach specific instruction skills needed so the engineers could become successful instructors.

Individual Analyses

The third means of diagnosing training needs focuses on individuals and how they perform their jobs. Figure 2.4 shows how analyses of the job and the person mesh to identify training needs. The use of performance appraisal data in making these individual analyses is the most common approach. In some instances, a good HR information system can be used to help identify individuals who require training in specific areas.

To assess training needs through the performance appraisal process, an employee’s performance inadequacies first must be determined in a formal review.

Then some type of training can be designed to help the employee overcome the weaknesses. Another way of assessing individual training needs is to ask both managerial and non-managerial employees about what training they need. The results can inform managers about what employees believe their problems are and what actions they recommend.

A training needs survey can take the form of questionnaires or interviews with supervisors and employees on an individual or group basis. The purpose is to gather information on problems perceived by the individuals involved. The following sources are useful for individual analyses:

- Questionnaires
- Records of critical incidents
- Job knowledge tools
- Data from assessment centers
- Skill tests
- Role-playing results
- Attitude surveys

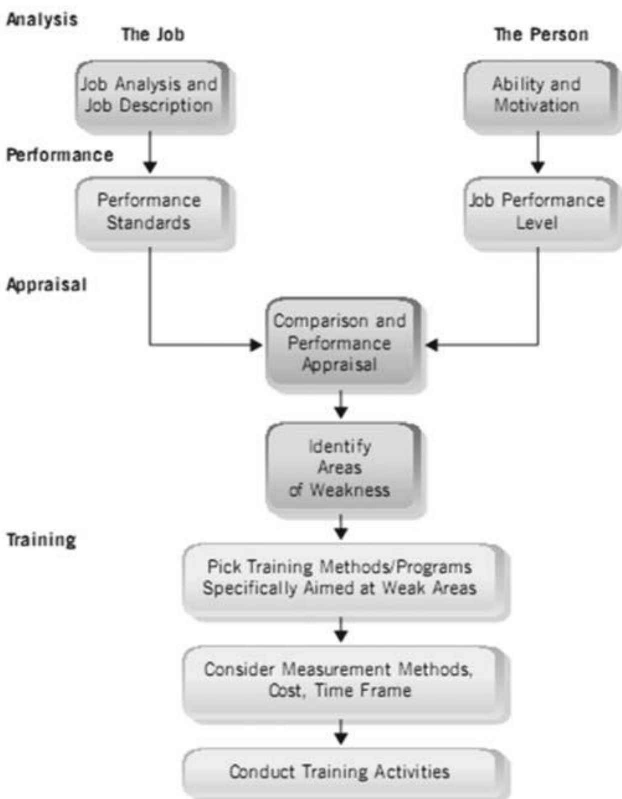


Figure 2.4: Job Performance to Analyse Training Needs

Establishing Training Objectives and Priorities

Once training needs have been identified using the various analyses, and then training objectives and priorities must be established. All of the gathered data is used to compile a gap analysis, which identifies the distance between where an organization is with its employee capabilities and where it needs to be. Training objectives and priorities are set to close the gap.

The success of training should be measured in terms of the objectives set. Useful objectives are measurable. For example, an objective for a new salesclerk might be to demonstrate the ability to explain the function of each product in the department within two weeks. This objective serves as a check on internalization, or whether the person really learned.

- Objectives for training can be set in any area by using one of the following four dimensions:
- Quantity of work resulting from training (for example, number of words per minute typed or number of applications processed per day)
- Quality of work after training (for example, dollar cost of rework, scrap loss, or errors)
- Timeliness of work after training (for example, schedules met or budget reports turned in on time)
- Cost savings as a result of training (for example, deviation from budget, sales expense, or cost of downtime)

Because training seldom is an unlimited budget item and there are multiple training needs in an organization, it is necessary to prioritize needs. Ideally, training needs are ranked in importance on the basis of organizational objectives. The training most needed to improve the health of the organization is done first in order to produce visible results more quickly.

Training Approaches

Once objectives have been determined, the actual training can begin. Regardless of whether the training is job specific or broader in nature, the appropriate training approach must be chosen. The following overview of common training approaches and techniques classifies them into several major groups.

On-the-Job Training (OJT)

The most common type of training at all levels in an organization is on-the-job training (OJT). Whether or not the training is planned, people do learn from their job experiences, particularly if these experiences change over time. On-the-job training usually is done by the manager, other employees, or both. A manager or supervisor who trains an employee must be able to teach, as well as to show, the employee what to do.

Job Instruction Training (JIT)

A special, guided form of on-the-job training is known as job instruction training (JIT). Developed during World War II, JIT was used to prepare civilians with little experience for jobs in the industrial sector producing military equipment. Because of its success, JIT is still used. In fact, it’s logical progression of steps is an excellent way to teach trainers to train.

Problems with OJT

On-the-job training is by far the most commonly used form of training because it is flexible and relevant to what the employee is doing. However, OJT has some problems as well. A common problem is that OJT often is haphazardly done. Trainers may have no experience in training, no time to do it, and no desire to participate. Under such conditions, learners essentially are on their own, and training likely will not be effective. Another problem is that OJT can disrupt regular work. Unfortunately, OJT can amount to no training at all in some circumstances, especially if the trainee simply is abandoned by an ineffective trainer to learn the job alone. However, well-planned and well executed OJT can be very effective.

Simulation

Simulation is a training approach that uses a training site set up to be identical to the work site. In this setting, trainees can learn under realistic conditions but be away from the pressures of the production schedule. For example, having an employee practice on a PBX console in a simulated setting before taking over as a telephone receptionist allows the person to learn the job more easily and without stress. Consequently, there may be fewer mistakes in handling actual incoming calls.

One type of simulation is called vestibule training, which occurs in special facilities that replicate the equipment and work demands of jobs. Examples of vestibule training include airlines that use simulators to train pilots and cabin attendants, astronauts who train in mock-up space capsules, and nuclear power plant operators who use model operations control rooms and consoles.

Behavioural simulations and computer-generated virtual reality have grown as computer technology and use of the Internet for training have grown. Virtual reality uses three-dimensional environments to replicate a job. Computers, audio equipment, and video equipment all may be a part of a virtual reality training approach. It is very useful where danger to the learner or to expensive equipment is involved, such as teaching pilots to fly a 757 aircraft or teaching police officers when to use their weapons and when to hold their fire in situations where their lives may be in danger.

Cooperative Training

Two widely used cooperative training methods are internships and apprenticeships. Both mix classroom training and on-the-job experiences.

Internships

An internship is a form of on-the-job training that usually combines job training with classroom instruction in trade schools, high schools, colleges, or universities. Internships are advantageous to both employers and interns. Interns get real-world exposure, a line on the vita (resume), and a chance to examine a possible employer closely. Employers who hire from campuses get a cost-effective selection tool that includes a chance to see an intern at work before a final hiring decision is made.

Apprenticeships

Another form of cooperative training that is used by employers, trade unions, and government agencies is apprentice training. An apprenticeship program provides an employee with on-the-job experience under the guidance of a skilled and certified worker. Certain requirements for training, equipment, time length, and proficiency levels may be monitored by a unit of the Indian Labour Legislation. Apprentice training is used most often to train people for jobs in skilled crafts, such as carpentry, plumbing, photoengraving, typesetting, and welding. Apprenticeships usually last one to five years, depending on the occupation. During this time the apprentice receives lower wages than the certified individual.

Classroom and Conference Training

Training seminars, courses, and presentations can be used in both skills-related and developmental training. Lectures and discussions are a major part of this training. The numerous management development courses offered by trade associations and educational institutions are examples of conference training.

Company-conducted short courses, lectures, and meetings usually consist of classroom training, whereas company sales meetings are a common type of conference training. Both classroom and conference training frequently make use of training techniques such as case discussions, films, and tapes to enhance the learning experience. Particularly important in classroom training is to recognize that adults in classroom training have different expectations and learning styles than do younger students.

Selecting Training Approaches

Once training needs have been assessed and training objectives identified, then the training approaches and methods must be selected. There are many different training methods, and training technology is expanding the number of options available. Figure 2.5 show that numerous factors must be considered simultaneously when selecting the training approaches to use.

Figure 2.5: Considerations while selecting training approaches

Evaluation of Training

Evaluation of training compares the post-training results to the objectives expected by managers, trainers, and trainees. Too often, training is done without any thought of measuring and evaluating it later to see how well it worked. Because training is both time-consuming and costly, evaluation should be done. The management axiom that nothing will improve until it is measured may apply to training assessment. In fact, at some firms, what employees learn is directly related to what they earn, which puts this principle of measurement into practice.

One way to evaluate training is to examine the costs associated with the training and the benefits received through cost/benefit analysis. As mentioned earlier, comparing costs and benefits is easy until one has to assign an actual dollar value to some of the benefits. The best way is to measure the value of the output before and after training. Any increase represents the benefit resulting from training. However, careful measurement of both the costs and the benefits may be difficult in some situations.

Therefore, benchmarking training has grown in usage.

Benchmarking Training

Rather than doing training evaluation internally, some organizations are using benchmark measures of training that are compared from one organization to others. To do benchmarking, HR professionals in an organization gather data on training and compare it to data on training at other organizations in the industry and of their size. Comparison data is available through the American Society of Training and Development (ASTD) and its Benchmarking Service. This service has training-related data from over 1,000 participating employers who complete detailed questionnaires annually. Training also can be benchmarked against data from the American Productivity and Quality Centre and the Saratoga Institute. In both instances, data is available on training expenditures per employee, among other measures.

Levels of Evaluation

It is best to consider how training is to be evaluated before it begins. Donald L.Kirkpatrick identified four levels at which training can be evaluated. As Figure 2.6 shows, the ease of evaluating training becomes increasingly more difficult as training is evaluated using reaction, learning, behaviour, and results measures. But the value of the training increases as it can be shown to affect behaviour and results instead of reaction and learning-level evaluations. Later research has examined Kirkpatrick's schematic and raised questions about how independent each level is from the others, but the four levels are widely used to focus on the importance of evaluating training.

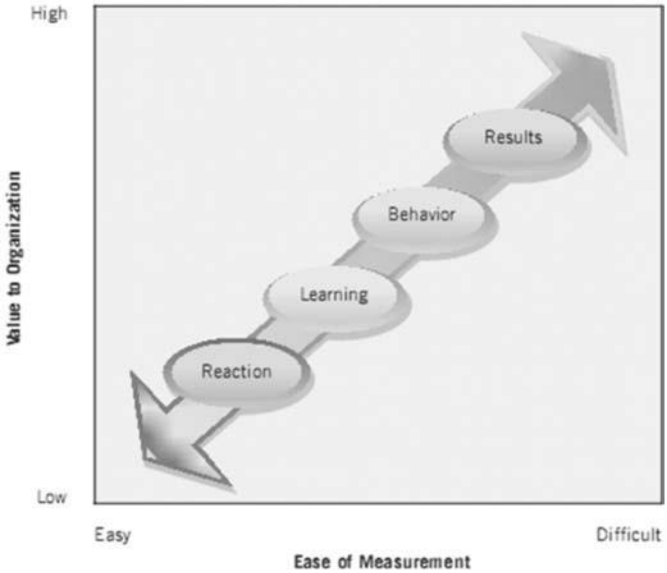


Figure 2.6: Levels of Training Evaluation

Reaction

Organizations evaluate the reaction level of trainees by conducting interviews or by administering questionnaires to the trainees. Assume that 30 managers attended a two-day workshop on effective interviewing skills. A reaction-level measure could be gathered by having the managers complete a survey that asked them to rate the value of the training, the style of the instructors, and the usefulness of the training to them. However, the immediate reaction may measure only how much the people liked the training rather than how it benefited them.

Learning

Learning levels can be evaluated by measuring how well trainees have learned facts, ideas, concepts, theories, and attitudes. Tests on the training material are commonly used for evaluating learning and can be given both before and after training to compare scores. To evaluate training courses at some firms, test results are used to determine how well the courses have provided employees with the desired content. If test scores indicate learning problems, instructors get feedback, and the courses are redesigned so that the content can be delivered more effectively. To continue the example, giving managers attending the interviewing workshop a test at the end of the session to quiz them on types of interviews, legal and illegal questions, and questioning types could indicate that they learned important material on interviewing. Of course, learning enough to pass a test does not guarantee that the trainee can do anything with what was learned or behave differently.

One study of training programs on hazardous waste operations and emergency response for chemical workers found that the multiple-choice test given at the end of the course did not indicate that those trained had actually mastered the relevant material.

Also, as students will attest, what is remembered and answered on learning content immediately after the training is different from what may be remembered if the test is given several months later.

Behaviour

Evaluating training at the behavioral level involves (1) measuring the effect of training on job performance through interviews of trainees and their co-workers and (2) observing job performance. For instance, a behavioral evaluation of the managers who participated in the interviewing workshop might be done by observing them conducting actual interviews of applicants for jobs in their departments. If the managers asked questions as they were trained and they used appropriate follow-up questions, then a behavioral indication of the interviewing training could be obtained. However, behavior is more difficult to measure than reaction and learning. Even if behaviors do change, the results that management desires may not be obtained.

Results

Employers evaluate results by measuring the effect of training on the achievement of organizational objectives. Because results such as productivity, turnover, quality, time, sales, and costs are relatively concrete, this type of evaluation can be done by comparing records before and after training. For the interviewing training, records of the number of individuals hired to the offers of employment made prior to and after the training could be gathered.

The difficulty with measuring results is pinpointing whether it actually was training that caused the changes in results. Other factors may have had a major impact as well. For example, managers who completed the interviewing training program can be measured on employee turnover before and after the training. But turnover is also dependent on the current economic situation, the demand for product, and the quality of employees being hired. Therefore, when evaluating results, managers should be aware of all issues involved in determining the exact effect on the training.

Case Study: Walt Disney World

One of the best-known organizations in the world is Walt Disney World. Yes, it is known for the theme parks and resorts it has worldwide, but in HR circles Disney is seen as a model for training employees to deliver outstanding service. At the heart of Disney magic is training employees in the Disney culture. Once individuals survive a rigorous selection process and are chosen as cast members, training begins with orientation and on-the-job training. Disney has become so well-known for its training that the Disney Institute has been established to share the Disney approach with other employers.

One firm that is a believer in the Disney magic is Dierbergís, a supermarket chain based in St. Louis, Missouri. Before Fred Martels, HR director for Dierbergís went to a Disney Institute workshop on customer service and employee orientation, Dierbergís new employees went through a two-hour orientation program. They got an employee handbook, saw a short company history video, and were briefed on safety and company policies. Boring, was how Martels described it. Indications were that upon completing the two-hour orientation, new employees were not excited about their jobs and unclear about customer service expectations and the company. Then Martels went to a Disney Institute workshop on customer service and Disney’s approach to orientation. As a result, Dierbergís totally revamped its orientation program. Following the Disney example, the HR staff had the once-bare walls of the orientation and training rooms decorated with information about company history, pictures of stores, and other company details.

That way, new employees can see some of the company history. They are given exercises to get them involved and interacting. They watch new videos that emphasize customer service, company growth, and career opportunities. Throughout the new orientation program, Dierbergís stresses participant involvement and interaction.

Consequently, managers throughout Dierbergís have noticed that new employees are more customer service oriented and appear more pleasant to customers and coworkers. As a result of this and other changes, Dierbergís has received professional awards for motivating and retaining employees. Evidently, Dierbergís has created its own magic.

Review Questions:

- Define Human Resource Appraisal. How will you identify and measure employee performance?
- What do you mean by Performance Standards? Set the Performance Standards of a Sales Personnel of an organization of your choice.
- What are all the various uses of Performance appraisal? Discuss in detail with illustrations.
- Discuss the various Performance Evaluation Methods and Evaluation, in detail.
- Explain the importance of Training in an organization. What are all the various types of Training available at a HR Manager’s disposal?
- Discuss the Psychology of Learning and its outcomes.
- Explain the needs and benefits of training.
- Discuss Systems approach to Training in detail.
- How will you establish Training Objectives and its Priorities? Discuss in detail.
- Discuss the various types of Training approaches.

HUMAN RESOURCE MOTIVATION

Introduction

Early management theory was somewhat mechanistic in its view of human motivation. Though goals of the members of an organization where assume to be consistent with, or at least sublimated to, organization goals. Employees were assumed to respond positively to authority and to be motivated by monetary rewards. The most well-known proponent of early management theory was Fredrick Taylor, often called the "father of scientific management". Taylor's principles of scientific management involved careful scrutiny of a task to be performed minute division of labor so as to achieve maximum productivity of a worker in "harmony" with a machine. Scientific management also implied removal of control over the phase of the work from the person performing it, to be set by the experts who studied the task.

The human relations movement which began with the Hawthorne studies between 1927 and 1932 establish the concept of the organization as a social system. Motivation was found to be based on more than economic reward. Work groups, co-workers, etc; were found to be important. Leadership styles were suggested which would increase the satisfaction of workers with the organization. Motivation is the reason a person carries out certain activities; it is usually explained in terms of the person's drives or needs. The needs of a person are not fixed; they change over time with the stage of his or her carrier, and as certain needs receive more satisfaction.

Motivation – Definition:

Various persons have defined motivation in their own words: however, the basic contents are the same; for example, Scott has defined motivation as follows,

"Motivation means a process of stimulating people to action to accomplish desired goals."

As against this, McFarland has defined it as follows:

"Motivation refers to the way in which urges, drives, desires, aspirations, strivings, needs direct control, or explain the behavior of human beings."

On the analysis of these definitions, we can derive the following characteristics of motivation:

- Motivation is an internal feeling. Motivation is a psychological phenomenon which generates within an individual. Needs are feelings in the mind of a person that he lacks certain things. Such feelings affect the behavior of persons.

- Person, in totality, not in part, is motivated. Each individual in the organization is a self contained and inseparable unit and all his needs are interrelated. These affect the behavior in different ways. Moreover, feeling of needs is a continuous process; as such these create continuity in human behavior.

- Motivation is the product of anticipated values of from an action and the perceived probability that these values will be achieved by the action. The anticipated value iscalled "valence" and it is defined as the strength of a person's preference for one outcome in relation to others.

The perceived probability is called 'expectancy' and it is defined as the strength of belief that a particular act will be followed by a particular outcome. Thus, motivational relationship can be expressed in the following formula:

Motivation = Valence x Expectancy

Importance of Motivation

Motivation is one of the most important factors determining organizational efficiency. All organizational facilities will go waste in the lack of motivated people to utilize these facilities effectively. Every superior in the organization must motivate his subordinates for the right types of behavior. Diagnosing human behavior and analyzing as to why people behave in a particular way is of prime importance in motivating them irrespective of the nature of the organization because individual in the basic component of any organization. The importance of motivation in an organization may be summed up as follows:

- **High Performance Level:** Motivated employees put higher performance as compared to other employees. In a study by William James, it was found that motivated employees worked at close to 80 – 90 percent of their ability. The study further suggested that hourly employees could maintain their jobs, if they were not fired, by working approximately 20 to 30 percent of their ability. The high performance is a must for an organization being successful and this performance comes by motivation.

- **Low Employee Turnover and Absenteeism:** Motivated employees stay in the organization and their absenteeism is quite low. High turnover and absenteeism create many problems in the organization. Recruiting, training and developing large number of new personnel in to a working term take years. In a competitive economy, this is almost an impossible task. Moreover, this also affects the reputation of the organization unfavorably.

- **Acceptance of Organizational Changes:** Organizations are created in the society. Because of the changes in society - changes in technology, value system, etc., organization has to incorporate those changes to cope up with the requirement of the time. When these changes are introduced in the organization, there is a tendency to resist these changes by the employees. However, if they are properly motivated they accept, introduce and implement these changes keeping organization on the right track of progress.

Motivation and Behaviour

Motivation caused goal directed behavior. Feeling of a need by a person causes him to behave in such a way that he tries to satisfy himself so that he does not feel the lack of that particular thing. A need, that is, the feeling that something is required, creates tension in mind and transforms itself into want depending upon environment. This tension is released when this particular need is satisfied by certain behavior again in the environment, that is, incentives, exist to satisfy the needs. Behavior ends the moment tension is released. However, satisfaction of one need leads to feeling to another, either of different need or the same need after lapse of certain time. This process is a continuing one. However, if the need is not satisfied because of some reasons the person may feel frustration which can be defined here as the accumulation of tension because of non fulfillment of needs. At this stage, the person will try to modify his behavior to eliminate factors responsible for non fulfillment of his needs, for example, putting more force for need satisfaction.

However, there may be numerous such factors and many of them may be beyond his control. As such he is not able to remove the frustration through need satisfaction. Since frustration is not an ideal position for the person, he will try to bring him back by alternate behavior.

The person would try to modify his behavior to eliminate factors responsible for non fulfilment of his need. However, the things blocking the person in achieving his goal are numerous and many of them may be beyond his control. He fails to control these factors and frustration remains there. There will be great variations in the behaviour; however, this can be generalized, as mentioned below:

- **Flight:** One way of handling a frustration is to leave the field or withdraw from the scene. Employees quit jobs that prove to be frustrating.

- **Apathy:** Another method of withdrawal is showing indifference. If an employee does not leave frustrating jobs physically, he may remain absent psychologically, that is reading on the job, daydreaming, thinking of almost anything except the work at hand etc.,

- **Aggression:** A more common reaction to frustration is aggression, an act against someone or something. An employee being denied a promotion may become aggressive and verbally berate his superior.

The aggression may be internalized and in that case frustrated person finds fault with himself while the externalized aggression may be either to the source causing frustration or it may be displaced to others also. The displaced aggression may be either towards a person or towards in animate object.

Motivation Theories

The performance that employers look for in individual's rests on ability, motivation, and the support individuals receive; however, motivation is often the missing variable. Motivation is the desire within a person causing that person to act. People usually act for one reason: to reach a goal. Thus, motivation is a goal-directed drive, and it seldom occurs in a void. The words need, want, desire, and drive are all similar to motive, from which the word motivation is derived. Understanding motivation is important because performance, reaction to compensation, and other HR concerns are related to motivation. Approaches to understanding motivation differ because many individual theorists have developed their own views and theories. They approach motivation from different starting points, with different ideas in mind, and from different backgrounds. No one approach is considered to be the ultimate. Each approach has contributed to the understanding of human motivation.

Content Theories of Motivation

Content theories of motivation are concerned with the needs that people are attempting to satisfy. The most well-known theories are highlighted briefly next.

Maslow's Hierarchy of Needs

One theory of human motivation that has received a great deal of exposure in the past was developed by Abraham Maslow. In this theory, Maslow classified human needs into five categories that ascend in a definite order. Until the more basic needs are adequately fulfilled, a person will not strive to meet higher needs.

Maslow's well-known hierarchy is composed of (1) physiological needs, (2) safety and security needs, (3) belonging and love needs, (4) esteem needs, and (5) self-actualization needs (Figure 1.1).

(i) Physiological Needs

The physiological needs are shown at the bottom of the pyramid because they tend to have the highest strength until they are reasonably satisfied. Until these needs are satisfied to the degree needed for the efficient operation of the body, the majority of the individual's activities will probably be at this level and the other levels will provide him with little motivation.

(ii) Safety and Security Needs

Once the physiological needs are satisfied to a reasonable extent, other levels of need become important. In this level come the needs for safety and security. In the industrial society, safety needs may take considerable importance in the context of the dependent relationship of employees to employers.

(iii) Social Needs (Belonging and Love)

After the first two needs are satisfied, social needs become important in the need hierarchy. Since man is a social being, he has a need to belong and to be accepted by various groups. When social needs become dominant, a person will strive for meaningful relations with others. In the organization, workers form informal group environment. Such environments develop where the work is routine, tedious or over simplified. This situation is made worse when workers are closely supervised and controlled, but have no clear channel of communication with management. In this type of environment workers depend on informal groups for support of unfulfilled social needs such as affiliation.

(iv) Esteem Needs

The esteem needs are concerned with self-respect, self-confidence, a feeling of personal worth, feeling of being unique and recognition.

(v) Self Actualization Needs

Self-actualization is the need to maximize one's potential, whatever it may be. This is related with the development of intrinsic capabilities which lead people to seek situations that can utilize their potential. This includes competence which implies control over environmental factors, both physical and social, and achievement.

An assumption often made by those using Maslow's hierarchy is that workers in modern, technologically advanced societies basically have satisfied their physiological, safety, and belonging needs. Therefore, they will be motivated by the needs for self-esteem, esteem of others, and then self-actualization. Consequently, conditions to satisfy these needs should be present at work; the job itself should be meaningful and motivating.

Herzberg's Motivation / Hygiene Theory

Frederick Herzberg's motivation/hygiene theory assumes that one group of factors, motivators, accounts for high levels of motivation. Another group of factors, hygiene, or maintenance factors, can cause discontent with work. Figure 1.1 compares Herzberg's motivators and hygiene factors with Maslow's needs of hierarchy.

The implication of Herzberg's research for management and HR practices is that although managers must carefully consider hygiene factors in order to avoid employee dissatisfaction, even if all these maintenance needs are addressed, people may not be motivated to work harder. Only motivators cause employees to exert more effort and thereby attain more productivity, and this theory suggests that managers should utilize the motivators as tools to enhance employee performance.

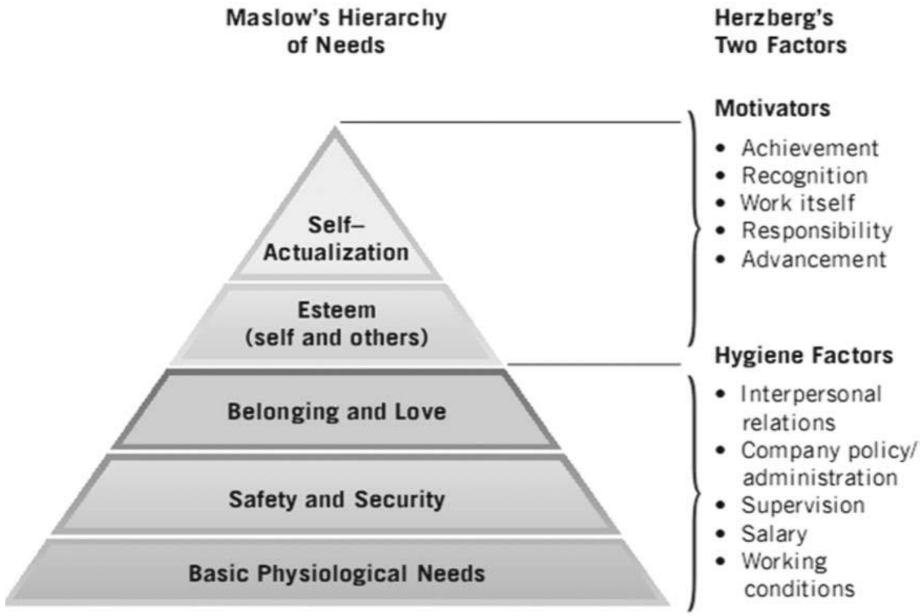


Figure 1.1: Comparison between Maslow's theory and Herzberg's model

According to Herzberg, there are ten motivational or Hygiene factors, which are as listed below:

Motivational Factors

- Achievement
- Recognition
- Work
- Responsibility
- Advancement

These factors are capable of having a positive effect on job satisfaction often resulting in an increase in one's total output. An increase in these factors will satisfy the employees; however, any decrease will not affect their level of satisfaction. Since these increase level of satisfaction in the employees, these can be used in motivating them for higher output.

Hygiene Factors

- Interpersonal Relations
- Company policy / administration
- Supervision
- Salary
- Working Conditions

These factors are not intrinsic parts of a job, but they are related to conditions under which a job is performed. They produce no growth in a worker's output; they only prevent losses in worker's performance due to work restrictions. These factors are necessary to maintain a reasonable level of satisfaction in employees. Any increase beyond this level will not provide any satisfaction to the employees; however, any cut below this level will dissatisfy them. As such, these are called also called as dissatisfies.

Process Theories of Motivation

Process theories suggest that a variety of factors may prove to be motivating, depending on the needs of the individual, the situation the individual is in, and the rewards the individual expects for the work done. Theorists who hold to this view do not attempt to fit people into a single category, but rather accept human differences.

One process theory by Lyman Porter and E.E. Lawler focuses on the value a person places on a goal as well as the person's perceptions of workplace equity, or fairness, as factors that influence his or her job behaviour. In a work situation, perception is the way an individual views the job. Figure 1.2 contains a simplified Porter and Lawler model, which indicates that motivation is influenced by people's expectations. If expectations are not met, people may feel that they have been unfairly treated and consequently become dissatisfied.

Using the Porter and Lawler model, suppose that a salesclerk is motivated to expend effort on her job. From this job she expects to receive two types of rewards: intrinsic (internal) and extrinsic (external). For this salesclerk, intrinsic rewards could include a feeling of accomplishment, a feeling of recognition, or other motivators. Extrinsic rewards might be such items as pay, benefits, good working conditions, and other hygiene factors. The salesclerk compares her performance with what she expected and evaluates it in light of both types of rewards she receives. She then reaches some level of job satisfaction or dissatisfaction. Once this level is reached, it is difficult to determine what she will do. If she is dissatisfied, she might put forth less effort in the future, she might work harder to get the rewards she wants, or she might just accept her dissatisfaction. If she is highly satisfied, it does not always mean she will work harder. She may even slack off a bit, saying, I got what I wanted. The essence of the Porter and Lawler view of motivation is perception. In addition, as the feedback loop in Figure 1.2 indicates, performance leads to satisfaction rather than satisfaction leading to performance.

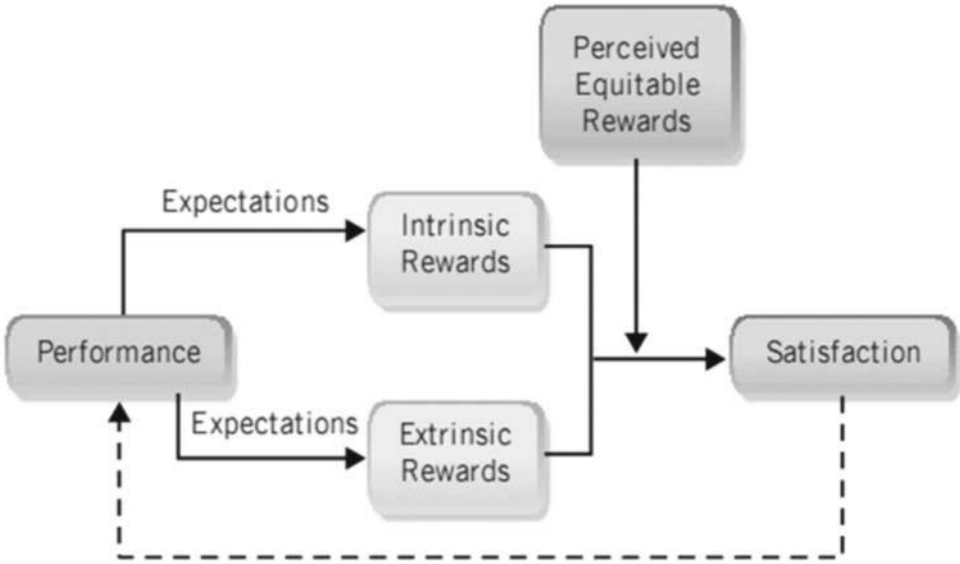


Figure 1.2: Porter and Lawler Motivation Model

Other Theories of Motivation

McClelland's Needs Theory:

McClelland has identified three types of basic motivating needs. He classified these as need for power, need for affiliation and need for achievement. Considerable research work was done by McClelland and his associates in this respect, particularly, on achievement motive.

Power Motive:

The ability to induce or influence a behavior is power. Power motive has been formally recognized and studied for a relatively long time. Those who have power motive generally see positions of leadership; involve in conversation; are forceful, outspoken, hard headed and demanding.

Affiliation Motive:

Since people are social animals, most individuals like to interact and be with others in situations where they feel they belong and are accepted. Sometimes affiliation is equated with social motives.

Achievement Motive:

Over the years, behavioral scientists have observed that some people have an intense desire to achieve. McClelland's research has lead him to believe that the need for achievement is a distinct human motive that can be distinguished from other needs. It can also be isolated and assessed in any group.

Theory X and Y

The Management action of directing human beings in the organization, according to McGregor, involves certain assumptions, generalizations and hypotheses relating to human behavior and human nature. These assumptions may be neither consciously crystallized nor overtly stated; however, these serve the purpose of predicting human behavior.

The basic assumptions about human behavior may differ considerably because of the complexity of factors influencing this behavior. McGregor has characterized these assumptions in two observe points - Theory X and Theory Y.

Theory X

This is the traditional theory of human behaviour. In this theory, McGregor has certain assumptions about human behaviour. In his words, these assumptions are as follows:

- Management is responsible for organizing the elements of productive enterprises – money, materials, equipment, and people – in the interest of economic ends.
- The average individual is by nature indolent – he works as little as possible.
- The average individual lacks ambition, dislikes responsibility, and prefers to be lead.
- The average individual is resistant to change, by nature.
- The average individual is inherently self-centred.

Theory Y

The assumptions of Theory Y are described by McGregor in the following words:

- The expenditure of physical and mental effort in work is natural as play or rest. The average human being does not inherently dislike work. Depending up on controllable conditions, work may be a source of satisfaction or a source of punishment.
- External control and the threat of punishment are not the only means for bringing about efforts towards organizational objectives. An individual will exercise self-direction and self-control in the service of objectives to which he is committed.
- Commitment to objectives is a function of the reward associated with their achievement. The most significant of such award can be the direct product of effort directed towards organizational objectives.
- Under the modern conditions of modern industrial life, the intellectual potentialities of the average human being are only partially utilized.

The assumptions of Theory X and Theory Y suggest a new approach in management. It emphasizes on the cooperative endeavour of management and employees. The attempt is to get maximum output with minimum amount of control and direction. Generally, no conflict is visible between organizational goals and individual goals. Thus, the attempts of employees which are in their best interests are also in the interests of organization.

Theory Z

Theory Z describes the major postulates of Japanese Management Practices and how these practices can be adapted to the environment of United States and other countries. Based on Japanese Management Practices, Ouchi has suggested five broad features of Theory Z. These are trust, strong bond between organization and employees, employee involvement, no formal structure and role of leader to bring coordination in human beings rather than in technical factors.

HUMAN RESOURCE COMPENSATION

Compensation:

One of the most difficult functions of human resource management is that of determining the rates of monetary compensation. It is not only complex, but significant both to the organization and employees. Employee compensation decisions are crucial for the success of an organization. From a cost perspective alone, effective management of employee compensation is critical because of the total operating costs. Another reason for studying compensation from the organization's perspective is to assess its impact on a wide range of employee attitudes and behaviors and, ultimately the effectiveness of the organization and its units. Compensation may directly influence key outcomes like job satisfaction, attraction, retention, performance, skill acquisition, cooperation, and flexibility.

The main problem facing any organization is the laying down a fair and equitable compensation system. While the objective is simple, the process is complex. For instance, the employer will be concerned primarily with productivity. The employee's emphasis may be on higher compensation to offset their increased cost of living and perhaps the price his skill will fetch in a competitive job market. The compensation issues commanding most interest today and likely to continue in future will centre around questions of compensation levels and compensation structures. Obviously, this will raise questions concerning the level of compensation rates in the plant or firm, industry, region, or nation. Closely related to this is the broad question of the determinants of compensation relationships. This involves an understanding of various influences controlling compensation, the nature of decision-making bodies and the different traditions and customary attitudes that have developed in individual firms or industries. In some cases, the controlling influences may be standards and mores of a particular locality or region, sudden change in technology, source of labour supply, firm's competitive standing, and general sales-and-profits prospects of the industry.

A decision about compensation rates in a given situation has to be reconciled with a variety of considerations such as when pay rates should be changed and by how much, how they should be distributed among the different employees, and what firms should be covered. Disputes between employers and unions over wages and salaries are often a part and parcel of conflicts over such diversified matters. One of the considerations in formulating a pay package is the quantum of take home pay that is the net packet, after an employee has paid for his deductions. Some of these deductions are savings for old age, like the provident fund and pension schemes. The balance between what is received now and what he will get on retirement is something that is variable in each case. In an employee's earlier years, normally, children's education, medical treatment, recreation will necessitate a larger income. In his later years an employee will need to provide for his old age, in terms of a house and a steady income to maintain his habituated life style. Another related issue is salary and tax planning. In this context, organizations have taken recourse to fringe benefits, some of which are taxable. The incidence of tax, either on money incomes or on the total taxable income including perquisites, has to be worked out.

Functions in Compensation Management

The compensation function contributes to the organizational effectiveness in four basic ways:

- Compensation can serve to attract qualified applicants to the organization. Other things being equal, an organization offering a higher level of pay can attract a larger number of qualified applicants than its competing units.
- Compensation helps to retain competent employees in the organization. Although retaining competent workers is contingent on many factors, compensation policies help by maintaining a fair internal pay structure and by providing attractive benefits. Turnover is thus reduced, along with costs associated with recruiting, selecting, and training replacements.
- Compensation serves as an incentive to motivate employees to put forth their best efforts. Manufacturing and sales organizations, for example, use monetary incentives to attain higher levels of production or sales without hiring additional employees. When employees put forth their best efforts, average productivity of labor increases. With increased productivity, fewer employees are needed to achieve the same level of output. Thus, labor costs are reduced and organizational profitability is increased.
- Minimizing the costs of compensation can also contribute to organizational effectiveness since compensation is a significant cost for most employers. In brief, compensation is provided for two reasons, namely; as a reward for past service to the enterprise, and as stimulus to increased performance in the future.

Compensation Policies and Objectives

The aim of compensation statement is to set down the company's policy with regard to salary. It is the responsibility of all concerned to implement the compensation policies and to explain the same fully to their subordinates. The compensation policy should aim:

- To recognize the value of all jobs in relation to each other within the company.
- To take account of wage rates paid by companies of similar size, product and philosophy.
- To ensure stable earnings.
- To enable individuals to reach their full earning potential as far as is reasonably practicable.
- To ensure employees' share in the company's prosperity as a result of increasing efficiency.

The objectives of any compensation system are numerous and might include the following:

- To enable the employee to earn a good and reasonable salary or wage.
- To pay equitable sums to different individuals, avoiding anomalies.
- To reward and encourage high quality work and output.
- To encourage employees to develop better methods of working and their acceptance.
- To discourage wastage of materials or equipment.
- To encourage employees to use their initiative and discretion.
- To discourage overtime working unless it is very essential.

Compensation Administration

The primary purpose of compensation administration is to assure management a sound compensation system, and for employees an equitable compensation for services rendered. The objectives of a sound compensation administration programme can be subdivided into specific sub-goals:

- Equitable payment in proportion to relative work to the organization.
- Consistency of payments between comparable occupations.
- Adjustment of payments in relation to changes in the labor market.
- Recognition of individual capability and proficiency.
- Comprehension of the plans by supervision and management.
- Procedures to solve compensation problems rationally.

D.S. Beach in his book Personnel, The Management of People at Work provides seven principles of compensation administration:

- The enterprise should have a clear-cut plan to determine differential pay level in terms of divergent job requirements involving varied skill, effort, responsibility and working conditions.
- An attempt should be made to keep the general level of wages and salaries of the enterprise in line with that obtained in the labour market or industry.
- Adequate care should be taken to distinguish people from the jobs.
- Irrespective of individual considerations, care should be taken to ensure equal pay for equal work depending upon flexibility of jobs – of course, variations may be permitted within a pay range.
- There should be a plan to adapt equitable measure for recognizing individual differences in ability and contribution.
- Attempt should be made to provide some procedure for handling wage grievances.
- Adequate care should be taken to inform the employees and the union, if any, about the procedure followed in determining wage rates.

If the first goal of attracting capable employees to the organization is to be achieved, personnel must perceive that the compensation offer is fair and equitable. As a first step in the pursuit of equity, there should be established consistent and systematic relationship among base compensation rates for all jobs within the organization. The process of such establishment is termed “job evaluation”.

Compensation Determinants

At the outset, it is important to distinguish between two related but different questions. First, one can ask what factors account for individual differences in pay within organizations. An extensive literature suggests that education, experience, performance, and other individual differences play some role. Also, product market and labor market play a crucial role in pay determination.

Product Market

Pay levels of labour market and product market competitors play an important role in determining pay levels. Dunlop (1957) argues that product market competition places an upper boundary on pay level because organizations in a particular industry “encounter similar constraints of technology, raw materials, product demand, and pricing”. Thus, an organization will find itself at a competitive disadvantage in the product market if its labor costs exceed those of its competitors. The reason being such costs will ordinarily be reflected to some extent in higher prices for its products. For example, if Hindustan Motors has higher labor costs than Maruti Udyog, Hindustan Motors will have difficulty in providing the same quality of automobile at a competitive price. Consequently, product market pressures may act as an upper boundary on employee compensation.

Labour Market

Organizations not only compete solely in the product market but also in the labor market. Maruti Udyog, for example, competes for technicians and managers with similar such organizations. A pay level that is too low relative to these competitors could lead to difficulties in attracting and retaining sufficient number of quality employees. As such, labor market competition can be seen as placing a lower boundary on pay level. In order to avoid such a situation, many companies emphasize that their total compensation is equal to or better than other companies in the market.

Compensation Survey

A compensation survey is a process of collecting data and facts about compensation policies, practices and programmes of companies in some labour market. It provides information that has many uses. This information is particularly relevant to the problem of establishing and adjusting salary levels. It may also be used to validate the compensation structure. The objectives of compensation survey vary from one organization to another. Before conducting a compensation survey, an organization should study the compensation data that are already available. If such information is not available, a company may either conduct its own survey or participate with other organizations in a cooperative effort.

The data collected through survey should include not only information on the key jobs and their comparability to the surveyed organization's jobs but also information on benefits, bonuses, and other methods of compensation besides direct salary. Failure to include these factors would give a distorted picture of the total compensation package offered. It is also useful to collect information on the characteristic of the organization to determine how similar the organization is to the one surveyed. In either case, great care must be given to compensation survey procedures.

Conducting a compensation survey is a complex, costly and time-consuming process. For this reason, employers should thoroughly examine existing compensation surveys before planning to conduct one of their own. Before deciding to use an existing standard survey, an employer should consider a number of factors. First, will the survey provide information to suit the organization's needs? If one survey does not meet an employer's needs, perhaps several surveys will provide the needed information. Second, how representative are the surveyed organizations of those with which an employer wishes to make pay comparisons? Third, does the existing survey provide sufficiently detailed job descriptions to permit detailed comparison with jobs in one's organization?

There are three basic methods of conducting a compensation survey: personal interviews, mail questionnaires, and telephone interviews. The most reliable is the personal interview, even though it is time consuming and expensive. Compensation survey serves as a valuable tool for the compensation administrator to acquire useful and necessary information concerning industry pay structures and practices.

Compensation Structure

A sound compensation structure must be based on job evaluation programme in order to establish fair differentials in payments depending upon differences in job contents. Besides the basic factors provided by a job description and job evaluation, those that are usually taken into consideration for determining compensation structure are:

- The organization's ability to pay
- Supply and demand for labor
- The prevailing market rate
- The cost of living
- Productivity
- Trade union's bargaining power
- Job requirements
- Managerial attitudes
- Psychological and sociological factors

The compensation structure must be linked to what the company is trying to achieve. It is not unusual to find a company with a wage structure in direct conflict with the company's overall objectives. For example, a company may plan to produce a high quality product while at the same time, it may have a direct incentive geared to quality. An attitude survey should be made to ascertain what needs have to be satisfied through a compensation structure.

What are the employees' attitudes towards the current pay structure and what are their deeper expectations? The pay structure, to a large extent, determines and reinforces attitudes. Two of the areas a survey ought to highlight are the reasons why employees work for a particular company, and what motivates them.

Wage Structure in India

The employee benefit package normally contains apart from basic wage, a dearness allowance, overtime payment, annual bonus, incentive systems, and a host of fringe benefits.

Basic Wage

The concept of basic wage is contained in the report of the Fair Wages Committee. According to this Committee, the floor of the basic pay is the "minimum wage" which provides "not merely for the bare sustenance of life but for the preservation of the efficiency of the workers by providing some measure of education, medical requirements and amenities." The basic wage has been the most stable and fixed as compared to dearness allowance and annual bonus which usually change with movements in the cost of living indices and the performance of the industry.

Dearness Allowance

The fixation of wage structure also includes within its compass a fixation of rates of dearness allowance. In the context of a changing pattern of prices and consumption, real wages of the workmen are likely to fluctuate greatly. Ultimately, it is the goods and services that a worker buys with the help of wages that are an important consideration for him. The real wages of the workmen thus require to be protected when there is a rise in prices and a consequent increase in the cost of living by suitable adjustments in these wages. In foreign countries, these adjustments in wages are effected automatically with the rise or fall in the cost of living.

In India, the system of dearness allowance is a special feature of the wage system for adjustment of the wages when there are frequent fluctuations in the cost of living. In our country, at present, there are several systems of paying dearness allowance to the employees to meet the changes in the cost of living. In practice, they differ from place to place and industry to industry.

One of the methods of paying dearness allowance is by a flat rate, under which a fixed amount is paid to all categories of workers, irrespective of their wage scales. The second method is its linkage with consumer price index numbers published periodically by the government. It indicates the changes in the prices of a fixed basket of goods and services customarily bought by the families of workers. In other words, the indexes show the rise or fall in the cost of living due a rise or fall in consumer prices.

The third method of paying dearness allowance is on a graduated scale according to slabs. Under this method, workers are divided into groups according to the slabs of wage scales to whom fixed amounts of dearness allowance are paid on a graduated scale. After a limit, there will not be any increase in the amount of dearness allowance at all, however high the wage rate may be. This method is popular because it is convenient and also considered to be equitable.

Overtime Payment

Working overtime in industry is possibly as old as the industrial revolution. The necessity of the managements' seeking overtime working from employees becomes inevitable mainly to overcome inappropriate allocation of manpower and improper scheduling, absenteeism, unforeseen situations created due to genuine difficulties like breakdown of machines. In many companies, overtime is necessary to meet urgent delivery dates, sudden upswings in production schedules, or to give management a degree of flexibility in matching labour capacity to production demands.

The payment of overtime allowance to the factory and workshop employees is guaranteed by law. All employees who are deemed to be workers under the Factories Act or under the Minimum Wages Act are entitled to it at twice the ordinary rate of their wages for the work done in excess of 9 hours on any day or for more than 48 hours in any week. The major benefit of overtime working to workers is that it offers an increase in income from work.

Annual Bonus

The bonus component of the industrial compensation system, though a quite old one, had assumed a statutory status only with the enactment of the Payment of Bonus Act, 1965. The Act is applicable to factories and other establishments employing 20 or more employees. The Act has statutorily imposed an obligation on the employer to pay bonus to employees at the minimum rate of 8.33 per cent of the salary earned. The maximum is fixed at 20 per cent. The Act has restricted payment of bonus to employees drawing wages or salaries up to rupees 3,500 per menses. In cases of those eligible employees whose salary is more than rupees 3,500 per month, it is computed at rupees 2,500 per month. The quantum of bonus under the Act is dependent upon "available surplus".

Incentive Systems

The term "incentive" has been used both in the restricted sense of participation and in the widest sense of financial motivation. It is used to signify inducements offered to employees to put forth their best in order to maximize production results.

Incentives are classified as financial and non-financial. Important financial incentives are attractive wages, bonus, dearness allowance, traveling allowance, housing allowance, gratuity, pension, and provident fund contributions. Some of the non- financial incentives are designation, nature of the job, working conditions, status, privileges, job security, opportunity for advancement and participation in decision- making. However, a vast diversity exists in regard to policy and practice of incentive payments.

Incentive systems also have been classified into three groups: individual wage incentive plan, group incentive scheme, and organization-wide incentive system. The individual wage incentive plan is the extra compensation paid to an individual over a specified amount for his production effort. Individual incentive systems are based upon certain norms established by work measurement techniques such as past performance, bargaining between union and the management, time study, standard data, predetermined elemental times and work sampling. There are four types of individual incentive systems such as measured day-work, piece-work standard, growth plans and gains-sharing plans.

Under the measured day-work incentive wage system an individual receives his regular hourly rate of pay, irrespective of his performance Piece-work system form the simplest and frequently used incentive wage. In this, individual's earnings are direct and proportionate to their output. Group plans embody a guaranteed base rate to the workers in which the performance over standard is rewarded by a proportionate premium over base pay. Gains-sharing system involves a disproportionate increase in monetary rewards for increasing output beyond a predetermined standard. As the gains are shared with the entrepreneurs, the worker gets less than one per cent increment in wage for every one percent increase in output.

The group or area incentive scheme provides for the payment of a bonus either equally or proportionately to individuals within a group or area. The bonus is related to the output achieved over an agreed standard or to the time saved on the job – the difference between allowed time and actual time. Such schemes may be most appropriate where: (a) people have to work together and teamwork has to be encouraged; and (b) high levels of production depend a great deal on the cooperation existing among a team of workers as compared with the individual efforts of team members.

The organization-wide incentive system involves cooperation among employees and the management and purports to accomplish broader organizational objectives such as (i) to reduce labour, material and supply costs; (ii) to strengthen loyalty to the company; (iii) to promote harmonious labour management relations; and (iv) to decrease turnover and absenteeism.

One of the aspects of organization-wide incentive system is profit sharing under which

An employee receives a share of the profit fixed in advance under an agreement freely entered into. The major objective of the profit sharing system is to strengthen the unity of interest and the spirit of cooperation. Some of the advantages of such a scheme are (i) it inculcates in employees' a sense of economic discipline as regards wage costs and productivity; (ii) it engenders improved communication and increased sense of participation; (iii) it is relatively simple and its cost of administration is low; and (iv) it is non-inflationary, if properly devised. One of the essentials of a sound profit sharing system is that it should not be treated as a substitute for adequate wages but provides something extra to the participants. Full support and cooperation of the union is to be obtained in implementing such a scheme.

Fringe Benefits

The remuneration that the employees receive for their contribution cannot be measured by the mere estimation of wages and salaries paid to them. Certain supplementary benefits and services known as "fringe benefits" are also available to them. The characteristics of fringe benefits are:

- These benefits are distinctly additional to the regular wages paid to the workers. As such, they are not provided as a substitute for wages or salaries of the employees.
- These benefits are meant primarily to be of advantage to the employees.
- The advantages accrued to the employees through the provision of fringe benefits are as such they cannot be secured through their own individual efforts.

- Only those benefits fall within the purview of fringe benefits which are or can be expressed in cash terms.
- The scope of fringe benefits is different from that of welfare services. Fringe benefits are provided by the employers alone whereas welfare services may be provided by other agencies as well. Benefits that have no relation to employment should not be regarded as fringe benefits.

Fringe benefits have been classified in several ways. In terms of their objectives, Meggison classifies them into two groups: those providing for employees' security and those purporting to increase employees' job satisfaction causing reduction in labor turnover and improvement in productivity. The former group includes retirement programmes, workmen's compensation, unemployment compensation, social insurance, and other provisions. The latter group incorporates vacations, holidays, sick leave, discounts on company goods and services, and allied tangible and intangible benefits.

Fringe benefits are also categorized as statutory, contractual, and voluntary. Statutory benefits include social security and medical care, unemployment compensation, workmen's compensation, provident fund, and gratuity. The benefits provided by the employers in pursuance of agreements with workers may include dearness allowance, house rent allowance, city compensatory allowance, medical allowance, night-shift allowance, heat allowance, transport, housing and educational allowances. Voluntary fringe benefits which are provided unilaterally by the company include group insurance, death benevolent fund, washing allowance, leave encashment, leave travel concession, conveyance allowance, incentive for family planning, service awards, and suggestion awards.

Currently fringe benefits are a significant part of employee compensation system and the employees tend to take them for granted and do not link these items with wages or income as they do not have any direct bearing on payments. They are no more on the fringe of compensation but form an integral component of individual's earnings involving spiralling costs for the company. However, the fringe benefit system can become effective if attempts are made to gear them to the needs of human resource in organizational settings.

Behavioural aspects of Compensation

Behavioural factors affect all types of compensation. Most people in work organizations are working in order to gain rewards for their efforts. Except in volunteer organizations, people expect to receive fair value in the form of compensation for their efforts. Whether regarding base pay, variable pay, or benefits, the extent to which employees perceive they are receiving fair value often affects their performance and how they view their jobs and employers.

Equity

People want to be treated fairly in all facets of compensation, including base pay, incentives, and benefits. This is the concept of equity, which is the perceived fairness of the relation between what a person does (inputs) and what the person receives (outcomes). Inputs are what a person brings to the organization and include educational level, age, experience, productivity, and other skills or efforts. What a person receives from the organization, or outcomes, are the rewards obtained in exchange for inputs. Outcomes include pay, benefits, recognition, achievement, prestige, and any tangible or intangible reward received.

Individuals judge equity in compensation by comparing the effort and performance they give with the effort and performance of others and the rewards those others receive. But it must be stressed that these comparisons are personal and based on individual perceptions, not just facts.

A sense of inequity occurs when the comparison process results in an imbalance between input and outcomes. There are individual, organizational, and external dimensions to equity.

Procedural and Distributive Justice in Compensation

Internally, equity means that employees receive compensation in relation to the knowledge, skills, and abilities (KSAs) they use in their jobs as well as their responsibilities and accomplishments. Two key issues that relate to internal equity are procedural justice and distributive justice.

Procedural justice is the perceived fairness of the process and procedures used to make decisions about employees, including their pay. Procedural fairness is viewed both in terms of the policies and procedures and the actions of supervisors and managers who implement the policies and procedures. As it applies to compensation, the process of determining the base pay for jobs, the allocation of pay increases, and the measurement of performance must be perceived as fair.

Two critical issues are (1) how appropriate and fair is the process used to assign jobs to pay grades? and (2) how are the pay ranges for those jobs established? Another related issue that must be considered is distributive justice, which refers to the perceived fairness of the amounts given for performance. This facet of equity refers to how pay relates to performance. For instance, if a hardworking employee whose performance is outstanding receives the same across-the-board raise as an employee with attendance problems and mediocre performance, then greater inequity may be perceived. Likewise, if two employees have similar performance records but one receives a significantly greater pay raise, the other one may perceive that the inequity is due to supervisory favouritism or other factors not related to the job.

To address concerns about justice, some organizations establish appeals procedures. In public-sector organizations, appeals procedures usually are identified formally, whereas in private-sector firms they are usually more informal. Typically, employees can contact the HR department after they have discussed their concerns with their immediate supervisors and managers.

Pay Openness

Another equity issue concerns the degree of openness or secrecy that organizations allow regarding their pay systems. Pay information kept secret in closed systems includes how much others make, what raises others have received, and even what pay grades and ranges exist in the organization. A growing number of organizations are opening up their pay systems to some degree by informing employees of compensation policies, providing a general description of the basis for the compensation system, and indicating where an individual's pay is within a pay grade. Such information allows employees to make more accurate equity comparisons. It is crucial in an open pay system that managers are able to explain satisfactorily any pay differences that exist.

External Equity

Externally, the organization must provide compensation that is seen as equitable in relation to the compensation provided employees performing similar jobs in other organizations. If an employer does not provide compensation that is viewed as fair by its employees, that organization may have higher turnover of employees, may have more difficulty recruiting qualified and scarce-skill employees, and may attract and retain individuals with less knowledge, skills, and abilities, resulting in lower overall organizational productivity.

Human Resource Mobility

Mobility is an organizational activity to cope with the changing organizational requirements like change in organizational structure, fluctuation in requirement of organizational product, introduction of new method of work etc. Mobility in an organizational context includes mainly 'promotion' and 'transfer'. Sometimes, 'demotion' also comes under mobility.

Purposes of Mobility

Mobility serves the following purposes:

- To improve organizational effectiveness;
- To maximize employee efficiency;
- To cope with changes in operation; and
- To ensure discipline.

Promotion

In simpler terms, promotion refers to upward movement in present job leading to greater responsibilities, higher status and better salary. Promotion may be temporary or permanent depending upon the organizational requirement. According to Clothier and Spriegel, "promotion is the transfer of an employee to a job which pays more money or one that carries some preferred status." **Purpose and Advantages of Promotion**

Promotion stimulates self-development and creates interest in the job. According to Yoder, "promotion provides incentive to initiative, enterprise and ambition; minimizes discontent and unrest; attracts capable individuals; necessitates logical training for advancement and forms an effective reward for loyalty and cooperation, long service etc." The purposes and advantages of promotions are to:

- Recognize employee's performance and commitment and motivate him towards better performance;
- Develop competitive spirit among employees for acquiring knowledge and skills for higher level jobs;
- Retain skilled and talented employees;
- Reduce discontent and unrest;
- Utilize more effectively the knowledge and skills of employees; and
- Attract suitable and competent employees.

Types of Promotions

Different types of promotions are discussed below.

- Multiple Chain Promotion: It provides a systematic linkage of each position to several others. It provides multi-promotional opportunities through clearly defined avenues of approach to and exit from each position in the organization.
- Up or Out Promotion: In this case, an employee either earns a promotion or seeks employment elsewhere. Out promotion usually leads to termination of employee and joining some other organization in a better position.
- Dry Promotion: In this type, promotion is given in lieu of increase in salary. For example, when a university professor is made Head of the Department, there is no increase in salary.

Promotion Programme and Procedure

Every organization should make advance plans for promotion programme. A carefully planned promotion programme has four elements:

- Formulation of promotion policy,
- Identification of promotion channels,
- Promotion appraisal, and
- Centralized records.

We shall discuss each element in detail.

1. Formulation of Promotion Policy: Each organization needs to maintain a balance between the internal sources of personnel promotion and external sources by means of recruitment. Hence, promotion must be based on consistent, fair and clear cut policy. The National Institute of Personnel Management (NIPM) has suggested a promotion policy on the following lines:

- Encouragement of promotion within the organization instead of looking outside to fill vacancies in higher places.
- An understanding that ability as well as seniority will be taken into account in making promotions. Ability, efficiency, attitude, job performance, physical fitness, leadership, experience, and length of service are some of the factors considered in making promotions.
- Drawing up an organization chart to make clear to all the ladder of promotion. Where there is a job analysis and a planned wage policy, such chart is quite easy to prepare.
- Making the promotion system clear to all concerned who may initiate and handle cases of promotion. Though departmental heads may initiate promotion, the final approval must lie with the top management, after the personnel department has been asked to check from its knowledge whether any repercussion is likely to result from the proposed promotion.
- All promotions should be for a trial period to ascertain whether the promoted person is found capable of handling the job or not. Normally, during this trial period, he draws the pay of the higher post, but it should be clearly understood that if "he does not make the grade" he will be reverted to his former post and former pay scale.

2. Promotion Channels: Promotion channels should be identified and recorded on paper. This process is related with job analysis and career planning of an organization.

3. Promotion Appraisals: The promotion of an employee is entirely dependent upon his/her performance appraisal outcome.

4. Centralized Records: The education, experience, skills, abilities and evaluation of all employees should be recorded and maintained in a centralized manner by the department of the organization, because basing on these attributes, promotion is given to an employee.

5. Bases of Promotion: Promotion is given on the basis of seniority or merit or a combination of both. Let us discuss each one as a basis of promotion.

6. Seniority as a basis: It implies relative length of service in the same organization. The advantages of this are: relatively easy to measure, simple to understand and operate, reduces labor turnover and provides sense of satisfaction to senior employees. It has also certain disadvantages: beyond a certain age a person may not learn, performance and potential of an employee is not recognized, it kills ambition and zeal to improve performance.

7. Merit as a basis: Merit implies the knowledge, skills and performance record of an employee. The advantages are: motivates competent employees to work hard, helps to maintain efficiency by recognizing talent and performance. It also suffers from certain disadvantages like: difficulty in judging merit, merit indicates past achievement, may not denote future potential and old employees feel insecure.

8. Seniority-cum-Merit as basis: As both seniority and merit as basis suffer from certain limitations, therefore, a sound promotion policy should be based on a combination of both seniority and merit. A proper balance between the two can be maintained by different ways: minimum length of service may be prescribed, relative weightage may be assigned to seniority and merit and employees with a minimum performance record and qualifications are treated eligible for promotion, seniority is used to choose from the eligible candidates.

In India, seniority is generally used for promotion in Government offices. In public sectors, both seniority and seniority-cum-merit promotion system is carried based on their policy. In private sectors, the policy by and large is ‘promote the best man available’.

Demotion

Demotion refers to the lowering down of the status, salary and responsibilities of an employee. Demotion is used as a disciplinary measure in an organization. The habitual patterns of behaviour such as violation of the rules and conduct, poor attendance record, insubordination where the individuals are demoted. Beach (1975) defines demotion as “the assignment of an individual to a job of lower rank and pay usually involving lower level of difficulty and responsibility”.

Causes of Demotion

Demotion may be caused by any of these factors:

- Adverse business conditions: Employees may be demoted because of recession faced by company.
- Incompetency of the employee: It happens when an employee finds it difficult to meet the required standard.
- Technological changes: When employee is unable to adjust with any technological change made by the company.

Yoder, Heneman, Turnbull and Stone (1958) have suggested a fivefold policy with regard to demotion practice.

- A clear and reasonable list of rules should be framed, violations of which would subject an employee to demotion;
- This information should be clearly communicated to employees;
- There should be a competent investigation of any alleged violation;
- If violations are discovered, there should be a consistent and equitable application of the penalty, preferably by the immediate supervisor;
- There should be a provision for review. (In a unionized case, this will be automatic via the grievance procedure; in a non-unionized case, the employer will need to make other provisions for review).

Transfer

A transfer is a horizontal or lateral movement of an employee from one job, section, department, shift, plant or position to another at the same or another place where his salary, status and responsibility are the same. Yoder and others (1958) define transfer as “a lateral shift causing movement of individuals from one position to another usually without involving marked change in duties, responsibilities, skills needed or compensation”. Transfer may be initiated either by the company or the employee. It also can be temporary or permanent.

Transfers are generally affected to build up a more satisfactory work team and to achieve the following purposes;

- To increase the effectiveness of the organization
- To increase versatility and competence of key positions
- To deal with fluctuations in work requirements
- To correct incompatibilities in employee relations
- To correct erroneous placement
- To relieve monotony
- To adjust workforce
- To punish employees

Types of Transfers

Employee transfers may be classified as below.

- **Production transfers:** Such transfers are made to meet the company requirements. The surplus employees in one department/section who are efficient might be absorbed in other place where there is a requirement. Such transfers help to stabilize employment.
- **Replacement transfers:** This takes place to replace a new employee who has been in the organization for a long time and thereby giving some relief to an old employee from the heavy pressure of work.
- **Versatility transfers:** It is also known as rotation. It is made to develop all round employees by moving them from one job to another. It also helps to reduce boredom and monotony.
- **Personnel or remedial transfers:** Such a transfer is made to rectify mistakes in selection and placement. As a follow up, the wrongly placed employee is transferred to a more suitable job.
- **Shift transfers:** This is pretty common where there is more than one shift and when there is regularized rotation.

Transfer Policy

Every organization should have a fair and impartial transfer policy which should be known to each employee. The responsibility for effecting transfers is usually entrusted to an executive with power to prescribe the conditions under which requests for transfers are approved. Care should be taken to ensure that frequent or large-scale transfers are avoided by laying down adequate selection and placement procedures for the purpose. A good transfer policy should:

- Specifically clarify the types of transfers and the conditions under which these will be made;
- Locate the authority in some officer who may initiate and implement transfers;
- Indicate whether transfers can be made only within a sub-unit or also between departments, divisions/plants;
- Indicate the basis for transfer, i.e., whether it will be based on seniority or on skill and competence or any other factor;
- Decide the rate of pay to be given to the transferee;
- Intimate the fact of transfer to the person concerned well in advance;
- Be in writing and duly communicated to all concerned;
- Not be made frequently and not for the sake of transfer only.

Separation

Separation means cessation of service with the organization for one or other reason. It may occur due to resignation, retirement, dismissal, suspension, layoff or death.

Resignation

Resignation or quit is a voluntary separation initiated by the employee. It may be on grounds of health, marriage, better opportunities elsewhere or may be compulsory when an employee is asked to resign to avoid termination. Some resignations may enable the organization to rectify mistakes in hiring of employees and to bring in fresh talent from outside. However, excess turnover is costly for the organization. Hence, to find out the real causes of resignation so that appropriate actions may be taken to prevent avoidable resignations, HR department conduct 'Exit Interview' with the employee who is leaving the organization. The main requirements of a successful exit interview are as following:

- Win the employee's confidence by assuring him that whatever he says will be kept strictly confidential.
- Explain to the employee that the purpose of the interview is to improve the organization's climate.
- The interview should be conducted by a responsible officer from the personnel department.
- The interview should show a great deal of patience and listen sympathetically.
- Try to find out the real cause of resignation and ensure that the employee has fully handed over the charge to somebody else.
- Assure the employee of the company's continuing interest in his welfare.

Retirement

Retirement is a significant milestone in the life of an employee. It is the main cause of separation of employees from the organization. Retirement is of three kinds:

- Compulsory Retirement: An employee must retire after attaining the specified age. In Government office the retirement age is 58 years whereas in the private sector the age is generally 60 years.
- Premature Retirement: An employee may retire before attaining the specified age due to bad health, physical disability, family problem, etc. He gets the full benefit of retirement provided the management allows premature retirement.
- Voluntary Retirement: When an organization wants to cut down its operations or to close forever, it may give an option to its employees with a certain minimum service for voluntary retirement in return for a lump sum payment. This type of retirement is called Golden Hand Shake.

Dismissal

Dismissal is the termination of services of an employee by way of punishment for misconduct or unsatisfactory performance. It is a drastic step taken by employer. The principle of natural justice is followed for this. Before dismissal, an employee is given an opportunity to explain his conduct and to show cause why he should not be dismissed.

Suspension

Suspension is a serious punishment and is generally awarded only after a proper enquiry has been conducted. For reasons of discipline, a workman may be suspended without prejudice during the course of an enquiry. During suspension, the employee receives a subsistence allowance.

Retrenchment

Retrenchment means permanent termination of service of an employee for economic reasons in a going concern. The Industrial Disputes Act, 1947 defines retrenchment as the "termination by the employer of the services of workman for any reason other than termination of services as punishment given by way of disciplinary action, or retirement either voluntary or reaching age of superannuation, or continued ill-health or the closure and winding up of a business". The Act lays down the following conditions for retrenchment.

- The employee must be given one month's notice in writing indicating the reasons for retrenchment or wages in lieu of such notice.
- The employee must be paid compensation equal to 15 days for every completed year of service.
- Notice in the prescribed manner must be served on the appropriate Government authority.
- In the absence of any agreement to the contrary, the worker employed last must be terminated first.
- Retrenched workers must be given preference in future employment.

Layoff

Layoff implies temporary removal of an employee from the payroll of the organization due to circumstances beyond the control of the employer. It may last for an indefinite period. But the employee is not terminated and is expected to be called back in future. The employer employee relationship does not come to an end but is merely suspended during the period of layoff. It is temporary denial of employment. The purpose of layoff is to reduce the financial burden on the organization when the human resources cannot be utilized profitably. Under Section 2(KKK) of the Industrial Disputes Act, 1947, layoff is defined as "the failure, refusal or inability of an employer, on account of shortage of coal, power or raw materials or accumulation of stocks or breakdown of machinery or by any other reason, to give employment to a workman whose name appears on the muster rolls of his industrial establishment and who has not been retrenched". Layoff is restored in cyclical and seasonal industries. In mines workers are laid off due to excess of inflammable gas, flood, fire and explosion.

According to Section 25(c) of the Industrial Disputes Act, 1947, a laid off worker is entitled to compensation equal to 50 per cent of the basic wages and dearness allowance that would have been payable to him had he not been laid off.

However, in order to claim this compensation, the laid off workman must satisfy the following conditions:

- He should not be a badli or a casual worker,
- His name must appear on the muster rolls of the industrial establishment,
- He must have completed not less than one year of continuous service, and
- He must present himself for work at the appointed time during normal working hours at least once a day.

The right to compensation is lost if the worker refuses to accept alternative employment at a place within 5 miles of the establishment from which he has been laid off. No compensation is payable when the layoff in due to strike or slowing down of production on the part of workers in another part of the establishment. An industrial establishment of a seasonal character or in which work is performed only intermittently or which employs less than 20 workers is not required to pay the compensation.

Absenteeism

Absenteeism is expensive, as seen in estimates that absenteeism costs $505 per employee per year, in US. Being absent from work may seem like a small matter to an employee. But if a manager needs 12 people in a unit to get the work done, and 4 of the 12 are absent most of the time, the unit's work will probably not get done, or additional workers will have to be hired.

Types of Absenteeism

Employees can be absent from work for several reasons. Figure 3.1 depicts the reasons for unscheduled absences. Clearly, some absenteeism is unavoidable. People do get sick and have family issues such as sick children that make it impossible for them to attend work. This is usually referred to as involuntary absenteeism. However, much absenteeism is avoidable; it is called voluntary absenteeism. Often, a relatively small number of individuals in the workplace are responsible for a disproportionate share of the total absenteeism in an organization.

Because illness, death in the family, and other personal reasons for absences is unavoidable and understandable, many employers have sick-leave policies that allow employees a certain number of paid absent days per year. Absenteeism tends to be highest in governmental agencies, utilities, and manufacturing firms. Absenteeism is lowest in retail/wholesale firms, possibly because those industries use a large percentage of part-time workers.

Measuring Absenteeism

Controlling or reducing absenteeism must begin with continuous monitoring of the absenteeism statistics in work units. Such monitoring helps managers pinpoint employees who are frequently absent and the departments that have excessive absenteeism. Various methods of measuring or computing absenteeism exist. One formula for computing absenteeism rates, suggested by the U.S. Department of Labour, is as follows:

((Number of person-days lost through job absence during period) x 100) / ((Average number of employees) x (Number of Work Days))

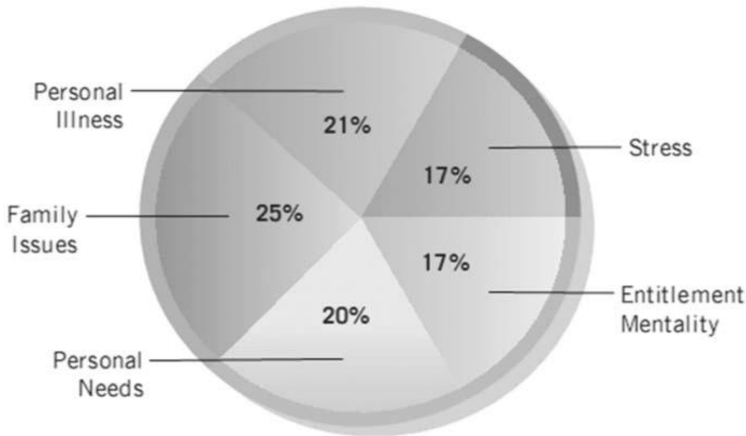


Figure 3.1: Reasons for Unscheduled Absences

Controlling Absenteeism

Controlling voluntary absenteeism is easier if managers understand its causes more clearly. However, there are a variety of thoughts on reducing voluntary absenteeism. Organizational policies on absenteeism should be stated clearly in an employee handbook and stressed by supervisors and managers. The policies and rules an organization uses to govern absenteeism may provide a clue to the effectiveness of its control. Studies indicate that absence rates are highly related to the policies used to control absenteeism.

Absenteeism control options fall into three categories:

- Discipline,
- Positive reinforcement, and
- A combination of both.

A brief look at each follows.

Disciplinary approach: Many employers use a disciplinary approach. People who are absent the first time receive an oral warning, but subsequent absences bring written warnings, suspension, and finally dismissal. Positive reinforcement: Positive reinforcement includes such methods as giving employees cash, recognition, time off, or other rewards for meeting attendance standards. Offering rewards for good attendance, giving bonuses for missing fewer than a certain number of days, and buying back unused sick leave are all positive methods of reducing absenteeism.

Combination approach: Combination approaches ideally reward desired behaviors and punish undesired behaviors. One of the most effective absenteeism control methods is to provide paid sickleave banks for employees to use up to some level. Once that level is exhausted, then the employees may face the loss of some pay if they miss additional work unless they have major illnesses in which long-term disability insurance coverage would begin.

Another method is known as a no-fault absenteeism policy. Here, the reasons for absences do not matter, but the employees must manage their time rather than having managers make decisions about excused and unexcused absences.

Once absenteeism exceeds normal limits, then disciplinary action up to and including termination of employment can occur. Some firms have extended their policies to provide a paid time-off (PTO) program in which vacation time, holidays, and sick leave for each employee are combined into a PTO account. Employees use days from their accounts at their discretion for illness, personal time, or vacation. If employees run out of days in their accounts, then they are not paid for any additional days missed. The PTO programs generally have reduced absenteeism, particularly one-day absences, but overall, time away from work often increases because employees use all of their time off by taking unused days as vacation days.

Labor Turnover

Like absenteeism, turnover is related to job dissatisfaction. Turnover occurs when employees leave an organization and have to be replaced. Excessive turnover can be a very costly problem, one with a major impact on productivity. One firm had a turnover rate of more than 120% per year! It cost the company $1.5 million a year in lost productivity, increased training time, increased employee selection time, lost work efficiency, and other indirect costs. But cost is not the only reason turnover is important. Lengthy training times, interrupted schedules, additional overtime, mistakes, and not having knowledgeable employees in place are some of the frustrations associated with excessive turnover.

Computer companies average higher turnover because their employees have many opportunities to change jobs in a hot industry.

Types of Turnover

Turnover often is classified as voluntary or involuntary. The involuntary turnover occurs when an employee is fired. Voluntary turnover occurs when an employee leaves by choice and can be caused by many factors. Causes include lack of challenge, better opportunity elsewhere, pay, supervision, geography, and pressure. Certainly, not all turnover is negative. Some workforce losses are quite desirable, especially if those workers who leave are lower-performing, less reliable individuals.

Measuring Turnover

The turnover rate for an organization can be computed in different ways. The following formula from the U.S. Department of Labor is widely used.

Number of Employees Separations during the month x 100 /

Total number of employees.

Common turnover figures range from almost zero to over 100% per year, and normal turnover rates vary among industries. Organizations that require entry level employees to have few skills are likely to have higher turnover rates among those employees than among managerial personnel. As a result, it is important that turnover rates be computed by work units. For instance, one organization had a companywide turnover rate that was not severe but 80% of the turnover occurred within one department. This imbalance indicated that some action was needed to resolve problems in that unit.

Controlling Turnover

Turnover can be controlled in several ways. During the recruiting process, the job should be outlined and a realistic preview of the job presented, so that the reality of the job matches the expectations of the new employee. A good way to eliminate voluntary turnover is to improve selection and to better match applicants to jobs. By fine-tuning the selection process and hiring people who will not have disciplinary problems and low performance, employers can reduce involuntary turnover.

Good employee orientation also helps reduce turnover, because employees who are properly inducted into the company and are well-trained tend to be less likely to leave. Compensation also is important. A fair and equitable pay system can help prevent turnover. Inadequate rewards may lead to voluntary turnover, especially with employees such as salespeople, whose compensation is tied directly to their performance. Career planning and internal promotion can help an organization keep employees, because if individuals believe they have no opportunities for career advancement, they may leave the organization.

Finally, turnover may be linked to personal factors that the organization cannot control. This is particularly true with part-time workers. Here are some of the many reasons employees quit that cannot be controlled by the organization:

- The employee moves out of the geographic area,
- The employee decides to stay home for family reasons,
- The employee's spouse is transferred, or
- A student employee graduates from college.

Even though some turnover is inevitable, organizations must take steps to control turnover, particularly that caused by organizational factors such as poor supervision, inadequate training, and inconsistent policies. HR activities should be examined as part of the turnover control efforts.

Productivity, quality, service, absenteeism, and turnover are all measurable and they are related to the way activities are performed in an organization. Yet, there is a long-standing myth that one cannot really measure what the HR function does. That myth has hurt HR departments in some cases, because it suggests that any value added by HR efforts is somehow mystical or magical. None of that is true; HR like marketing, legal, or finance must be evaluated based on the value it adds to the organization. Defining and measuring HR effectiveness is not as straight forward as it might be in some more easily quantifiable areas, but it can be done.

Effectiveness for organizations is often defined as the extent to which goals have been met. Efficiency is the degree to which operations are done in an economical manner. Efficiency can also be thought of as cost per unit of output. To be effective, organizations must be able to achieve their goals, but must reach them using limited resources efficiently. For example, providing on-site child care for all employees might help an employer to achieve an effectiveness goal of reducing turnover, but it could be too expensive (reducing efficiency of expenditures) for that employer to implement.

Other departments, managers, and employees are the main customers for HR services. If those services are lacking, too expensive, or of poor quality, then the organization may have to consider outsourcing some HR activities. The HR department is an organization within an organization. What it does (or does not do) affects the entire organizational system. To function effectively, HR needs a clear vision of what it does and whom it serves. That perspective should unify the HR staff and provide a basis for making decisions. HR can position itself as a partner in an organization, but only by demonstrating to the rest of the organization that there are real links between what HR activities contribute and organizational results. To demonstrate to the rest of the organization that the HR unit is a partner with a positive influence on the bottom line of the business, HR professionals must be prepared to measure the results of HR activities. Then the HR unit must communicate that information to the rest of the organization. Measurement is a key to demonstrating the success of the HR activities.

Summary

Case Study: Benchmarking HR at Goodyear Tire and Rubber Company

Goodyear Tire and Rubber Company, like most businesses, has seen massive change and has tried to focus on finding new and better ways to get work done. As part of that search, the company has used benchmarking to help identify the best practices for all facets of its operations, including human resources. By measuring itself and comparing the measurements against those of other companies, Goodyear has managed to find more efficient ways to get work done.

The idea behind benchmarking is that it is possible to examine the best practices of other organizations and make changes in operations based on what is learned. More than 70% of the Fortune 500 companies use benchmarking regularly. A benefit of benchmarking is that it forces companies to focus on the specific factors that lead to success or failure.

When Goodyear begins a benchmarking project, it spends up to three months planning. There are major discussions about what the firm hopes to accomplish. Those who are participants receive training in the process. From the highly focused questions that are developed by the benchmark team come answers about specific practices and results. Developing these questions and answers may require conducting interviews in person or over the phone, bringing in an academic to design a scientific study to examine a problem, or using outside consultants to gather information. But obtaining information about Goodyear's practices and those of the other company (or companies) is the key thrust. Communicating information so that comparisons can be made and new ideas generated are the basis for benchmarking.

Recently, when the company as part of the broader benchmarking process examined compensation strategies, it put together an internal team with individuals from many departments. The team developed questions and studied topics such as variable pay, the pay for top performers, and the role of training in compensation. Team members first determined what the company needed to learn and then created an agenda to gather the information. After conducting interviews and gathering data from many other sources, the team compared notes on the practices of various successful companies. Then it made its recommendations for changes at Goodyear. When HR began to benchmark its own practices, it examined a wide range of issues. Leadership development, succession planning, benefits, safety, and compensation were all benchmarked.

The company wanted to tie employee compensation to individual performance and the firm's goals of improving customer service and shareholder satisfaction. After about six months of examining several Fortune100 companies, Goodyear's HR staff made several changes, including altering the way the company approached its compensation program. It concluded that to remain competitive and provide better customer service, it needed to better define the employee performance appraisal process and tie that activity to Goodyear's business objectives. That link meant clearly communicating what each position was expected to contribute and what its responsibilities were. As a result, part of the Chairman's compensation is now at risk, depending on the company's financial performance.

The HR Director has summarized Goodyear's use of benchmarking as a way to evaluate the success of company practices and to assess effectiveness. He says, if your goal is continuous improvement, your company will always want to learn what other companies are doing. And it is important for HR to be aligned with the corporate strategy and be recognized as a valuable resource for change.

Review Questions

- Discuss the importance of Motivation. Explain the same with relevant theories.
- How Motivation and Behavior are interrelated? Discuss the same.
- Discuss about Compensation Structure in a nationalized bank of your choice.
- Why Compensation Policies are necessary to an organization? Discuss its impact in detail.
- Discuss the objectives of Compensation and Compensation administration.
- Discuss the various determinants of Compensation. Also discuss Compensation Survey in detail.
- Discuss Compensation Structure in Indian Companies.
- Discuss Compensation from Behavioral aspects perspective.
- Discuss Human Resource Mobility. What is its purpose?
- What are all the various types of transfers? What are all the various types of absenteeism?

Introduction – Administration of Discipline

Discipline is the regulation & modulation of human activities to produce a controlled performance. The real purpose of discipline is quite simple; it is to encourage employees to confirm to established standards of job performance and to behave sensibly and safely at work. Discipline is essential to all organized group action.

Webster's Dictionary gives three basic meanings to the word discipline, the first being that of training that corrects, moulds, strengthens, or perfects. The second meaning is control gained by enforcing obedience and the third, punishment or chastisement. By combining the first and second definitions you can say that discipline involves the conditioning or moulding of behaviour by applying rewards or you can say that discipline involves the conditioning or moulding of behaviour by applying rewards or penalties. The third meaning is narrower in that it pertains only to the act of punishing wrongdoers.

From the above definitions, you can find the following elements:

- The objective is orderly behaviour
- Orderly behaviour is a group desire
- Orderly behaviour assists the attainment of organizational goals • When members behave appropriately as per rules, there is no need for disciplinary action. This is self-discipline.
- When some members violate the rules and regulations, punitive actions are needed to correct them
- Punishment serves two purposes: first, to directly punish an individual for an offence and secondly, to set an example for others not to violate the rules and regulations.

Those employees who observe the rules and standards are rewarded by praise, by security and often by advancement. Those who cannot stay in line or measure up to performance standards are penalized in such a way that they can clearly learn what acceptable performance and behaviour are. Most employees recognize this system as a legitimate way to preserve order and safety and to keep everyone working towards the same organizational goals and standards. For most employees, self-discipline is the best discipline. As often as not, the need to impose penalties is a fault of the management as well as of the individual worker. For that reason alone, a supervisor should resort to disciplinary action only after all else fails. Discipline should never be used as a show of authority or power on the supervisor's part.

A formal discipline procedure usually begins with an oral warning and progresses through a series of activities.

Purpose and Objectives of Disciplinary Action

The purpose of discipline according to Dessler (2001) is to encourage employees to behave sensibly at work, where being sensible is defined as adhering to rule and regulations. In an organization, rules and regulations serve about the same purpose that laws do in society; discipline is called for when one of these rules or regulations is violated (Bittel & Newstrom, 1990).

Following are some of the purposes and objectives of disciplinary action.

- To enforce rules and regulations
- To punish the offender
- To serve as an example to others to strictly follow rules
- To ensure the smooth running of the organization
- To increase working efficiency
- To maintain industrial peace
- To improve working relations and tolerance
- To develop a working culture which improves performance

Dessler (2001 opines that a fair and just discipline process is based on three foundations:

Rules and regulations, a system of progressive penalties and an appeals process.

Let us probe this a bit more. Dessler (2001) states that a set of clear rules and regulations is the first foundation. These rules address things like theft, destruction of company property, drinking on the job and insubordination. The purpose of these rules is to inform employees ahead of time as to what is and is not acceptable behavior. This is usually done during the employee's orientation.

A system of progressive penalties is the second foundation of effective disciplining (Dessler, 2001). Penalties, according to Dessler, may range from oral warning to written warnings to suspension from the job to discharge. The severity of the penalty is usually a function of the type of offence and the number of times the offence has been committed.

Dessler (2001) opines that mally, there should be an appeals process as part of the disciplinary process; this helps to ensure that discipline is meted out fairly and equitably.

Right to take Disciplinary Action

Right to take disciplinary action emanates from employer-employee relationship and is regulated by contract of employment, standing order of the company (for workers) or conduct and discipline (appeal) rules (for supervisory staff) of the organization promptness in disciplinary cases is essential. It has to be ascertained which disciplinary rules are applicable to the delinquent employee for taking action.

Disciplinary Action Procedure

To start with, based on any misconduct committed by the employee or complaint, a preliminary enquiry is called for. Then disciplinary authority has to initiate action.

The following authorities are laid by the organization for various levels of employees:

- Disciplinary authority;
- Appellate authority; and
- Reviewing authority.

Based on judicial pronouncement, elaborate procedure has been evolved which has to be followed to avoid infirmities in the disciplinary action. Various stages involved are briefly indicated as under:

- Preliminary enquiry,
- Framing and serving of charge sheet,
- Holding of domestic enquiry,
- Report of the enquiry officer,
- Consideration of the report of the enquiry officer by disciplinary authority,
- Order of punishment and its communication,
- Appeal.

Stages of Disciplinary Action Proceedings

Issue of the Charge-Sheet

Delinquent employee is to be issued a charge-sheet call him to submit his explanation within a specified period of time. This charge-sheet should be drafted in a clear and unambiguous language so that the workman does not have any difficulty in understanding the charges that he has to answer. Wherever possible, the relevant clause of the company's standing orders should be mentioned in a charge sheet. If the charge relates to an incident, the date, time and place of the occurrence should be mentioned. Proper care should be taken in framing the charge-sheet, for the validity of the punishment would depend on the enquiry of the misconduct mentioned in the charge-sheet. The charge-sheet should be in the local language. The charge-sheet framed against delinquent employee and duly signed by the disciplinary authority should be served on him personally if possible and acknowledgement to the effect should be obtained from him. In case the workman is absent, or if he refuses to accept the charge-sheet when presented to him, the same should be sent to his local and home addresses by post under-registered cover with acknowledgements due, after getting his refusal attested by two witnesses. In case the charge-sheet is returned unserved with the remarks of the postal authorities, the same should be kept intact without opening. In such a case, the employer should display the charge-sheet on the notice board or act in accordance with the provisions of the standing orders. In some cases, it may be necessary to public the contents of the charge-sheet in a local newspaper having wide publicity.

Suspension Pending Enquiry

In a case where the charges levelled against a workman are of serious nature and it is considered by the disciplinary authority that his physical presence might endanger the safety of other workmen, or if it is apprehended that he might intimidate others or tamper with the evidence, he may be suspended. During the period of suspension pending enquiry, the workman will get subsistence allowance as per rules.

Consideration of the Explanation

After a charge-sheet has been served on a workman for reply he may submit his explanation:

- Admitting the charges and requesting for mercy,
- Denying the charges and requesting for an enquiry,
- Not submitting any explanation at all, or
- Requesting for more time to submit explanation.

In a case where the workman admits the charge which is of a minor nature and begs for mercy, no enquiry is held and decision is taken accordingly on the charge-sheet. If, however the misconduct is serious enough to warrant discharge or dismissal, the management should still arrange to hold a proper enquiry, the admission of the charges notwithstanding.

In a case where the workman submits an explanation mentioning that the charges leveled against him are false, baseless, motivated, concocted, etc. A proper enquiry as per procedure should be held before awarding any punishment.

When the workman fails to submit any explanation within the specified time limit, the management should take steps to hold a proper enquiry.

When the workman concerned makes a bonfire request on reasonable grounds for extension of time to submit explanation, the same should be granted.

Notice for Holding the Enquiry

After consideration of the explanation of the charge-sheeted workman or when no reply is received within the specified time limit, the disciplinary authority should issue an order appointing an enquiry officer or an enquiry committee to hold the enquiry of the charge-sheet. The enquiry officer can be an official of the company, or even an outsider, but care should be taken to appoint only such a person as enquiry officer who is neither a witness nor is personally interested in any way in the matter for which the charge-sheet has been issued. It should also contain the name of the management representative. Thereafter, the enquiry officer should issue a notice of enquiry. This notice of enquiry should clearly mention the date, time and place of enquiry. It should ask the workman to present himself with his witnesses/documentary evidence, if any, for the enquiry. It should also be mentioned in the notice of enquiry that if the workman fails to attend the enquiry on the appointed date and time, the same will he held ex-parte. A reasonable period of time should be given to the workman for preparing his defence before the enquiry is held.

Holding of the Enquiry

The object of holding an enquiry is to find out whether the workman is guilty of the charges levelled against him in the charge-sheet, or not. In doing so, the enquiry officer gives the workman a reasonable opportunity to defend himself by cross-examining the witnesses/documentary evidence/exhibits produced against him and by examining the witnesses/documentary evidence in his defence.

The workman concerned can also make statement in his defence apart from what is stated in reply to the charge-sheet. It should be clearly understood that it is for the management's representative, i.e., evidence officer to prove the charges against a workman by adducing evidence during the enquiry and it is not the workman who has to prove his innocence. Unless management side has been able to prove the case against the workman, he should not be considered guilty.

The Enquiry

On the appointed date and time, fixed for the enquiry, the following persons should be present apart from the enquiry officer.

- **Presenting Officer:** He is the person who will lead the case from the management's side by producing witnesses and relevant documentary evidence in support of the charge. He may himself be a witness, in which case he is the first person to be examined. The presenting officer has a right to cross-examine a charge-sheeted workman as well as the witness/documentary evidence produced by him.

- **Delinquent Employee:** No enquiry can be said to have been held as per procedure in the absence of the charge-sheeted employee. However, if he refuses to take part in the enquiry after presenting himself, or when he does not report for the enquiry despite receiving the notice to him, the enquiry may proceed exporter, provided in the notice of the enquiry a specific mention to that effect had been made. Also, if during the enquiry, the delinquent employee withdraws himself, the same may be held ex-parte. In such a case, it is not advisable to postpone the enquiry and give another opportunity to the delinquent employee rather than holding ex-parte enquiry. In a case, where the delinquent employee turns up for the enquiry after some witnesses have been examined, it would be proper for the enquiry officer to allow him to participate in the enquiry after recording this fact in the proceedings. The enquiry officer should recall the witnesses who have already been examined in the absence of the delinquent employee so that he gets an opportunity to cross-examine such witnesses.

- **Representative of the Delinquent Employee**: If the delinquent employee writes to the charge sheet or makes a subsequent request that he should be allowed to take a knowledgeable co-worker of his choice to assist him in the enquiry, the same should normally be allowed. In some companies, union committee member of the recognized trade union is allowed to attend an enquiry on the specific request of the workman, to either assist him or play the role of an observer as per procedure.

- **The Procedure of Enquiry:** At the commencement of the enquiry, if the delinquent employee is present, the enquiry officer should record the date; time and place of enquiry, names of the persons present and obtain their signatures on the order-sheet. Thereafter, he should proceed as follows:

Read out and explain the charges and the reply of the charge-sheet to the delinquent employee and get his confirmation to that effect. In case the delinquent employee has not accepted the charge in reply to the charge-sheet, he should be asked if he pleads guilty of the charges. If the charges are admitted, that should be recorded and signatures of all concerned, with date, should be taken. A full-fledged enquiry need not be held if the misconduct is of a minor nature. In case the charge, if proved, is serious enough to warrant discharge or dismissal, the proper course is to hold the enquiry.

Explain to the delinquent employee concerned the procedure to be followed in the enquiry, viz., that the presenting officer will produce witnesses/documentary evidence/exhibits in support of the charge and the delinquent employee will have opportunity to cross examine. Thereafter the delinquent employee should be given opportunity to produce his witnesses/ and the management representative will have a right to cross-examine them. • The delinquent employee will have further opportunity to make statement, if any, in his defense. At any stage of the enquiry, the enquiry officer can seek clarification from any witness or the delinquent employee by puffing questions to him. Neither the presenting officer nor the delinquent employee can put leading questions to their respective witnesses.

- Witnesses in support of the charge are to be examined one by one in the presence of the delinquent employee.

- The charge-sheeted workman is to be given an opportunity to cross-examine management's witnesses. In case he declines to cross-examine any witness, an endorsement to that effect should be recorded by the enquiry officer.

- The delinquent employee should be asked to produce his own witnesses one by one and the presenting officer will be allowed to cross-examine them. The delinquent employee should be asked to give his statement after his witnesses are examined and cross-examined. He may also produce documentary evidence, if any. In case the delinquent employee declines to produce any witness/documentary evidence or declines to give any statement, the enquiry officer should make a record to that effect in the order-sheet and obtain signatures of all concerned. If the enquiry remains incomplete in the first sitting and some more witnesses are required to be examined, it may be continued or any other day mutually agreed by both sides. In such a case, the enquiry officer should make a suitable endorsement in the order sheet and obtain signatures of all concerned.

- On each. page of the enquiry proceedings, the signature with date of the charge-sheeted workman, his representative, if any, the concerned witness and the management representative should be taken. The concerned witness should sign on each page of his statement only. The enquiry officer will sign on each page of the proceedings after endorsing that the statement has been recorded by him and explained to the parties in their language before they were asked to sign. If the delinquent employee refuses to put his signature even after he had been asked to do so, the enquiry officer should make an endorsement to that effect and get it attested by others present.

Ex-parte Enquiry:

If, on the day fixed for the enquiry, the delinquent employee does not turn up, an ex-parte enquiry may be held by following the usual procedure. In such an enquiry, the presenting officer has to lead the evidence against the charge-sheeted workman. The enquiry officer, by putting questions to the witnesses, get facers to come to reasonable conclusion about the validity or otherwise of the charges. As stated earlier, it is advisable to fix another date of enquiry, instead of holding an ex-parte enquiry on the first sitting itself. The Enquiry Report: After the enquiry is over the enquiry officer makes an appreciation of the evidence on record and comes to his conclusion. If there is no corroborative evidence on a particular point, the enquiry officer has to give his own reasons for accepting or rejecting the evidence of such a witness.

The enquiry report is a document which should clearly indicate whether the charges levelled against the delinquent employee are proved or not. The conclusion of the enquiry officer should be logical and based only on evidence brought out during the enquiry. The enquiry officer may record clearly and precisely his conclusions with reasons for the same.

There is no place for any conjecture or surmises in the enquiry report. It should be such that as per the evidence on record, any impartial man, not connected with the case, should be able to come to the same conclusion as that of the enquiry officer.

Final Decision of the Disciplinary Authority

The enquiry report is submitted to the Disciplinary Authority. Before he takes a decision on the findings of the enquiry officer, he is required to furnish a copy of the enquiry officer's report to the concerned employee. If he agrees with the findings of the enquiry officer, after considering the gravity of the misconduct and the past record of the delinquent employee equitable treatment with precedents of action taken, etc., he may pass an order on the quantum of punishment after recording his reasons for the same in writing. An order in writing is passed to that effect and is communicated to the delinquent employee.

In case the disciplinary authority decides to punish the employee for his misconduct, the following are the punishments, which he can impose, depending upon the severity of the misconduct. There are two kinds of punishment:

Minor Punishments

- Warning or Sensor;
- Fine (keeping the provisions of Section 8 of Payment of Wages Act in view); and
- Withholding of increment (either with cumulative effect or non-cumulative effect).

Major Punishments

- Demotion;
- Discharge; and
- Dismissal

A letter communicating the order of discharge/dismissal should set out clearly the charge(s) proved against the delinquent employee and the date from which the order is to become effective. Normally, the order of discharge/dismissal should be effective from the date of the order, unless there is an express provision in the standing orders to the contrary.

Appeal

An employee can appeal against an order imposing upon him any of the penalties. The appellate authority may confirm, enhance, reduce or set-aside the penalty.

Conclude

It is the employer's right to direct its internal administration and maintain discipline. However, before passing an order of discharge or dismissal, the employer has to arrange for a fair and proper enquiry in consonance with the principles of natural justice. The reason is that its decision may not be reversed by the adjudicator at a later date, if the workman raises an industrial dispute challenging the order. A domestic enquiry need not be conducted in accordance with the technical requirements of a criminal trial but they must fairly have conducted and in holding them, consideration of "fair play" and "natural justice" must govern the conduct of the enquiry officer. A domestic enquiry must be conducted with an open mind, honestly and bonafide, with a view to determine whether the charge framed against the delinquent employee is proved or not.

In today's context, no employer can discharge or dismiss a delinquent workman even for a serious misconduct without following an elaborate procedure for taking disciplinary action. An employer can be guilty and penalized, if the adjudicator finds that there was want of good faith; or there was victimization or unfair labor practices; or the management was guilty of a basic error or violation of a principle of natural justice; or on the grounds that the finding was completely baseless or perverse.

Legal Procedures Relating to Discharge or Dismissal:

Individual Dispute

Individual disputes are not covered by the Industrial Disputes Act, 1947, except dispute of an individual workman relating to his discharge, dismissal, retrenchment and termination from service, which is to be considered as an industrial dispute under the Act (Sec.2a).

Prior to Introduction of Sec. II A

In 1971, an employer could discharge or dismiss a workman for misconduct as per standing orders after following the procedure for conducting a domestic enquiry. The management's decision could not have been challenged before labor court, if enquiry was fairly and properly conducted as per the principles of natural justice. The court could not interfere with quantum of punishment. However, court has powers to interfere only when: (SCO Case - SC - 1958)

- There was want of good faith, or
- There was victimization or unfair labour practice, or
- Violation of principles of natural justice, or
- Findings were completely baseless or perverse.
- Position under Sec. II A

Section 11- A was inserted in the Act by the Industrial Disputes (Amendment) Act, 1971, w.e.f. 15.12.1971. The Statement of objects and reasons specifically referred to the decision of the Supreme Court in Indian Iron & Steel Co. Ltd. and Another vs. their Workmen (1958-1 LLJ.260). It also referred to recommendation No.119 of the International Labor Organization that a worker aggrieved by the termination of his employment should be entitled to appeal against the termination, among others, to a neutral body such as an arbitrator, a court, an arbitration committee or a similar body.

Effect of Section II A

Prior to the introduction of Section II-A, the Tribunal had no power to interfere with the finding of misconduct recorded in the domestic enquiry unless there existed one or other infirmities pointed out by the Supreme court in the case of Indian Iron & Steel Co. Ltd., The conduct of disciplinary proceedings and punishment to be imposed were all considered to be managerial function which the Tribunal had no power to interfere unless the finding was perverse or the punishment was so harsh as to lead to an inference of victimization or unfair labor practice. But now under this Section, the Tribunal is clothed with the power to reappraise the evidence in the domestic enquiry and satisfy itself whether the said evidence relied on by employer established the misconduct alleged against a workman. The limitations imposed on the powers of the Tribunal by the decision in the Indian Iron & Steel Co. Ltd. Can no longer be invoked by an employer. Vaidialingam J. held: "The tribunal is now at liberty to consider not only whether the finding of misconduct recorded by an employer is correct, but also to differ from the said finding if a proper case is made out. What was once largely in the realm of the satisfaction of employer has ceased to be so, and now it is the satisfaction of the Tribunal that finally decides the matter." Ultimately, the Tribunal may hold that the misconduct itself is not proved or that the misconduct proved does not warrant the punishment of dismissal or discharge.

Under this Section, for the first time, power has been given to tribunal to satisfy itself whether misconduct is proved. This is particularly so, regarding even findings arrived at by an employer in an enquiry properly held. The Tribunal has also been given power also for the first time, to interfere with the punishment imposed by an employer. When such wide powers have now been conferred on tribunals, the Legislature obviously felt that some restrictions have to be imposed regarding what matters could be taken into account. Such restrictions are found in the proviso. The Proviso only emphasizes that the tribunal has to satisfy itself one way or the other regarding misconduct, punishment and relief to be granted to workmen only on the basis of the "materials on record" before it.

Section II-A does not cover retrenchment or retirement cases, because the section clearly indicates that it is for discharge and dismissal cases only.

Industrial Dispute (Amendment) Act, 1982

An employer may be held guilty of unfair labor practice, in case court finds dismissal/discharge is to be:

On account of victimization,

Not in good faith,

In utter disregard of natural justice,

For patently false reasons or disorientate punishment.

Apart from the remedy of reinstatement of workman, the employer is liable for the penalty under Sec.254.

Management of Grievances

There is hardly a company where the employees do not have grievances of one kind or the other. These grievances may be real or imaginary, valid or invalid, genuine or false. A grievance produces unhappiness, discontent, indifference, discontent, low morale, frustration etc.; ultimately, it affects employee's concentration, efficiency and productivity.

Many of the industrial disputes that result in repercussions originate from minor grievances. If such grievances are settled amicably in time, many of the disputes could be prevented. It is the rationale of the mutual acceptability of the grievance procedure. Grievance procedure is expected to be effective tool n the tool kit of corporate managers handling manpower as well as human relations in the Indian industry.

The term "Grievance" denotes "any discontent or dissatisfaction whether expressed or not and whether valid or not, arising out of anything connected with the company that an employee thinks, believes or even feels s unfair, unjust or inequitable".

Keith Davis defines grievance as any real or imagined feeling of personal injustice which an employee has concerning his employment relationship.

Pigors and Myers observe that the three terms, "dissatisfaction", "complaint" and "grievance" indicate various forms and stages of employee dissatisfaction. According to them, dissatisfaction is "anything that disturbs an employee, whether or not he expresses his unrest in words. A complaint is spoken or written dissatisfaction, brought to the attention of the supervisor and the shop steward. A grievance is simply a complaint that has been ignored, over ridden or dismissed without due consideration".

Prof Flippo defined a grievance in the words, "A complaint becomes a grievance when the employee feels that an injustice has been committed. If the supervisor ignores the complaint and dissatisfaction grows within the employee, it usually assumes the status of a grievance. A grievance in business organization is always expressed, either verbally or in writing. A grievance is usually more formal in character than a complaint. It can, of course, be either valid or ridiculous, and must grow out of something connected with company operations or policy. In many instances, it must involve an interpretation or application of provisions of the labor contract".

These definitions are very broad and cover dissatisfactions that have the following characteristics:

- The discontent must be connected with the company.
- The grievance must be expressed or implied.
- It could be valid, legitimate, rational or untrue, irrational or completely ridiculous.

In their working life, employees do get dissatisfied with various aspects of working may be with the attitude of the manager, policy of the company, working conditions, or behaviour of colleagues. Employers try to ignore or suppress grievances. But they cannot be suppressed for long. Grievance acts as rust which corrodes the very fabric of organization. An aggrieved employee is a potent source of indiscipline and bad working.

To understand what a grievance is, you must clearly be able to distinguish between dissatisfaction, complaint and grievance. Torrington (1987) provides us with a useful categorization in this regard:

- **Dissatisfaction:** Anything disturbs an employee, whether or not the unrest is expressed in words.

- **Complaint:** A spoken or written dissatisfaction brought to the attention of the supervisor or the shop steward.

- **Grievance:** A complaint that has been formally presented to a management representative or to a union official.

In addition, there are other definitions of a grievance that distinguish it from the other two. Few such definitions are:

A grievance is a formal dispute between an employee and management on the conditions of employment. (Glueck, 1978)

Grievances are complaints that have been formally registered in accordance with the grievance procedure. (Jackson)

A grievance is any dissatisfaction or feeling of injustice in connection with one's employment situation that is brought to the attention of the management (Beach 1980).

Therefore, you will see that a grievance is a formal and a relatively drastic step, compared to dissatisfactions and complains. However, instances where complaints turn into grievances are not common, since few employees will question their superior's judgment. Further, many people do not initiate grievances because they fear negative consequence as a result of their attempt. If we analyse these definitions of grievance, some noticeable features emerge clearly:

- A grievance refers to any form of discontent or dissatisfaction with any aspect of the organization.
- The dissatisfaction must arise out of employment and not due to personal or family problems.
- The discontent can arise out of real or imaginary reasons. When the employee feels that injustice has been done to him, he has a grievance. The reasons for such a feeling may be valid or invalid, legitimate or irrational, justifiable or ridiculous.
- The discontent may be voiced or unvoiced. But it must find expression in some form. However, discontent per se is not a grievance. Initially, the employee may complain orally or in writing. If this not looked into promptly, the employee feels a sense of lack of justice. Now the discontent grows and takes the shape of a grievance.
- Broadly speaking, thus, a grievance is traceable to perceived non-fulfillment of one's expectations from the organization.

Machinery for Handling Grievances

Every organization requires a permanent procedure for handling grievances. This procedure usually consists of a number of steps arranges in a hierarchical order. The number of these steps varies with the size of the organization. In small organization, the supervisor and the manager may be only two steps – but a big organization may have as many as ten steps. The first and the last steps are almost always the same for all organizations. Though a labor union is not essential to establishment and operation of a grievance procedure, yet is an important factor to it.

The grievance first is reported to the frontline supervisor, as he is the first rung of the ladder. If the concern is unionized, a representative of the union may also join him. This step is very necessary to preserve the authority of the supervisor over his workers. But the supervisor cannot handle all grievances because many of them involve issues or policies that are beyond the limits of the authority. There may be some grievances that he may fail to redress and find solution for. Hence provision is made for a second step in handling grievances. This second step may be the personnel officer himself or some middle level line executive. If the concern is unionized, some higher personnel in the union hierarchy may join him. It should however be remembered that by injecting the personnel office.

Forms of Grievances:

A grievance may take anyone of the following forms:

Factual Grievance

A factual grievance arises when legitimate needs of employees remain unfulfilled, e.g., wage hike has been agreed but not implemented citing various reasons.

Imaginary Grievance

When an employee's dissatisfaction is not because of any valid reason but because of a wrong perception, wrong attitude or wrong information he has. Such a situation may create an imaginary grievance. Though management is not at fault in such instances, still it has to clear the 'fog' immediately.

Disguised Grievance

An employee may have dissatisfaction for reasons that are unknown to him. If he/she is under pressure from family, friends, relatives, neighbours, he/she may reach the work spot with a heavy heart. If a new recruit gets a new table and almirah this may become an eyesore to other employees who have not been treated likewise previously.

Causes of Grievances

Grievances may occur for a number of reasons:

- **Economic:** Wage fixation, overtime, bonus, wage revision, etc. Employees may feel that they are paid less when compared to others.

- **Work Environment:** Poor physical conditions of workplace, tight production norms, defective tools and equipment, poor quality of materials, unfair rules, lack of recognition, etc.

- **Supervision:** Relates to the attitudes of the supervisor towards the employee such as perceived notions of bias, favoritism, nepotism, caste affiliations, regional feelings, etc.
- **Work group:** Employee is unable to adjust with his colleagues; suffers from feelings of neglect, victimization and becomes an object of ridicule and humiliation, etc.
- **Miscellaneous:** These include issues relating to certain violations in respect of promotions, safety methods, transfer, disciplinary rules, fines, granting leave, medical facilities, etc.

Classification and Causes of Grievances

Wage Grievances

Causes:

- Demand for individual wage adjustment
- Complaint about job classification
- Complaint about incentive system
- Miscellaneous

Supervision

Causes:

- Complaint against discipline/administration
- Complaint against behavior of supervisor
- Objection to the method of supervision

Working Conditions

Causes:

- Safety and health
- Violation of rules and regulations
- Miscellaneous

Seniority and Promotion

Causes:

- Loss of seniority and transfers
- Calculation/interpretation of seniority
- Promotion - denial or delay
- Transfer or change of shifts

Discipline

Causes:

- Discharge/dismissal/layoffs
- Alcoholism, absenteeism and accidents
- Harshness of punishment and penalty

Collective Bargaining

Causes:

- Violation of contract/award/agreement
- Interpretation of contract/award/agreement
- Settlement of grievances

Union Management

Causes:

- Recognition of union relations
- Harassment of union bearers
- Soldiering / go-slow tactics
- Jackson traces the causes of grievances as arising from the following issues:
- Working environment e.g., light, space, heat.
- Use of equipment, e.g., tools that have not been properly maintained.
- Supervisory practices, e.g., workload allocation.
- Personality clashes and other inter-employee disputes (work-related or otherwise).
- Behavior exhibited by managers or other employees, e.g. allocation of 'perks' such as Sunday overtime working, and harassment, victimization, and bullying incidents.
- Refused requests, e.g., annual leave, shift changes.
- Problems with pay: e.g. late bonus, payments, adjustments to overtime pay
- Perceived inequalities in treatment: e.g., claims for equal pay, appeals against performance related pay awards.
- Organizational change, e.g., the implementation of revised company policies or new working practices.

The author's stress that all these causes should be investigated to achieve the following twin objectives:

- Redress the grievances of the complainant.
- Initiate remedial steps to prevent recurrence of similar grievances in the future.

Different aspects of grievance are as follows:

- **Organizational aspects:** Organizational structure, policy plans and procedure.
- **Informational aspects**: Ignorance about company rules, regulations, promotion policies, career prospects, transferability etc.
- **Human aspects:** A variety of reasons, the major ones being poor mental health and attention.

Grievance Handling Procedure

As already discussed, there are valid reasons to have the grievances processed through machinery or a procedure.

Objectives of a Grievance Handling Procedure

Jackson (2000) lays down the objectives of a grievance handling procedure as follows:

- To enable the employee to air his/her grievance.
- To clarify the nature of the grievance.
- To investigate the reasons for dissatisfaction.
- To obtain, where possible, a speedy resolution to the problem.
- To take appropriate actions and ensure that promises are kept.
- To inform the employee of his or her right to take the grievance to the next stage of the procedure, in the event of an unsuccessful resolution.

Benefits of a Grievance Handling Procedure

According to Jackson (2000), further benefits that will accrue to both the employer and employees are as follows:

- It encourages employees to raise concerns without fear of reprisal.
- It provides a fair and speedy means of dealing with complaints.
- It prevents minor disagreements developing into more serious disputes.
- It saves employers time and money as solutions are found for workplace problems.
- It helps to build an organizational climate based on openness and trust.

Processing of Grievance

The Industrial Disputes act defines various processes and procedures in handling grievances. They are

- Negotiation
- Mediation and Conciliation
- Arbitration

Negotiation

Negotiations are a part of everyday life. The process of negotiating has been described by Walton and McKersie as 'the deliberate interaction of two or more complex social units which are attempting to define or redefine the terms of their interdependence.' Gottschalk defines negotiation process as "an occasion where one or more representatives of two or more parties interact in an explicit attempt to reach a jointly acceptable position on one or more divisive issues." It is an explicit and deliberate event conducted by the representatives on behalf of their respective parties – employers and employees. The process is intended to reconcile differences between the parties involved.

Negotiation is not simply 'ritual' but a process, which allows the representatives of different interest groups to reach a mutually acceptable settlement of an issue while, at the same time, seeking to maximize the advantage to be gained for their interest group. Negotiating is a skill that can be learned and improved upon by anyone.

"Negotiation is essentially a process of advancing proposals, discussing and criticizing them, explaining and exploring their meaning and effects; seeking to secure their acceptance, and making counterproposals or modifications for similar evaluation" (Dale Yoder).

There are two primary purposes to negotiating in the industrial relations context: first to reconcile differences between managements and unions; and second, to devise ways of advancing the common interest of the parties. Among managements and trade unions that deal with each other on an ongoing basis, negotiating may at the outset take the character of mutual problem solving. The process involves the recognition of the common interests of the parties, the areas of agreement and disagreement and possible solutions, to the mutual advantage of both sides. Dunlop and Healy have pointed out that the labor contract negotiations process can be depicted as (a) a poker game, with the largest pots going to come up with a strong hand on the occasions on which they are challenged or seen by the other side; (b) an exercise in power politics, with the relative strengths of the parties being decisive; (c) a debating society, marked by both rhetoric and name calling; and (d) a "rational process", with both sides remaining completely flexible and willing to be persuaded only when all the facts have been dispassionately presented.

Careful preparation of proposals can reduce uncertainty, improve communication, and thus contribute to effective negotiation. Better preparation provides the parties with broader perspectives, which in turn, increase flexibility and can accelerate the negotiation process.

Mediation and Conciliation

When an impasse occurs, an outside party may aid the two deadlocked parties to continue negotiations and arrive at a solution. In **conciliation,** the third party attempts to keep union and management negotiators talking so that they can reach a voluntary settlement but makes no proposals for solutions. In **mediation,** the third party assists the negotiators in their discussions and also suggests settlement proposals. In neither conciliation nor mediation does the third party attempt to impose a solution.

Arbitration

Section 10-A provides for the voluntary arbitration of industrial disputes. Where any industrial dispute exists or is apprehended and the employer and the workmen agree to refer it to arbitration, they may, at any time before the dispute has been referred to a labor court or tribunal, by a written agreement, refer it for arbitration to such person or persons as may be specified in the arbitration agreement. When an arbitration agreement provides for a reference of the dispute to an even number of arbitrators, the agreement shall provide for the appointment of another person as umpire. If the arbitrators are equally divided in their opinion, the award of the umpire shall prevail and shall be deemed to be the arbitration award. A copy of the arbitration agreement shall be forwarded to the appropriate government and the conciliation officer.

The appropriate government shall publish the agreement in the Official Gazette within one month from the date of its receipt.

The essential features of voluntary arbitration are:

- There should be an existing or apprehended industrial dispute;
- The reference should be made before the dispute has been referred under Section 10 to a labor court, an industrial tribunal or national tribunal; and
- The names of the person or persons to act as arbitrator or arbitrators must be specified in the arbitration agreement. Such persons may be presiding officers of labor courts, tribunals or national tribunals.

The details of a grievance procedure/machinery may vary from organization to organization.

The four stages of the machinery are briefly discussed here:

The Level at which Grievance Occurs

The best opportunity to redress a grievance is to resolve it at the level at which it occurs. A worker's grievance should be resolved by his immediate boss, the first line supervisor. The higher the document rises through the hierarchy, the more difficult it is to resolve. Bypassing the supervisor would erode his authority. When the process moves to a higher stage, the aggrieved employee and the supervisor concerned may shift their focus to save face by proving the other wrong. The substantive aspect of any of the grievances may thus be relegated and dysfunctional aspects come to the fore thus making it more difficult to settle the issue. In a unionized concern, the first stage of the procedure usually involves three people: the aggrieved employee, his immediate boss and the union representative in the shop/ department. It is possible to involve the union in laying down the framework of the grievance procedure and thereafter restrain union involvement in the actual process, at least in the first two stages. The choice depends on the top management attitude and orientation towards the dynamics of union-management relations. Supervisory role needs to be strengthened, with appropriate training in problem solving skills, grievance handling and counselling so that he can do much in reducing the number of grievances that get passed to higher stages in the machinery.

Unrealistic policies and expectations and lack of commitment for equity and fair play can cause problems in handling grievances at the lower level. Inadequate delegation of authority may also inhabit a supervisor's effectiveness in handling grievances at this level.

Intermediate Stage

If the dispute is not redressed at the supervisor's level, it will usually be referred to the head of the concerned department. It is important that line management assume prime responsibility for the settlement of a grievance. Any direct involvement by personnel department may upset balance in line-staff relations. At the intermediate level, grievance can be settled with or without union involvement. Excessive reliance on supervisor at this stage can jeopardize the interests of the employee and affect the credibility of the procedure.

Organization Level

If a grievance is not settled at the intermediate level also, it will be referred to the top management. Usually, a person of a level not less than General Manager designated for the purpose will directly handle the issue. By now, the grievance may acquire some political importance and the top leadership of the union may also step in formally, if the procedure provides for it and informally, if the procedure prohibits it. At this level it is very difficult to reconcile the divergent interests.

Third Party Mediation

If the grievance has not been settled bi-laterally within the organization, it goes to a third party for mediation. It could be conciliation, arbitration or adjudication or the matter may even be referred to a labor court. At this stage, the parties concerned lose control over the way the grievance is settled. In case of mediation (conciliation or arbitration) the mediator has no authority to decide, but in case of labor court or an adjudicator, the decision will be binding on the parties, subject to statutory provisions for appeal to higher courts.

Steps in Grievance Handling Procedure

At any stage of the grievance machinery, the dispute must be handled by some members of the management. In grievance redressed, responsibility lies largely with the management. And, as already discussed, grievances should be settled promptly at the first stage itself. The following steps will provide a measure of guidance to the manager dealing with grievances.

Acknowledge Dissatisfaction

Managerial/supervisory attitude to grievances is important. They should focus attention on grievances, not turn away from them. Ignorance is not bliss; it is the bane of industrial conflict. Condescending attitude on the part of supervisors and managers would aggravate the problem.

Define the Problem

Instead of trying to deal with a vague feeling of discontent, the problem should be defined properly. Sometime the wrong complaint is given. By effective listening, one can make sure that a true complaint is voiced.

Get the Facts

Facts should be separated from fiction. Though grievances result in hurt feelings, the effort should be to get the facts behind the feelings. There is need for a proper record of each grievance.

Analyze and Decide

Decisions on each of the grievances will have a precedent effect. While no time should be lost in dealing with them, it is no excuse to be slip-shod about it. Grievance settlements provide opportunities for managements to correct themselves, and thereby come closer to the employees. Horse-trading in grievance redressal due to union pressures may temporarily bring union leadership closer to the management, but it will surely alienate the workforce away from the management.

Follow up

Decisions taken must be followed up earnestly. They should be promptly communicated to the employee concerned. If a decision is favorable to the employee, his immediate boss should have the privilege of communicating the same. Some of the common pitfalls that managements commit in grievance handling relate to (a) stopping the search for facts too soon; (b) expressing a management opinion before gathering full facts; (c) failing to maintain proper records; (d) arbitrary exercise of executive discretion; and (e) settling wrong grievances.

Key Features of a Good Grievance Handling Procedure

Torrington & Hall refer to four key features of a grievance handling procedure, which is discussed below.

Fairness

Fairness is needed not only to be just but also to keep the procedure viable, if employees develop the belief that the procedure is only a sham, then its value will be lost, and other means sought to deal with the grievances. This also involves following the principles of natural justice, as in the case of a disciplinary procedure.

Facilities for Representation

Representation, e.g., by a shop steward, can be of help to the individual employee who lacks the confidence or experience to take on the management single-handedly. However, there is also the risk that the presence of the representative produces a defensive management attitude, affected by a number of other issues on which the manager and shop steward may be at loggerheads.

Procedural Steps

Steps should be limited to three. There is no value in having more just because there are more levels in the management hierarchy. This will only lengthen the time taken to deal with matter and will soon bring the procedure into disrepute.

Promptness

Promptness is needed to avoid the bitterness and frustration that can come from delay. When an employee 'goes into procedure,' it is like pulling the communication cord in the train. The action is not taken lightly and it is in anticipation of a swift resolution. Furthermore, the manager whose decision is being questioned will have a difficult time until the matter is settled.

Essential Pre-Requisites of a Grievance Handling Procedure

Every organization should have a systematic grievance procedure in order to redress the grievances effectively. As explained above, unattended grievances may culminate in the form of violent conflicts later on. The grievance procedure, to be sound and effective should possess certain pre-requisites:

Conformity with Statutory Provisions

Due consideration must be given to the prevailing legislation while designing the grievance handling procedure.

Unambiguity

Every aspect of the grievance handling procedure should be clear and unambiguous. All employees should know whom to approach first when they have a grievance, whether the complaint should be written or oral, and the maximum time in which the redressal is assured, etc. The redressing official should also know the limits within which he can take the required action.

Simplicity

The grievance handling procedure should be simple and short. If the procedure is complicated it may discourage employees and they may fail to make use of it in a proper manner.

Promptness

The grievance of the employee should be promptly handled and necessary action must be taken immediately. This is good for both the employee and management, because if the wrong doer is punished late, it may affect the morale of other employees as well.

Training

The supervisors and the union representatives should be properly trained in all aspects of grievance handling beforehand or else it will complicate the problem.

Steps	3-Steps Procedure	4-Steps Procedure	5-Steps Procedure
Step No.1	Worker with shop Rep. of union vs. Shop Supervisor	Worker with shop Rep. of union vs. Shop Supervisor	Worker with shop Rep. of union vs. Shop Supervisor
Step No.2	Union Re. of Plant Vs. G.M. or Owner G.M. or Owner	Work Committee Vs. Manager	Union Re. of Plant Vs. Manager-R.R.
Step No.3	Arbitration by independent Authority	Local Union Leaders Vs. Chief Executive	Grievances Committee Vs. Director (P&A)
Step No. 4		Arbitration	Regional Re. Union Vs. Chief Executive
Step No. 5			Arbitration

Table 2.1: Grievance Handling Procedures

Follow Up

The Personnel Department should keep track of the effectiveness and the functioning of grievance handling procedure and make necessary changes to improve it from time to time.

According to Nair & Nair, grievance handling procedures can be broadly classified as 3step, 4-step or 5-step. The details are tabulated in the following Table. One of the prominent features of the procedure suggested by Nair & Nair is the intervention of Grievance Committees in the 5-step procedure, which works in the Indian context.

This committee consists of: in unionized context, two nominees each from the management and the union (1 union representative should be from the same department as the aggrieved employee); in a non-unionized set up, two representatives from the management, representative in the 'Works secretary/vice president of the 'Works Committee".

Model Grievance Procedure

Procedure		Timeframe
Appeal to CMD		One week
General Manager		7 days
Grievance Committee (Manager + Union Reps.)		7 days unanimous
HOD		3 days
Supervisor	Shop-Floor	48 hours
Foreman	Shop-Floor	
Worker		

Table 2.2: Model Grievance Procedure

The Model Grievance Procedure suggested by the National Commission on Labor involves six successive time-bound steps each leading to the next, in case of dissatisfaction. The aggrieved worker in the first instance will approach the foreman and tells him of his grievance orally. The foreman has to redress his grievance and if the worker is not satisfied with this redressed, he can approach the supervisor. The supervisor has to provide an answer within 48 hours.

In the event of the supervisor not giving an answer or the answer not being acceptable to the worker, the worker goes to the next step. At this stage the worker (either alone or accompanied by his departmental representative) approaches the Head of the Department who has to give an answer within three days. If the Departmental Head fails to give an answer or it the worker is not satisfied with his answer, the worker may appeal to the Grievance Committee, consisting of the representative of the employer and employees. The recommendations of this Committee should be communicated to the Manager within seven days from the date of the grievance reaching it. Unanimous decisions, if any, of the committee shall be implemented by the management. If there is no unanimity, the views of the members of the Committee shall be placed before the manager for his decision. The manager has to take a decision and inform the worker within three days. The worker can make an appeal against the manager's decision and such an appeal has to be decided within a week. A union official may accompany the worker to the manager for discussion and if no decision is arrived at this stage, both the union and management may refer the grievance to voluntary arbitration within a week of the receipt of the management's decision. The worker in actual practice may not resort to all the above mentioned steps. For example, if the grievance is because of his dismissal or discharge he can resort to the second step directly and he can make an appeal against dismissal or discharge.

According to Industrial Disputes act 1947, Industrial dispute is defined as "any dispute or difference between employees and employers, between employer and workman, between workman and workman, which is concerned with the employment or non-employment or the terms of employment or with the conditions of labour, of any person".

As mentioned in the above definition, we find that the following are the characteristics of industrial disputes:

- The dispute must be between employees and employers, employers and workman or workman and workman. Collective disputes are accepted as industrial disputes. But where the dispute is between an individual workman and his employer, it is an individual dispute and does not become an industrial dispute unless it is espoused by a trade union or by an appreciable number of workers.
- The dispute must be connected with employment or non-employment or the terms of employment or with the conditions of labour of any person.
- A dispute is a kind of some real or substantial difference that is not resolved and it may endanger industrial peace. For the existence of a dispute it is not essential for the workman to show that they had made the demand before the management earlier and management rejects it. The dispute may exist even if the demand was not earlier made before the management but is raised now either expressly or implied by the government.

Traditionally, labour laws had a protective function consisting of established standards both to protect workers in their workplace and to provide them a basic minimum level of living conditions. Because of changing industrial and economic scenario, along with statutory machineries, voluntary machineries come into existence.

Labour Management Relations

Nature of Industrial Disputes

Although the nature of industrial disputes is very many, the following types of industrial disputes are most common:

- Strike
- Lock out
- Lay off
- Retrenchment

Strike

Strike has been defined as "cessation of work by a body of persons employed in industry acting in combination, or a concerted refusal, or a refusal, under a common understanding of any number of persons who are or have been so employed to continue to work or accept employment.

This definition throws light on a few aspects of a strike. Firstly, a strike is a referred to as stoppage of work by a group of workers employed in a particular industry. Secondly, it also includes the refusal of a number of employees to continue work under their employer. In a strike, a group of workers agree to stop working to protest against something they think is unfair where they work.

Labors withhold their services in order to pressurize their employment or government to meet their demands. Demands made by strikers can range from asking for higher wages or better benefits to seeking changes in the workplace environment. Strikes sometimes occur so that employers listen more carefully to the workers and address their problems.

Strikes can occur because of the following reasons:

- Dissatisfaction with company policy
- Salary and incentive problems
- Increment not up to the mark
- Wrongful discharge or dismissal of workmen
- Withdrawal of any concession or privilege
- Hours of work and rest intervals
- Leaves with wages and holidays
- Bonus, profit sharing, Provident fund and gratuity
- Retrenchment of workmen and closure of establishment
- Dispute connected with minimum wages

Types of Strike

Economic Strike

Under this type of strike, labors stop their work to enforce their economic demands such as wages and bonus. In these kinds of strikes, workers ask for increase in wages, allowances like traveling allowance, house rent allowance, dearness allowance, bonus and other facilities such as increase in privilege leave and casual leave.

Sympathetic Strike

When workers of one unit or industry go on strike in sympathy with workers of another unit or industry who are already on strike, it is called a sympathetic strike. The members of other unions involve themselves in a strike to support or express their sympathy with the members of unions who are on strike in other undertakings. The workers of sugar industry may go on strike in sympathy with their fellow workers of the textile industry who may already be on strike.

General Strike

It means a strike by members of all or most of the unions in a region or an industry. It may be a strike of all the workers in a particular region of industry to force demands common to all the workers. These strikes are usually intended to create political pressure on the ruling government, rather than on any one employer. It may also be an extension of the sympathetic strike to express generalized protest by the workers.

Sit down Strike

In this case, workers do not absent themselves from their place of work when they are on strike. They keep control over production facilities. But do not work. Such a strike is also known as 'pen down' or 'tool down' strike.

Workers show up to their place of employment, but they refuse to work. They also refuse to leave, which makes it very difficult for employer to defy the union and take the workers' places. In June 1998, all the Municipal Corporation employees in Punjab observed a pen down strike to protest against the non-acceptance of their demands by the state government.

Slow Down Strike

Employees remain on their jobs under this type of strike. They do not stop work, but restrict the rate of output in an organized manner. They adopt go-slow tactics to put pressure on the employers.

Sick-Out (or Sick-In)

In this strike, all or a significant number of union members call in sick on the same day. They don't break any rules, because they just use their sick leave that was allotted to them on the same day. However, the sudden loss of so many employees all on one day can show the employer just what it would be like if they really went on strike.

Wild Cat Strikes

These strikes are conducted by workers or employees without the authority and consent of unions. In 2004, a significant number of advocated went on wildcat strike at the City Civil Court premises in Bangalore. They were protesting against some remarks allegedly made against them by an Assistant Commissioner

a) Lockout

An employer to employ a number of persons employed by him has defined layout under the industrial dispute act 1947 as "the closing of a place of employment or the suspension of work, or the refusal. As the employer declares a lockout, he tells workers to keep away from the work. Lockout involves an act of belligerency on the part of the employer. It can be described as an antithesis of work.

b) Layoff

It means 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 for any other reason to give employment to a workman whose name is borne on the muster role of his industrial establishment and who has not been retrenched. The failure, refusal or inability of employer to give employment to give a workman whose name is borne on the muster rolls of the industrial establishment within two hours of his presenting himself at the scheduled time is considered to be layoff but it must be on account of shortage of coal, power or raw material, or accumulation of stock or the breakdown of machinery or for any other reason. The expression 'any other reason' must be constructed with the words, preceding it and therefore refers to these reasons which are not subject to control of the employer. The words like pay-off are included in the definition of layoff.

c) Retrenchment

It is defined as termination by the employer of the service of a workman for any other reason whatsoever otherwise than as a punishment inflicted by way of disciplinary action but does not include the followings:

- Voluntary retirement of the workman
- Retirement of the workman or reaching the age of superannuating if the contract of employment between the employer and the workman concerned contains a stipulation in that behalf
- Termination of the service of a workman on the ground of continued ill health

A closure of business as a result of winding up order cannot be equated to retrenchment.

Causes of Disputes

Percentage Distribution of Disputes by Causes

Cause Group	2002	2003	2004	2005
Wages & Allowances	21.3	20.4	26.2	21.8
Personnel	14.1	11.2	13.2	9.6
Retrenchment	2.2	2.4	0.2	0.4
Lay-Off	0.4	0.6	-	0.2
Indiscipline	29.9	36.9	40.4	41.6
Violence	0.9	1	0.9	0.4
Leave and Hours of Work/Shift Working	0.5	1	0.4	-
Bonus	6.7	6.7	3.5	3.6
Inter/Intra Union Rivalry	0.4	0.6	0.4	0.4
Non-implementation of agreements and awards etc.	3.1	1	1.1	0.9
Charter of Demands	10.5	8.8	5.7	7.1
Work Load	0.5	0.4	0.7	1.1
Standing orders/rules/service conditions/safety measures	1.8	1	2.4	0.2

The various points listed below can be ascertained as the main causes of industrial disputes:

- Management attitude towards labor
- Non Industrial factors
- Government machinery
- Economic causes
- Psychological causes
- Organizational causes
- Physical Causes

a) Management Attitude Towards Labor

Management generally is not willing to talk over any dispute with their employers or their representatives or refer to it to arbitration even when trade unions want them to do so.

Some of the other causes are:

- When during negotiations for the settlement of a dispute, the representative of employers unnecessarily and unjustifiably takes the side of the management, tension are created which often leads to go slow tactics or lockouts.

- The absence of any suitable grievance, redressal procedure as a result of which grievances go on accumulating and create a climate of unrest among workers.

- Lack of services and benefits offered by a management to its employees strains the relationship. The management's insistence that they alone are responsible for recruitment, promotion, transfer, merit awards etc., and that they need not consult their employees in regard to any of these matters generally annoys the workers.

(b) Non Industrial Factors

Industrial relations may be harmonious or strained. In the latter case, the causes are rooted in historical, political and socio economic factors and in the attitudes of workers and their employees. Some of the causes of disputes may be:

- Rising Unemployment
- Dismissal or non employment of any person
- Demarcation of the functions of an employee
- Registered agreement, settlement or award
- The attitude and temperament of industrial workers have changed because of their education, the growth of public opinion and the legislation enacted for their benefit. They are, therefore, very conscious of their rights and will not put up with any injustice or wrong done to them.

(c) Government Machinery

The machinery provided by the government for the resolution of industrial conflicts is often very inadequate, for example, trade unions are generally affiliated to major political party. Each political party, therefore, somehow, engineer strikes, gheraos and bandhs to demonstrate its political strength. Invariably, the political party that is in power favours that trade union organization which is affiliated to it which results in labour conflicts and disputes.

(d) Economic Causes

Demand for higher wages, dissatisfaction with the method of job evaluation, wrongful deduction from wages, faulty incentive schemes, lack of fringe benefits, and lack of promotional avenues and so on.

(e) Psychological Causes

Lack of opportunities for advancement and growth, non-recognition of merit or seniority, faulty transfer policy, authorization administration, poor relations with peers and superiors and so on.

(f) Organizational Causes

Non recognition of unions, unfair practices, violation of collective agreements, standing orders and labor laws, duality of command and supervision, faulty communication system and so on.

(g) Physical Causes

Poor working conditions, worn out plant, complex technology, poor layout, inadequate maintenance and so on.

The most frequent common cause of an industrial disputes in the country has been wages and allowance followed by personnel and retrenchment. But the percentage of disputes due to economic reasons has declined in recent years. However, there has been rapid growth of disputes due to indiscipline and violence.

In America all issues leading to industrial disputes are categorized under two heads:

- Disputes concerning interests and
- Disputes concerning rights

Disputes concerning interests are those disputes in which the workers demand is to create a new right or benefit for them. Thus a dispute for a general wage increase or for accepting seniority as the basis of promotion is a dispute of this kind. The disputes concerning rights are those disputes in which the workers demand is to properly enforce, implement or honor an already established right or benefit. This includes leave, hours of work, inter and intra union rivalry, gheraos, non-implementation of awards, work load, charter of demands, standing orders, safety measures and so on.

Preventions and Settlement of Industrial Disputes

Rules and procedures dealing with industrial disputes in India have evolved mainly two types of machinery. They are: first, Voluntary Machinery, machinery for direct settlement of industrial disputes and second, statutory machinery, machinery for third party settlement. While the former comprises voluntary measures such as Code of Discipline, Arbitration, grievance procedure, collective bargaining and permanent negotiating machinery and joint consultative machinery, and tripartite bodies etc., the latter consists of purely statutory measures like conciliation, adjudication and voluntary arbitration. Both the methods are followed in settling industrial disputes.

Statutory Machinery

The Industrial Disputes Act, 1947 provides the mechanics of dispute-resolution and set-up the necessary structure so as to create congenial climate.

What is an 'Industrial Dispute'?

An 'Industrial dispute' means any dispute or difference between employers and employers, or between employers and workmen, or between workmen and workmen, which is connected with the terms and conditions of employment of any person.

Who can raise a Dispute?

A dispute is said to have arisen when some demand is made by workmen and it is rejected by the management or vice versa and the demand is relating to the employment. A workman can raise a dispute. However, it is pertinent to note that a dispute between an employer and single workman does not fall within the definition of industrial dispute, but if the workmen as a body or a considerable section of them make a common cause with the individual workman then such a dispute would be an industrial dispute.

However, certain individual disputes relating to dismissal, discharge, retrenchment or termination of services of a workman, are also covered. The Act implies even to industrial establishments employing a single workman. But dispute in relation to a person who is not a 'workman' within the meaning of the Act is not an industrial dispute under Section 2(k).

The Industrial Disputes Act, 1947 provide for creation of different authorities to preserve industrial harmony, prevention and settlement of industrial disputes. These are as follows:

1) Works Committee

In establishments where hundred or more workers are employed:

- The appropriate government may require the employer to set-up works committee.
- It is composed of equal number of representatives of workmen and management who are chosen with consultation of the trade union.
- Its functions are to preserve amity and establish cordial relations and to resolve differences of opinion on matters of common interest.

2) Conciliation Officer

- The conciliation officer may be appointed by the government for specified area or specified industries.

- Duty of conciliation officer is to mediate in and promote the settlement of industrial disputes. Where industrial dispute exists or is apprehended and relates to public utility, conciliation officer shall hold conciliation proceedings and it is mandatory. In such cases conciliation officer will investigate the dispute and induce the parties to come to amicable settlement. However, he cannot take the decision; he has to send report of settlement to his government. If no settlement is reached, then also he has to report to the government giving reasons on account of which settlement could not be reached. Conciliation officer to normally submit report within 14 days of commencement of conciliation proceedings. Duty of the conciliation officer is administrative and not judicial in nature. If an agreement is reached by the parties, it is binding on both the parties.

3) Board of Conciliation

The government may notify constitution of board of conciliation for promoting Settlement of an industrial dispute. Its role is also consultative, like conciliation Officer.

4) Court of Enquiry

The government may constitute a court of enquiry to enquire into any matter connected with an industrial dispute. In the case of board of conciliation, the object is to promote settlement of an industrial dispute. But in the case of a court of enquiry object is to enquire into and reveal the causes of an industrial dispute.

5) Voluntary Arbitration

It is voluntary method of resolving individual disputes if dispute is not settled by negotiating parties. Here both parties are willing to go to an arbitrator of their choice and submit to his decision. Arbitrators are named by the parties in the written agreement. The number of arbitrators can be one or even more than one. Legal sanctity to this mode of settlement of industrial disputes was given in1956 when Section lOA was introduced in Industrial Dispute Act.

6) Adjudication

The Industrial Disputes Act provides for three-tier system of adjudication of industrial disputes. The cases either may be referred by government to court after the receipt of failure report from conciliation officer or directly by any party. Labor courts and industrial tribunal may be constituted by the state government while national tribunal is constituted by the central government.

a) **Labour Courts**: Functions of labour courts are relating to matters as under:

- Legality of an order passed by an employer under the standing order,
- Application and interpretation of standing orders,
- Discharge or dismissal of workman,
- Withdrawal of any customary concession or privilege,
- Illegality or otherwise of a strike or lock-out, and
- All matters (not specified for industrial court).

b) **Industrial Tribunals**: The functions of industrial tribunals are as follows:

- All matters within jurisdiction of labor courts,
- Wages,
- Compensatory and other allowances,
- Hours of work and rest intervals,
- Leave with wages and holidays,
- Bonus, Provident Fund and Gratuity,
- Shift Working,
- Classification of grades,
- Rules of Disciplines, and
- Retrenchment and closure of establishment.

c) **National Tribunal**: The national tribunal shall be constituted by the Central government (only) when undertakings in more than one stage is affected by such industrial dispute and is of 'national importance' and matters relate to functioning of labor and industrial courts.

7) Grievance Settlement Authority

It is to be set-up enterprises where 50 or more workers are employed. This for settling of individual grievances of employees. Individual disputes are to be referred to the courts when not settled at grievances authority level.

8) Welfare Officer

Another preventive measure is under the Factories Act, 1948, i.e., the appointment of welfare officer in the organization if workers are 500 or more.

9) Standing Orders

Another preventive measure is certification of standing orders by enterprises under the Industrial Employment Standing Orders Act, 1946. These standing orders require enterprises to lay down uniform terms and conditions of employment of workers.

10) Central and State Industrial Relations Machinery

Central Industrial Relations Machinery consists of the Chief Labor Commissioner and Regional Labor Commissioner together with Labor Enforcement Officers. The machinery has regional Offices. Their main functions are:

- Prevention, investigation and settlement of industrial disputes in industries, or enforcement of labor laws and awards,
- Verification of union membership,
- Fixation of minimum wages, etc., and
- Central implementation and evaluation machinery ensures implementation of code of discipline, labor laws, awards and settlements, take preventive action by settling disputes, evaluates major strikes and lock-outs, evaluates labor laws and policy decision and suggests measures to improve them.

11) Other Preventive Measures

Some other provisions laid down in Industrial disputes Act, 1947 which discourage disputes are as under:

a) According to Sec. 9 A of Industrial Disputes Act, an employer cannot make any change in conditions of service without giving to the workers a 21-days' notice and follow the prescribed procedure for changing them.

b) Defining of unfair labor practices on part of employees/unions and employers which have deterrent effect as penalties are provided under [Section 2(ra)] of industrial Disputes Act, 1947.

c) Provisions of laws relating to lay-off, retrenchment and closure and also regarding lock -out and strikes which imposes restrictions on the employers and employees.

In nutshell, statutory preventive and settlement machinery can be summarized as below:

- Works Committee (for consultation)
- Conciliation Officer (for conciliation)
- Board of Conciliation (for conciliation)
- Court of Enquiry (for enquiry)
- Voluntary Arbitration (for arbitration) (a) Labor Courts (for adjudication)
- Industrial Tribunals (for adjudication)
- National Tribunal
- Grievance Settlement (Settling individual grievances)
- Welfare Officers (Settling individual grievances)
- Standing Orders (Settling individual grievances)
- Centre and State Industrial Relations Machinery (Settling individual grievances)
- Other Preventive Measures (Settling individual grievances)

Voluntary Machinery

Voluntary machinery for settlement of industrial disputes is based on Code of Discipline announced in 1958. The code was approved by all central organizations of workers and employers in 16th Indian Labor Conference at the initiative of the then Labor Minister, Shri G.L. Nanda.

1) Code of Discipline, 1958

The code reflects the policy of the government to build up an industrial democracy on voluntary basis and is the sheet anchor of Mahatma Gandhi's philosophy of industrial relations. It aims at preserving industrial peace with the help of employers and employees. It represents a voluntary moral commitment and is not a legal document.

The code, which aims at providing an alternative to conflict for the resolution of disputes, worked very well for some time after its adoption. The issue of discipline in industry was discussed in the Indian Labor Conference and the code of discipline was framed and introduced by that tripartite body in 1958.

Discipline in the relationship between workers and employers can better be enforced if both the parties accept their responsibilities and show a willingness to discharge them. In the absence of any statutory provision at the all-India level for the recognition of trade union, the provision in this regard has been incorporated in the Code of Discipline.

The main elements of the code are:

- The two parties agree to utilize the existing machinery for the settlement of industrial disputes.
- The parties shall not resort to strikes and lock-outs without first exploring all avenues of settlement iii) The parties accept that the disputes not settled mutually shall be referred to voluntary arbitration.

- The code specifies the criteria for the recognition of trade union and creates an obligation on employers to recognize the majority union in an establishment or industry.
- The two parties shall not resort to the unfair labor practices detailed out in the code.
- Managements and trade unions agree to establish grievance procedure on a mutually agreed basis.

Initially by the end of March, 1962, the code was accepted voluntarily by about 900 independent employers and trade unions. The number increased to around 3000 by the end of 1967. Over the years, however, the willingness and enthusiasm of the parties to observe the code has declined, and they have developed an attitude of indifference to the code. It has proved to be difficult for them to abide by self-imposed discipline in terms of obligations backed only by moral sanctions.

Industrial Truce Resolution, 1962. With the Chinese attack in October 1962, an emergency was declared in the country, and it was realized that production should not be jeopardized in any way. Employers' and workers' representatives, in a joint meeting of their organizations held on November 3, 1962 at New Delhi, passed a resolution, saying that the emerging method of dispute resolution which is speedy, less costly and which ends in win-win situation.

2) Code of Conduct

The other code adopted in May 1958 was the code of conduct. The representatives of the four central trade union organizations - the INTUC, AITUC, HMS and UTUC - agreed to observe certain principles with a view to maintaining harmonious inter-union relations. Inter-union and intra union rivalries emerge out of certain weakness of Indian trade unions such as fragmentation and multiplicity. The code was formulated to curb these evils. But it has remained mainly on paper, for trade unions seem to have forgotten that it exists.

3) Tripartite Bodies

The other tripartite bodies which came into existence were:

- Indian Labor Conference,
- Standing Labor Committee,
- Industrial Committees, and
- Tripartite Committee on International Labor Organization Conventions, 1954.

4) Formation of Joint Consultative Machinery for Central Government Employees (JCM), this is also Three-Tier Machinery.

5) Collective Bargaining

The term "collective bargaining" originated in the writings of Sidney and Beatrice Webb, the famed historian of the British labour movement, towards the end of the nineteenth century. It was first given currency in the United States by Samuel Gompers. Collective bargaining is a process of joint decision making and basically represents a democratic way of life in industry. It establishes a culture of bipartism and joint consultation in industry and a flexible method of adjustment to economic and technical changes in an industry.

It helps in establishing industrial peace without disrupting either the existing arrangements or the production activities.

6) Workers' Participation in Management

The concept of Participative Management has attracted considerable attention from academicians and practicing managers during the past decades. It has apparently existed since the beginning of the industrial revolution. However, its importance increased gradually over a period of years due to the growth of large scale enterprises, increase in work force, paternalistic philosophy and practice of informal consultation. Moreover, the growth of professionalism in industry, advent of democracy and development of the principle of social justice, transformation of traditional labor management relations have added new dimensions to the concept of participative management.

The philosophy underlying participative management stresses democratic participation in decision making, maximum employer – employee collaboration, minimum state intervention, realization of a greater measure of social justice, greater industrial efficiency and higher level of organizational health and effectiveness.

Participative management is intended to provide an institutional structure in which interest based conflicts become less bitter through preventive as well as positive ways. The development is perhaps due to realization that this might be the way to suppress conflicts, achieve a harmonious and qualitative development and also carry out the political programmes of the most progressive forces in a society.

Industrial Dispute Legislation

Excerpts from Industrial Disputes Act, 1947

"Prior to the year 1947, industrial disputes were being settled under the provisions of the Trade Disputes Act, 1929. Experience of the working of the 1929 Act revealed various defects which needed to be overcome by a fresh legislation. Accordingly, the Industrial Disputes Bill was introduced in the Legislature. The Bill was referred to the select committee. On the recommendations of the Select Committee amendments were made in the original Bill.

Statement of Objects and Reasons

Experience of the working of the Trade Disputes Act, 1929, has revealed that its main defect is that while restraints have been imposed on the rights of strike and lock-out in public utility services no provision has been made to render the proceedings unstatutable under the Act for the settlement of an industrial dispute, either by reference to a Board of Conciliation or to a Court of Inquiry, conclusive and binding on the parties to the dispute. This defect was overcome during the war by empowering under Rule 81A of the Defence of India, Rules, and the Central Government to refer industrial disputes to adjudicators and to enforce their awards. Rule 81A, which was to lapse on the 1st October, 1946, is being kept in force by the Emergency Powers (Continuance) Ordinance, 1946, for a further period of six months; and as industrial unrest in checking which this rule has proved useful, is gaining momentum due to the stress of post industrial re-adjustment, the need of permanent legislation in replacement of this rule is self-evident.

This Bill embodies the essential principles of Rule 81A, which have proved generally acceptable to both employers and workmen, retaining intact, for the most part, the provisions of the Trade Disputes Act, 1929.

The two institutions for the prevention and settlement of industrial disputes provided for in the Bill are the Works Committees consisting of representatives of employers and workmen, Industrial Tribunal consisting of one or more members possessing qualifications ordinarily required for appointment as Judge of a High Court. Power has been given to appropriate Government to require Works Committees to be constituted in every industrial establishment employing 100 workmen, or more and their duties will be to remove causes of friction between the employer and workmen in the day-today working of the establishment and to promote measures for securing amity and good relations between them. Industrial peace will be most enduring where it is founded on voluntary settlement, and it is hoped that the Works Committees will render recourse to the remaining machinery provided for in the Bill for the settlements of disputes infrequent. A reference to an Industrial Tribunal will lie where both the parties to an industrial dispute apply for such reference and also where the appropriate Government considers it expedient so to do. An award of a Tribunal may be enforced either wholly or in part by the appropriate Government for a period not exceeding one year. The power to refer disputes to Industrial Tribunals and enforce their awards is an essential corollary to the obligation that lies on the Government to secure conclusive determination of the disputes with a view to redressing the legitimate grievances of the parties thereto, such obligation arising from the imposition of restraints on the rights of strike and lock-out, which must remain inviolate, except where considerations of public interest override such rights.

The Bill also seeks to re-orient the administration of the conciliation machinery provided in the Trade Disputes Act. Conciliation will be compulsory in all disputes in public utility services and optional in the case of other industrial establishments. With a view to expedite conciliation proceedings time limits have been prescribed for conclusion thereof 14 days in the case of conciliation officers and two months in the case of Board of Conciliation from the date of notice of strike. A settlement arrived at in the course of conciliation proceedings will be binding for such period as may be agreed upon by the parties and where no period has been agreed upon, for a period of one year, and will continue to be binding until revoked by a 3 months' notice by either party to the dispute.

Another important new feature of the Bill relates to the prohibition of strikes and lock-outs during the pendency of conciliation and adjudication proceedings of settlements reached in the course of conciliation proceedings and of awards of Industrial Tribunals declared binding by the appropriate Government. The underlying argument is that where a dispute has been referred to conciliation for adjudication a strike or lock-out, in furtherance thereof, is both unnecessary and inexpedient. Where, on the date of reference to conciliation or adjudication a strike or lock-out is already in existence, power is given to the appropriate Government to prohibit its continuance lest the chances of settlement or speedy determination of the dispute should be jeopardized.

The Bill also empowers the appropriate Government to declare, if public interest or emergency so requires, by notification in the Official Gazette, any industry to be a public utility service, for such period, if any, as may be specified in the notification.

Act 14 of 1847

The Industrial Disputes Bill having been passed by the Legislature received its assent on 11th March, 1947. It came into force on first day of April, 1947 as THE INDUSTRIAL DISPUTES ACT, 1947 (14 of 1947).

List of Amending Acts and Adaptation Orders

- The Indian Independence (Adaptation of Central Acts and Ordinances) Order, 1948.
- The Industrial Disputes (Banking and Insurance Companies) Act, 1949 (54 of 1949).
- The Adaptation of Laws Order, 1950.
- The Repealing and Amending Act, 1950 (35 of 1950).
- The Industrial Disputes (Appellate Tribunal) Act, 1950 (48 of 1950).
- The Industrial Disputes (Amendment and Temporary Provisions) Act, 1951 (40 of 1951).
- The Industrial (Development and Regulation) Act, 1951 (65 of 1951).
- The Industrial Disputes (Amendment) Act, 1952 (18 of 1952).
- The Industrial Disputes (Amendment) Act, 1953 (43 of 1953). 10. The Industrial Disputes (Amendment) Act, 1954 (48 of 1954).
- The Industrial Disputes (Amendment and Miscellaneous Provisions) Act, 1956 (36 of 1956).
- The Industrial Disputes (Amendment) Act, 1956 (41 of 1956).
- The Industrial Disputes (Amendment) Act, 1957 (18 of 1957).
- The State Bank of India (Subsidiary Banks) Act, 1959 (38 of 1959).
- The Deposit Insurance Corporation Act, 1961 (47 of 1961).
- The Agricultural Refinance Corporation Act, 1963 (10 of 1963).
- The Unit Trust of India Act, 1963 (52 of 1963).
- The Industrial Development Bank of India Act, 1964 (18 of 1964).
- The Industrial Disputes (Amendment) Act, 1964 (36 of 1964).
- The Industrial Disputes (Amendment) Act, 1965 (35 of 1965).
- The Food Corporations (Amendment) Act, 1968 (57 of 1968).
- The Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 (5 of 1970).
- The Central Laws (Extension to Jammu and Kashmir) Act, 1970 (51 of 1970).
- The Industrial Disputes (Amendment) Act, 1971 (45 of 1971).
- The Industrial Disputes (Amendment) Act, 1972 (32 of 1972).
- The Banking Service Commission Act, 1975 (42 of 1975).
- The Industrial Disputes (Amendment) Act, 1976 (32 of 1976).

- The Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980 (40 of 1980).
- The Export - Import Bank of India Act, 1981 (28 of 1981).
- The National Bank for Agriculture and Rural Development Act, 1981 (61 of 1981).
- The Industrial Disputes (Amendment) Act, 1982 (46 of 1982).
- The Industrial Disputes (Amendment) Act, 1984 (49 of 1984).
- The Industrial Reconstruction Bank of India Act, 1984 (62 of 1984).
- The National Housing Bank Act, 1987 (53 of 1987).
- The Small Industries Development Bank of India Act, 1989 (39 of 1989).
- The Industrial Disputes (Amendment) Act, 1996 (24 of 1996).

Trade Union

Trade Unions have become an integral and powerful factor in the contemporary system of production and distribution of goods and services. Modern industrialization has paved the way for trade unions. They are now exercising a strong influence on the methods of production of goods and services, their distribution, the allocation of economic resources, the volume of employment and unemployment, the character of rights and privileges, policies of governments, the attitude and status of large masses of population, and the very nature of economic and social organizations. Under such conditions their role has evoked deep and wide controversies. For a developing economy such as ours, trade unions and their policies are of special significance. As such, in order to assess their functions, role and prospects, it is essential to go into the origin and development of trade union movement and to outline the factors that helped them reach such a strong and forceful position from a small and humble beginning.

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

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

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

Sidney and Beatrice Webb define a trade union as "a continuous association of wage earners for the purpose of maintaining and improving the conditions of their working life." This classical definition still holds good so far as actual practices of unions are concerned.

Under the Trade Union Act, 1926, this term is defined as any combination whether temporary or permanent, formed primarily for the purpose of regulating the relations between workmen and employers, or imposing restrictive conditions on the conduct of any trade or business, and includes any federation of two or more trade unions. In other words, the term union applies not only to combination and associations of employees only, but also to that of the employers.

Origin and Growth of Trade Unions

Trade unions have grown in response to the peculiar needs and problems which the wage-earners have had to face in the course of industrialization under the capitalist economic system. The main features of the process of industrialization that necessitated the origin of trade unions are:

- Separation between capital and labor;
- Philosophy of *lassez-faire* i.e., least/non-interference of the state in the affairs of labor and management;
- Lack of bargaining power on the part of workers (which forced the workers (as individuals) to either accept the jobs with wage rates, hours of work etc. unilaterally determined by the employers, or to remain unemployed); and
- The realization by the working class that while the individual worker was dispensable to the employer, workers collectively were indispensable to him, and as such, he could not dispense with all his workers and replace them. It is this realization that sowed the seeds of collective bargaining which later resulted in trade unionism.

The workers, working under a common employer, faced common problems and common tasks. They developed common sentiments, and organized themselves into associations which could meet the employers on a basis of equality. The inchoate labor organizations had to cross many hurdles before they could develop into full-fledged stable trade unions. There were internal dissentions, persistent and determined opposition from the employers, merciless persecution and suppression by the state (For example, in England, France, Germany and the United States, combinations of workmen *per se* were declared illegal), and the full-throated condemnation of trade unionism by the advocates of free competition and *laissez-faire*. In spite of these efforts at suppression, trade unions continued to grow, sometimes working underground and sometimes openly. They continued to defy the laws prohibiting the combination of workmen (Combination Acts of 1799 and 1800 in Great Britain, for example) and the judicial pronouncements (particularly, the judgment in the Philadelphia Cordwainers Case of 1806 in the United States) against the combinations of workmen. Under incessant pressures from the workers and their organizations, the law and the attitude of the courts gradually came to be modified. The history of the trade union movement everywhere is a history of blood, tears and toils.

Trade unions in all the capitalist countries have passed through three stages:

- Outright suppression,
- Limited acceptance and tolerance, and
- General acceptance and recognition.

However, trade unions in the world today are not at the same stage of development everywhere. In some countries, especially in those under hitherto colonial rule and dictatorships, trade unions had to struggle hard till recently to cross the first stage; in many underdeveloped countries free from colonial yoke, they are in the second stage; and in the full-fledged industrially advanced capitalist democracies, they are in the third stage. In the communist countries, trade unions occupy an altogether different position and status.

Functions of Trade Union

The underlying idea of forming a trade union is to acquire collective strength for:

- Protecting and advancing terms and conditions of employment of its members;
- Negotiating and setting terms and conditions of employment and remuneration;
- Improving the status and working and living conditions of workers;
- Promoting economic and social interests of its members.

Some unions have also as their objectives to undertake social security measures where the State has not assumed this responsibility, and organize welfare activities and organize them to become literate leaders and union-conscious.

From the above objectives reflected in various theories of trade unions it is obvious that the primary function of a trade union is to promote and protect the interest of its members. The union draws its strength from the funds and general support provided by its members. It has, therefore, to strive to secure better wages and improve their terms and conditions of employment and generally to advance their economic and social interests so as to achieve for them a rising standard of living.

Originally and traditionally the only function of trade unions was economic, that is, rescuing workers from exploitative employment and working conditions, and use their collective strength to ensure workers adequate and fair wages, reasonable working hours, safe and healthy conditions at work, periodical rest and leave, some essential amenities at work place like wholesome drinking water, first aid, washing and resting facilities. In fact, most of the early demands of the unions which caused disputes resulting in strikes were economic regarding wages, hours of working, safe and healthy working conditions, and job security. It is gradually that the unions started adding to the list of their demands such facilities as housing, medical aid, recreation, constitution of welfare funds, and social security measures like sickness, disability, maternity benefits, gratuity, provident fund, and old age and family pension.

Social Functions

Besides the main economic functions consisting basically of organizing unions and improving their terms and conditions of employment to enable workers to meet their physical needs, some unions have now started undertaking and organizing welfare activities and also providing variety of services to their members and sometimes to the community of which they are a part, which may be grouped under following heads:

- Welfare activities provided to improve the quality of work life including organization of mutual fund, cooperative credit societies for providing housing, cooperative stores, cultural programmes, banking and medical facilities and training for women in various crafts to help them to supplement their family income.

- Education: Education of members in all aspects of their working life including improving their civic life, awareness in the environment around them, enhancement of their knowledge particularly in regard to issues that concern them, their statutory and other rights and responsibilities, workers' participation scheme, and procedure for redressing their grievances. Some central union organizations are also assisting the Government in implementing the Workers' Education Scheme.

- Publication of periodicals, newsletters or magazines for establishing communication with their members, making the latter aware of union policy and stand on certain principal issues and personnel matters concerning members, such as births, deaths, marriages, promotion and achievements.

- **Research:** Of late, this is gaining importance and is intended mainly to provide updated information to union negotiators at the bargaining table. Such research is to be more practical than academic, concerning problems relating to day-today affairs of the union and its activities and union and management relations. Some of the research activities are:

a) Collection and analysis of wage data including fringe benefits, and other benefits and services through surveys of comparative practices, data on working conditions and welfare activities;

b) Preparation of background notes for court cases and also position papers for unionofficials;

c) Collection and analysis of macro data relating to the economy, industry sectors etc.

All the above mentioned activities and services are considered normal activities of unions in the Trade Unions Act which stipulates the objectives on which general funds of the union can be spent.

Political Functions

For discharging above functions unions have to operate not only on social, economic and civic fronts, but also on political front. Unions have to influence Government policy decisions in the interest of workers. Legislative support which unions require for realizing some of their objectives and achievement of their long-term interests has taken them into the region of politics. Unions are not only to contribute in the formulation of policies but have also to see that policies are implemented.

In several countries therefore, political process of the Government and participation in it have been attracting the interest of unions increasingly. Whether a union gets directly associated with a political party, or has its own wing, should depend upon circumstances in each country. Considering that such political action / association are legitimate, the Trade Unions Act, 1926, permits the constitution of separate political fund to facilitate political action by a union.

The type and the extent of unions' participation in the political process of the Government depend largely upon the stage of economic and social development. It ranges from the joint consultation at the plant/industry level to work on bodies like the Economic and Social Council in France, Planning Commission in Sweden, or the Economic Council in Denmark. In a number of countries law specifies the activities in which the unions may engage. In Sweden and Netherlands unions are made responsible for the implementation of the labor and social security legislation. Thus, while a union functions in the interest of its members, it should also accept community responsibilities. Consciousness of this wider responsibility will vary from country to country, depending upon the extent of wage employment. In a country like India where self-employment is sizeable, unions have to make special effort in understanding the interest of the total community. This aspect of the role of unions in a developing economy has been emphasized in our successive five year plans. It is in recognition of this fact that the very first Planning Advisory Board constituted in 1950, had two labor representatives on it. Since then the labor representatives have been associated with Development Councils set up for individual industries and other tripartite bodies like the Indian Labor Conference and Advisory Boards at the Central and State levels in the formulation and implementation of labor programmes.

This has enabled trade unions to perform their primary function for meeting the basic needs of their members as listed by the First National Labor Commission on Labor (1969). The functions are:

- Securing for worker's fair wages;
- Safeguarding security of tenure and improvement in service conditions;
- Enlargement of opportunities for promotion and training;
- Improvement of working and living conditions;
- Provision for educational, cultural and recreational facilities;
- Promotion of individual and collective welfare;
- Facilitation of technological advance by broadening the understanding of workers with their industry;
- Offering responsive cooperation in improving levels of production and productivity, discipline and high standard of quality.

In fact, most of the unions at craft, unit and plant levels which are still described as fighting unions, attend mostly, if not only, the basic needs of their members mentioned above at (i) to (vi). It is only the trade union organization which is attending to some extent the functions and needs mentioned at (vii) and (viii). This is attributed mainly to the fact that employment and service conditions of workers still need considerable improvement. So, the primary function of unions still remains that of improving the economic conditions of workers either by collective bargaining, or by other peaceful means, or by direct or militant action.

Bharatiya Mazdoor Sangh

As a matter of Illustration, let us discuss about the largest Central Trade Union Organization in India – Bharatiya Mazdoor Sangh (BMS)

The circumstances in which BHARATIYA MAZDOOR SANGH (BMS) came into existence in the trade union field of India have shaped its significant role in the trade union movement.BMS was founded on 23rd of July, 1955 – the day being the birth anniversary of Lok Manya Bal Gangadhar Tilak – veteran of Freedom Movement. Two important aspects stand out in connection with this:

- Formation of BMS was not the result of split in the existing trade union organizations, unlike inthe case of almost all other trade unions. Hence it had the formidable responsibility of building its organizational structure from the grass root level. It started from zero having no trade union, no membership, no activist (karyakarta), no office and no fund.
- On the very first day it was visualized as a trade union whose base-sheet anchors – would be Nationalism, would work as a genuine trade union, keeping itself scrupulously away from party politics. This was also unlike other trade unions which were linked to one or the other political party, overtly or otherwise. Dawn of BMS, therefore, can be truly described as watershed in the course of trade union field.

Growth of BMS

BMS in 1955 existed only in the minds of a few determined persons who assembled at Bhopal under the guidance of Shri D.B. Thengadi – a thinker and intellectual, who had even earlier dedicated accepting the noble principle of self-abnegation, his entire life to social work. He collected a band of determined workers around him to work for the organization selflessly.

The first task was to build a strong organizational structure on the noble principles already declared. Constant tour of the country by Shri Thengadiji and the local efforts of his then colleagues resulted in setting up of a union here, and a union there. Of course that looked insignificant in the broad canvas of the trade union field like tiny dots on a large map. Most of these unions were in the unorganized sector. With the increase in experience, slowly, BMS unions sprung up in important industries. In a few States, State Committees were formed. Thus it was only in 1967, twelve years after its formation – that the first all India Conference of BMS was held in Delhi, in which the initial national executive was elected. At the time the number of affiliated unions was 541 and total membership was 2, 46,000. Shri Thengadiji was elected General Secretary and Shri Ram Nareshji as first President.

From then on there was no looking back. In 1967 it had 2, 36,902 members. In 1984 Central Government after membership verification of all major Central Labour Organizations declared BMS as second largest Central Trade Union Organization with 12,11,355 members and during 1996 it was declared first largest organization with 31,17,324 memberships by the Government of India, Ministry of Labour. The reckoning date of the above verification was 31st December 1989. In the subsequent verification held by Government of India for the year 2002, BMS retained its position of NUMERO UNO in the Country.

Of the 44 industries classified by the Ministry of Labour, Government of India for the purpose of membership verification, BMS has affiliated unions in all industries. BMS has membership of almost 1 crore in all States comprising more than 5000 affiliate unions.

BMS is productivity oriented non-political CTUO. It rejects the idea of State control rather it views it as an evil to be restricted to inevitable sector like defence, but stands firmly for the principle of public accountability of each industry and consequent enunciation of public discipline. It tries to bring consumers as the third and the most important party to industrial relations. For the furtherance and realization of its aims and objects BMS applies all legitimate means consistent with the spirit of nationalism and patriotism.

BMS is significantly represented in most of the bipartite/tripartite labour and industrial committees/ Boards constituted by the Central Government including Indian Labour Conference (ILC), Standing Labour Committee, Central Board for Workers Education, ESI, EPF, National Productivity Council, National Safety Council, Negotiation Committees of Public Sector Undertakings like BHEL, NTPC, NHPC, BEL, Coal, Industrial Committees of Jute, Textiles, Engineering, Chemical-Fertilizers, Sugar, Electricity, Transport and the consultative machinery of Government employees and various other Committees / Boards. BMS also leads the delegation of Indian workforce in the Conferences of International Labour Organization (ILO).

Aims and Objectives

The aims and objectives of BMS are:

- To establish ultimately the Bharatiya order of society in which there shall be secured among other things:

1. Complete utilization of manpower and resources leading to full employment and maximum production.
2. Replacement of profit motive by service motive and establishment of economic democracy resulting in equitable distribution of wealth to the best advantage of all individual citizens and of the national as a whole.
3. Development of autonomous industrial communities forming part and parcel of the nation, culminating in 'Labourisation of industry'
4. Provision of work with living wage to every individual through maximum industrialization of the nation.

- With a view to enable the workers to strive successfully for the ultimate realization of the above objects and to strengthen them, in the meanwhile, to make their own contribution to the cause of protecting and promoting their interest consistent with those of the community:

1. To assist workers in organizing themselves in trade unions as a medium of service to the motherland irrespective of faiths and political affinities.
2. To guide, direct, supervise and coordinate the activities of the affiliated unions.
3. To assist the affiliated unions in the formation of state BMS units and Industrial Federations as constituent units of the BMS and iv. To bring about unity in the trade union movement.

- To secure and preserve for the workers:

1. The right to work, the right for security of service and for social security, the right to conduct trade union activities and the right to strike as a last resort after having exhausted other legitimate methods of trade unionism for redress of grievances.
2. Improvement in conditions of work, life and social and industrial status.
3. A living wage consistent with a national minimum and due share in the profits in their respective industries as partners.
4. Other appropriate amenities
5. Expeditious enforcement and appropriate amendment of existing labour legislation in their interest and
6. Enactment of new labour laws from time to time in consultation with the labor representatives.

- To inculcate in the minds of the workers the spirit of service, cooperation and dutifulness and develop in them a sense of responsibility towards the nation in general and industry in particular.

- To educate the labor by organizing worker's training classes, study circles, guest lectures, seminars, symposia, excursions etc., in cooperation with institutions and organizations having similar aims and objects such as the Central Board of Workers Education. Labor Research Centre, Universities etc., and also to maintain libraries.

- To publish or cause publication of journals, periodicals, pamphlets, pictures, books and many other types of literature mainly concerning labor and their interests and to purchase, sell & circulate them.

- To establish, encourage and organize Labor Research Centers and similar activities.

- Generally, to take such other steps as may be necessary to ameliorate the social, economic, cultural, civic and general conditions of the workers. For sound health of workers and society BMS has been against the use of any type of drugs, liquor, alcohol and smoking.

- To render assistance or to establish cooperative societies, welfare institutions, clubs etc., for the overall welfare of the common man in general and the workers and their families in particular.

Case Study: General Motors and United Auto Works – Labour Conflict in US

The United Auto Workers (UAW) union, which represents most General Motors (GM) employees, has struck GM several times during the last few years. Typically, the strikes have not been against the whole company only various plants that supply key but the effect has often been parts to shut down operations across the huge company. Why has the union continued to use labor's ultimate weapon when each shutdown costs members and their employer dearly? The story is one that illustrates clearly the major issues in labor-management relations today.

Competition from Ford Motor Company and global competitors like Daimler-Benz and Toyota has made it clear must close to GM executives that they the big gaps in productivity, but their progress to date has been too slow. For years the need to change GM from a clumsy giant into a lean global competitor has been obvious. But GM strategy has been to use attrition to shrink its bloated workforce.

As tens of thousands of workers hired in the 1960s retire, the company could restructure itself to operate using significantly fewer employees. But meanwhile at Ford, aggressive cost cutting and an end to a country-club approach to competition has led to major successes against GM. To reach Ford's level of productivity, GM would not a need to cut 50,000 more jobs approach likely to make the UAW happy. At one time, GM had 50% of the huge U.S. market for cars and trucks. Now it is at 31% and falling. Ford and Daimler-Chrysler have already accomplished the streamlining that GM is only beginning. But even with job cuts, GM cannot be competitive unless the union drops for example, a inefficient work rules rule allowing some workers to leave with a full day's pay after doing a half-day's work. The average GM worker receives wages and benefits totaling around $44 per hour. For comparison, Mexican workers at GM's Silao plant in Mexico earn $13 per day, which is six times Mexico's minimum wage. Jobs at the GM plant there are many very good sought after and considered jobs in Mexico.

Union strikes at GM plants have been very expensive for the company. One 17-day strike cost almost $1 billion, and longer strikes cost even more. GM suppliers are forced to lay off employees and/or shut down during strikes, and the effect ripples through the economy. Further, GM loses sales and customers as its inventory of cars disappears. The UAW struck GM plants nine times in one two-year period. The company estimates that the longer strikes cost about 21,000 and those customers per day customers buy another brand of vehicle. The result it says is that the business gets smaller and loses even more jobs. The string of strikes calls into question GM's HR strategy for dealing with its complex labor and productivity problems. Job outsourcing, closing plants, and moving production outside the United States will continue to be major issues for GM and the UAW for many years to come. The lack of an easy solution to changes caused by competition and the resulting need to increase productivity, have been the major reasons for the problems both GM and America's labor unions face.

Review Questions

- What is Discipline in an organizational context? Discuss the Purpose and objectives of Disciplinary action.
- Discuss Disciplinary Action Procedure in detail.
- Explain the Legal Procedures involved in Disciplinary Action.
- Why Grievance Management is important to an organization? Discuss the Machineries available for Grievance Handling.
- Discuss Forms and Causes of Grievances.
- Discuss Grievance Handling Procedure in detail. Explain the key features of an effective grievance handling procedure.
- Explain Model Grievance Procedure.

- Discuss the nature of industrial disputes. How can you prevent or settle Industrial Disputes?
- Discuss the various Legislations available for Industrial Disputes.
- What is "Bharatiya Mazdoor Sangh"? Discuss its operations in detail.

TRADE UNIONS

According to section 2(b) of Trade Union Act 1926,

"A trade union is any combination of persons, whether temporary or permanent, primarily for the purpose of regulating the relations between the workers and employers, or between workers and workers and for imposing restrictive conditions on the conduct of any trade or business, and includes the federation of two or more trade unions"

Meaning of Trade Union:

- Trade Union is an association of employee or employer or of Independent workers.
- It is a relatively permanent formation of workers; it is not temporary or casual combination of workers.
- It is formed for securing certain economic (Like better wages, better working conditions and living standards) and social (Educational, recreational, medical and respect).

Nature and Scope of Trade Unions

The employer's association or professional bodies were not included in any of the above definitions. The employee's unions are different from that of the employers or professional bodies. The employee's unions are primarily concerned with the terms and conditions of employment of their members. The employer's associations on the other hand are concerned among other things with influencing the terms of purchase of services in favour of their members. Hence, the two should not be placed in one category. The associations of professional members also differ fundamentally from employee's unions. Professional associations include self-employed as well as the employees whereas trade unions consist only of the people who are employed by others. In India the term Trade Union refers besides employee's organizations to employer's association also. Similarly, in Britain, even the associations of professional people such as Artists Federation or Musicians Unions are also recognized as Trade Unions.

Thus trade unions are a major component of the modern industrial relation system. A trade union of workers is an organization formed by workers to protect their interests. i.e. improve their working conditions etc. All trade unions have objectives or goals to achieve, which are contained in their constitution and each has its own strategy to reach those goals.

Trade Unions are now considered a sub-system which seeks to serve the specific sub-groups interest and also considers itself a part of the organization, in terms of the latter's viability and contribution to the growth of the community of which it is a part.

Objectives of Trade Union:

- **Wages and Salaries**

A wage is compensation paid to employees for work for a company during a period of time. Wages are always paid based on a certain amount of time. This is usually an hourly basis. ... Other forms of compensation include salary and commissions.

Salary is a fixed amount paid or transferred to the employees at regular intervals for their performance and productivity, at the end of the month whereas wages are hourly or daily-based payment given to the labour for the amount of work finished in a day.

- **Working conditions**

Working conditions refers to the working environment and aspects of an employee's terms and conditions of employment. This covers such matters as: the organisation of work and work activities; training, skills and employability; health, safety and well-being; and working time and work-life balance.

- **Dicipline**

To maintain harmonious relations and promote industrial peace, a Code of Discipline has been laid down which applies to both public and private sector enterprises. It specifies various obligations for the management and the workers with the objective of promoting cooperation between their representatives.

- **Personnel Policies**

Personnel policies refer to principles and rules of conduct which "formulate, redefine, break into details and decide a number of actions" that govern the relationship with employees in the attainment of the organisation objectives.

- **Welfare**

A union organized fund, and one or more employers to which contributions are made by the employer(s) so that organization benefits can be made available to the union's members. Its helps to negotiate better pay, negotiate better working conditions like more holidays or improved health and safety. It provides training for new skills and give general advice & support.

- **Employee – Emploer relationship**

The employer-employee relationship should be one of mutual reliance. The employer is relying upon the employee to perform her job and, in doing so, keep the business running smoothly.

- **Negotiation machinery**

It is a process of discussion and negotiation between employer and workers regarding the terms of employment and working conditions. ... Typically, the trade union notifies the employer of a call for collective bargaining negotiations.

- **Safeguarding organizational health and the interest of the industry**

Their duties include: representing the interests of workers to the employer in consultation with the HSENI and other safety, or environmental enforcement agencies. speaking to the employer about hazards at work and other health and safety issues

Characteristics of Trade Union

- Association of employees
- Voluntary Association
- Permanent Body
- Common Interest
- Collective actions
- Rapport with the management

Association of employees: A trade union is essentially an association of employees belonging to a particular class of employment, profession, trade or industry. For example, there are unions for teachers, doctors, film, artistes, weavers, mine workers and so on.

Voluntary Association: An employee joins the trade union out of his free will. A person cannot be compelled to join a union.

Permanent Body: A trade union is usually a permanent body. Members may come and go but the trade union remains.

Common Interest: The member of a trade union has certain matters of common interest-job security, better pay and working conditions and so on, which bring them together.

Collective Action: Even when an individual employee has any grievance over certain management decisions, the matter is sorted out by the intervention of the trade union Employees are able to initiate collective action to solve any problem concerning any particular employee or all the employees.

Rapport with the Management: The trade union seeks to improve relations between the employees and employers. The officials of the trade union hold talks with the members of the management concerning the problems of the employees in order to find an amicable solution. It is thus possible for the employees to have better rapport with the management.

Need for Trade Unions

Workers join trade unions to achieve certain objectives that they may not be able to achieve in their personal capacity. Trade unions are necessary.

- **To ensure job security and right pay for the members**: One of the basic needs of any employee is security of service. The main reason why an employee joins a union is to get him secured. Apart from job security and employees need to get pay commensurate with their qualifications and skills. Trade unions strive to get both job security and correct pay for all employees.

- **To ventilate the grievances of employees to the management:** When the employees in general or some in particular have any grievance, they may not be able to convey the same to the management in their personal capacity. Such grievances may be brought to the knowledge of the management through the trade union. The members of the management may be indifferent to the demands of the individual employees but they cannot be so when it comes to union demands.

Purpose of Trade Unions

Trade unions came into being for a variety of purposes. Individual workers found it more advantageous to band together and seek to establish their terms and conditions of employments. They realized that if they bargained as individuals, the employer would have a better leverage, for an individual would not matter as much as a group in terms of the running of the enterprise. A group's contribution is much larger than an individual's so are the effects of its withdrawal. An individual may not be able to organize and defend his interests as well as a group can. Therefore, workers saw the advantages of organizing themselves into groups to improve their terms and conditions of employment. Employers also found it advantageous to deal with a group or a representative of a group rather than go through the process of dealing with each individual over a length of time. Precisely, the major objectives of trade union are the following:

- Better wages
- Better working conditions
- Protection against exploitation
- Protection against victimization
- Provide welfare measures
- Promote industrial peace
- Take up Collective Bargaining
- Look after the interest of trade

Forms of Trade Unions:

- **Classical:** A trade union's main objective is to collectively protect the interests of its members in given socio-economic-political system
- **Neo – Classical:** Tries to improve up other wider issues like tax-reliefs, raising saving rates etc.
- **Revolutionary**: Change in the system. Establishing the rule of working class even through violence and use of force etc.

Functions of Trade Unions:

Militant Functions

One set of activities performed by trade unions leads to the betterment of the position of their members in relation to their employment. The aim of such activities is to ensure adequate wages, secure better conditions of work and employment, get better treatment from employers, etc. When the unions fail to accomplish these aims by the method of collective bargaining and negotiations, they adopt an approach and put up a fight with the management in the form of go-slow tactics, strike, boycott, gherao, etc. Hence, these functions of the trade unions are known as militant or fighting functions. Thus, the militant functions of trade unions can be summed up as:

- To achieve higher wages and better working conditions
- To raise the status of workers as a part of industry
- To protect labours against victimization and injustice

Fraternal Functions

Another set of activities performed by trade unions aims at rendering help to its members in times of need, and improving their efficiency. Trade unions try to foster a spirit of cooperation and promote friendly industrial relations and diffuse education and culture among their members. They take up welfare measures for improving the morale of workers and generate self confidence among them. They also arrange for legal assistance to its members, if necessary. Besides, these, they undertake many welfare measures for their members, e.g., school for the education of children, library, reading-rooms, in-door and out-door games, and other recreational facilities. Some trade unions even undertake publication of some magazine or journal. These activities, which may be called fraternal functions, depend on the availability of funds, which the unions raise by subscription from members and donations from outsiders, and also on their competent and enlightened leadership. Thus, the fraternal functions of trade unions can be summed up as:

- To take up welfare measures for improving the morale of workers
- To generate self confidence among workers
- To encourage sincerity and discipline among workers
- To provide opportunities for promotion and growth
- To protect women workers against discrimination

Social Functions

Besides the main economic functions consisting basically of organising unions and improving their terms and conditions of employment to enable workers to meet their physical needs, some unions have now started undertaking and organising welfare activities and also providing variety of services to their members and sometimes to the community of which they are a part, which may be grouped under following heads:

Welfare activities provided to improve the quality of work life including organisation of mutual fund, cooperative credit societies for providing housing, cooperative stores, cultural programmes, banking and medical facilities and training for women in various crafts to help them to supplement their family income.

Education: Education of members in all aspects of their working life including improving their civic life, awareness in the environment around them, enhancement of their knowledge particularly in regard to issues that concern them, their statutory and other rights and responsibilities, workers' participation in management.

Scheme, and procedure for redressing their grievances. Some central union organisations are also assisting the Government in implementing the Workers' Education Scheme.

Publication of periodicals, newsletters or magazines for establishing communication with their members, making the latter aware of union policy and stand on certain principal issues and personnel matters concerning members, such as births, deaths, marriages, promotion and achievements.

Research: Of late, this is gaining importance and is intended mainly to provide updated information to union negotiators at the bargaining table. Such research is to be more practical than academic, concerning problems relating to day-today affairs of the union and its activities and union and management relations. Some of the research activities are: (i) collection and analysis of wage data including fringe benefits, and other benefits and services through surveys of comparative practices, data on working conditions and welfare activities; (ii) preparation of background notes for court cases and also position papers for union officials; (iii) collection and analysis of macro data relating to the economy, industry sectors etc. All the above mentioned activities and services are considered normal activities of unions in the Trade Unions Act which stipulates the objectives on which general funds of the union can be spent.

Political functions:

These functions include affiliating the union with a political party, helping the political party in enrolling members, collecting donations, seeking the help of political parties during the periods of strikes and lockouts.

Registration of Trade Union:

Appointment of registrars

- Government shall appoint a person to be the Registrar of Trade Unions
- Government may appoint Additional and Deputy Registrars of Trade Unions under the direction of the Registrar to take care region-wise

MODE OF REGISTRATION:

- Any seven or more members of a Trade Union may apply for registration of the Trade Union under this Act. Application should include their names, the rules of the Trade Union and should comply with the provisions of this Act.
- It is necessary that ten per cent or one hundred of the workmen, whichever is less, should be employees in the establishment or industry with which it is connected.
- After application and before the registration of the Trade Union if some of the applicants (half or more of the total number of persons who made the application) withdraw membership of the Trade Union or give notice in writing to the Registrar disassociating themselves from the applications, then the registration is not given.

APPLICATION FOR REGISTRATION:

- Every application for registration of a Trade Union shall be made to the Registrar and shall be accompanied by a copy of the rules of the Trade Union and a statement of the following particulars, namely:

(a) The names, occupations and address of the members making application;

(b) The name of the Trade Union and the address of its head office; and

(c) The titles, names, ages, addresses and occupations of the office-bearers of the Trade Union.

- If Trade Union has been in existence for more than one year before the making of an application for its registration, then they shall deliver a general statement of the assets and liabilities of the Trade Union to the Registrar along with the application.

PROVISIONS IN REGISTRATION:

A Trade Union shall not be entitled to registration under this Act, the rules provide the following matters, namely:

(a) the name of the Trade Union;

(b) All the objectives for which the Trade Union has been established;

(c) All the purposes for which the general funds of the Trade Union shall be used. (All should lawfully applicable under this Act)

(d) The maintenance of a list of the members of the Trade Union and adequate facilities for the inspection thereof by the office-bearers and members of Trade Union;

(e) Admission of ordinary members who shall be persons actually engaged or employed in an industry with which the Trade Union is connected and also the admission of the number of honorary (normally paid members for professional service) or temporary members as office-bearers to form the executive of the Trade Union;

The payment of a minimum subscription by members of the Trade Union which shall not be less than—

- One rupee per annum for rural workers;
- Three rupees per annum for workers in other unorganized sectors; and
- Twelve rupees per annum for workers in any other case.

(f) Conditions of benefit or any fine to be imposed on the members;

(g) The manner in which the rules shall be amended (changed), varied (incorporation of number of different types of elements) or rescinded (revoke or cancel);

(h) The manner in which the members of the executive and office-bearers shall be elected and removed;

(i) the safe custody of the funds of the Trade Union, an annual audit, in such manner as may be prescribed, of the accounts thereof, and adequate facilities for the inspection of the account books by the office-bearers and members of the Trade Union; and

(j) The manner in which the Trade Union may be dissolved.

Certification of Registration:

The Registrar, on registering a Trade Union under section 8, shall issue a certificate of registration in the prescribed form which shall be conclusive evidence that the Trade Union has been duly registered under this Act.

Cancellation or withdrawal of Registration:

- Duly signed by the persons who signed the application
- Registration was obtained by fraud or mistake
- When trade union has ceased to exist
- If trade union has participated in illegal strike
- When primary objects of union are no longer required

Trade Union Movement in India

- 1850-70 – Modern Industry – Working class started emerging
- Indian enterprises started growing along with the British govt.
- There was a poor working condition
- The Indian Factory Labour Commission (1908) and Royal Commission of Labour (1931) to seek the report
- Indian Factory Act (1881) was enacted

Trade Union Movement in India – 3 Phases

First – Between 1850 to 1900

- Inception of trade unions, guided by philanthropists and social workers
- Growth of trade unions was slow
- The fight was on the working conditions

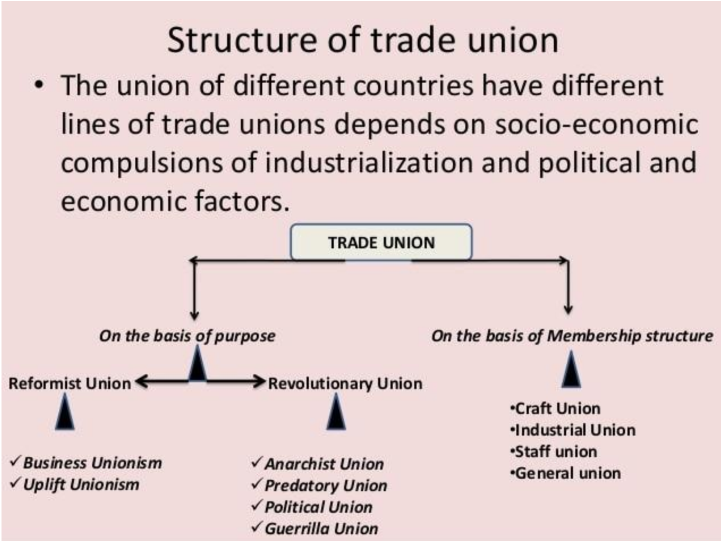
Second – Between 1900 to 1947

- Development of organized trade unions
- Political movement of the working class
- Emergence of militant trade unionism
- In 1920, there were 120 trade unions
- First national trade union organization was established

Third – Independence India

- Govt. sought cooperation form the trade unions for economic growth
- Movement got politicised with the involvement of political parties
- INTUC was established Socialist and communist started their union wings
- Besides workers, managers and supervisors also started their unions

Structure of Trade Unions:



Rights & Responsibilities:

Rights:

- To take industrial action in order to in order to protect the rights of the workers.
- To try to attract new trade union members.
- Trade unions can ask members about changes in the workplace

Responsibilities:

- To hold a secret ballot in order to see if the majority of members are in favour of taking the action. To ensure that all forms of industrial action are peaceful and within the law.
- Not to pressure anyone into joining a trade union.
- Trade unions have a responsibility to make reasonable demands.

Problems of Trade Union:

- Lack of balanced growth
- Low membership
- Poor financial position
- Political control
- Multiplicity of unions
- Inter-union rivalry
- Lack of able leader
- Lack of recognition
- Opposition from employer
- Indifferent attitude of members

Difference between a registered and a recognised Trade Union:

Registered Trade Union:

- It can be affiliated to any national or International Union Federation.
- It can acquire properties on its own name.
- It can contract on its own name.
- The employers come forward for discussions and collective bargaining with the executives of a registered trade union.
- Proper accounting, auditing and submission of Returns within the prescribed time, etc., are compulsory to the registered trade union.
- Immunities from the Criminal Liabilities and Civil Liabilities under Sections 17& 18 are provided only to the registered Trade Unions.
- The General Fund and the Civic & Political Fund can be maintained by a registered Trade Union only.

Recognised Union:

- It cannot be affiliated to any national or International Union Federation.
- It cannot acquire properties on its own name.
- It cannot contract on its own name.
- The employers do not come forward for discussions and collective bargaining with the executives of an unregistered trade union, as it has no legal status.
- Proper accounting, auditing and submission of Returns within the prescribed time, etc., are not necessary to an unregistered trade union.
- Immunities from the Criminal Liabilities and Civil Liabilities under Sections 17 & 18 cannot be provided only to the unregistered Trade Unions.
- The General Fund and the Civic & Political Fund cannot be maintained by an unregistered Trade Union.

Penalties for offences of Trade Unions:

- ➢ **Failure to submit returns**
- Failure to give notice
- Failure to send any return
- Failure to send any documents
- ➢ **Supplying false information about Trade Unions**
- To registered member
- Applying to become member
- Any alteration of rule
- ➢ **Cognizance of Offence**
- No court shall take cognizance of any offence unless complaint has been made by both or with previous sanction of the registrar

Case Study: Maruti locks horns with its Union on recognition

The new **Maruti Suzuki Employees Union (MSEU)** atManesar Plant (near Gurgaon, Delhi) demandrecognition as a Union and the Management doesn't seemto be interested in letting that happen. The Management is of the stern view that thereis already a recognized Union by name **Maruti Udyog Kamgar Union (MUKU)** andthe workers who are interested in participating in the election only need to participatein the election under the said Union therefore making it unnecessary for theManagement to mushroom in a rival Union.The workers who intent to form MSEU are of the opinion that MUKU is a Unionrepresenting Gurgaon Plant and do not represent Manesar Plant and that only MSEU isthe true representative face of the workers at Manesar Plant and therefore need notparticipate in the election organized by the Plant.

The workers with MSEU decided to boycott the election slated for 16th June and resorted to astrike on 4th June demanding recognition of their Union. The strike lasted for 13 days and theManagement suspended 8 Office bearers of MSEU and 3 other workers. Without relenting tothe demands of the newly formed Union Maruti Suzuki Chairman R C Bhargava saidelections would be held for "both the plants" and those who win will represent the workers of"both Gurgaon and Manesar." "We are the same company—Manesar and Gurgaon—and they are not independent entities."However, Bhargava clarified that the management does not have any role in the electionprocess.After 13 days of deadlock, the strike was called off following intervention of Haryana ChiefMinister Bhupinder Singh Hooda with the management agreeing to take back 11 sacked employeesand cut down the no work no pay rule of eight day's salary cut for every single day of the strike tothree days.

Today the horns still stay locked between the Management and the Union. But the question thatarises is that when the Managements role is of only an administrative nature why do they feelthreatened by the formation of the new Union.Normal production is expected to resume in Maruti Suzuki Plant at Manesar. This standoff of 33days between the workers Union and the Management on the issue of recognition of their union andreinstatement of the suspended workers was smoothened up by the intervention of HarayanaGovernment whereby bringing about a consensus.It was the third dispute to affect production at Maruti Suzuki in three months. This plant produces1200 cars every day in 2 shift. The workers resorted to sabotaging production and deliberatelycausing quality problems. The production problems were discovered during quality-control checksand included doors falling off and dents in car bodies, according to the firm. The situation had reached a stage where it was directly harming customers' interest and trust. The2,000 workers were locked out of the factory, one of two operated by Maruti in Haryana, until theyhad signed the Good Conduct Bond.

As per the consensus, the management of Maruti Suzuki would conditionally take back the18 trainees who were suspended as the workers agreed to sign the Good Conduct Bond laiddown by the management. The said bond promises that they would not sabotage production,resort to go-slow tactics or otherwise hamper output at its Manesar plant. However, themanagement stated that the disciplinary action taken against the 44 workers would be dealtwith separately and subject to the outcome of the domestic enquiry.

Now the question remains is that can a Good Conduct Bond override the provisions of theIndustrial Disputes Act and other Apex court judgments which make *Strike* a legitimateweapon of the workers. Maruti Suzuki wouldn't give the workers such a bond regardinga *Lockout*, the management's weapon.