**Master of Business Administration**
**(M.B.A.)**

# CP-201/MC 205H/ MBA-202

# HUMAN RESOURCE MANAGEMENT

## Directorate of Distance Education
## Guru Jambheshwar University of Science & Technology
## HISAR-125001

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# SUBJECT INTRODUCTION

Human resources are the key to economic development. However, they are being wasted through unemployment disguised unemployment, obsolescence of skills, lack of work opportunities, poor personnel practices and the hurdles of adjusting to change. These resources account for a large part of national output and there exists wide scope for enhancing productivity through their proper development. The physical resources will not give results unless the human resources are applied to them.

In an organization, human resources matter more than any other resource and hence employers should learn the art of putting these resources to optimum use.

This Self Instructional Material (SIM) comprises twelve units. Details are as follows

**UNIT 1:** INTRODUCTION TO HUMAN RESOURCE MANAGEMENT

**UNIT 2:** HUMAN RESOURCE PLANNING & JOB ANALYSIS

**UNIT 3:** CAREERS AND SUCCESSION PLANNING

**UNIT 4:** RECRUITMENT, SELECTION, TRAINING AND DEVELOPMENT

**UNIT 5:** INDUCTION; PLACEMENT; TRANSFER; PROMOTION AND SOCIALIZATION

**UNIT 6:** PERFORMANCE APPRAISALS AND POTENTIAL EVALUATION

**UNIT 7:** JOB EVALUATION AND COMPENSATION STRATEGIES AND STRUCTURE

**UNIT 8:** INDUSTRIAL RELATION, INDUSTRIAL DISPUT, EMPLOYEE GRIEVANCES AND DISCIPLINE

**UNIT 9:** TRADE UNIONS

**UNIT 10:** EMPLOYEE WELFARE AND EMPLOYEE EMPOWERMENT

**UNIT 11:** HUMAN RESOURCE MANAGEMENT AT GLOBAL LEVEL AND CONTEMPORARY ISSUES IN HRM

**UNIT 12:** ORGANIZATIONAL CHANGES AND ORGANIZATIONAL DEVELOPMENT

# UNIT 1

# INTRODUCTION TO HUMAN RESOURCE MANAGEMENT

**Structure**

1.1 Definition

1.2 Nature and Scope of HRM

1.3 Objectives and Importance of HRM

1.4 Systems Approach to HRM

1.5 The Changing Role of HR Management

1.6 HRM In India

1.7 Measures to Speed-Up Growth of HRM In India

1.8 Introduction to HRM Trends in a Dynamic Environment

1.9 Summary

1.10 Keywords

1.11 Review Questions

1.12 Further Readings

**Learning Objectives**

After studying this unit you will be able to:

- Explain the nature, scope and objectives of HRM
- Describe the changing role of HR Management
- Explain the HRM trends in a dynamic environment.

## 1.1 DEFINITION

The human resources of an organization consist of all people who perform its activities.

Human resource management (HRM) is concerned with the personnel policies and managerial practices and systems that influence the workforce. In broader terms, all decisions that affect the workforce of the organization concern the HRM function. The activities involved in HRM function are pervasive throughout the organization. Line managers, typically spend more than 50 percent of their time for human resource activities such as hiring, evaluating, disciplining, and scheduling employees. Human resource management specialists in the HRM department help organizations with all activities related to staffing and maintaining an effective workforce. Major HRM responsibilities include work design and job analysis, training and development, recruiting, compensation, team-building, performance management and appraisal, worker health and safety issues, as well as identifying or developing valid methods for selecting staff. HRM department provides the tools, data and processes that are used by line managers in their human resource management component of their job.

Edwin Flippo defines HRM as "planning, organizing, directing, controlling of procurement, development, compensation, integration, maintenance and separation of human resources to the end that individual, organizational and social objectives are achieved”.

Dale Yoder defines HRM as “the management of human resources is viewed as a system in which participants seeks to attain both individual and group goals”.

Byars and Rue defines HRM as “Human resource management encompasses those activities designed to provide for and co-ordinate the human resources of an organization”.

Ivancevich and Glucck defines HRM as "It is the function performed in organizations that facilitates the most effective use of people (employees) to achieve organizational and individual goals".

## 1.2 NATURE AND SCOPE OF HRM

**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 to 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.

**Scope of Human Resource Management**

The scope of HRM is very wide and it includes:

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

2. **Welfare aspect**-It deals with working conditions and amenities such as canteens, creches, rest and lunch rooms, housing, transport, medical assistance, education, health and safety, recreation facilities, etc.
3. **Industrial relations aspect**-This covers union-management relations, joint consultation, collective bargaining, grievance and disciplinary procedures, settlement of disputes, etc.

## 1.3 OBJECTIVES AND IMPORTANCE OF HRM

The objectives of HRM are as follows:

• To help the organization reach its goals.

• To ensure effective utilization and maximum development of human resources.

• To ensure respect for human beings and 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.

Every industry requires certain prerequisites for its functioning namely; raw materials, finance and funding, machinery, etc. similarly, it requires manpower. And this manpower is the Human Resources and in order to manage the manpower, Human Resource Management is necessary. HRM involves managing manpower in order to improve individual, group and organizational effectiveness.

It is important to manage human resources as they help in the prosperity and progress through the committed and creative efforts and competencies of their human resources. HRM emphasizes mainly on the accomplishment of individual or personal objectives of the employees (eg : promotions), encouraging team work, attaining higher profits, social development, etc.

Recruitment and maintaining a good person is essential to the success of every organization, whether profit or non-profit, public or private. It is important that organizations manage human resources on a continuous basis, due to the growing expectations of employees. HRM works on the availability of competent and diligent manpower ensures effective use of manpower through appropriate placements, constant provision of rewards, acknowledgements and incentives to the employees encourages and motivates them to do their best. HRM also attempts to devise the best possible compensation packages to the employees.

HRM encourages team work, facilitates career development and makes an effort to create the right environment to develop careers of managers within the organization. A healthy environment can occur only when the working relationships between all the employees are established, leading to an overall development of every individual employee as well as the organization on a whole. Dr. W.E. Deming once remarked- “Abundance of natural resources is not a requirement for prosperity. The wealth of a nation depends on its people.” HRM also looks into the grievances and issues faced by the employees and industrial relations. Thus HRM acts as a fuel for the smooth functioning of an organization and its overall development and progress.

### 1.4 Systems Approach to HRM

A system is a set of interrelated but separate elements or parts working towards a common goal. A university for example, is made up of students, teachers, administrative and laboratory staff who relate to one another in an orderly manner. What one group does have serious implications for others? So they are communicating with each other in order to achieve the overall goal for imparting education. The enterprise operations similarly must be viewed in terms of interacting and interdependent elements. The enterprises procure and transform inputs such as physical, financial and human resources into outputs such as products, services and satisfactions offered to people at large. To carry out its operations each enterprise has certain departments known as subsystems such as production subsystem, finance subsystems, marketing subsystem, and HR subsystem etc. Each consists of a number of other subsystems. For example the HR subsystem may have parts such as procurement, training, compensation, appraisal, rewards etc. It should be noted here, and organizational operate within the frame work of external environment consisting of potential social, economic and technological forces operating within and outside a nation.

### 1.5 THE CHANGING ROLE OF HR MANAGEMENT

The times have changed and the role of human resources within the organization needs to change. We can no longer be keepers of the records; we must become keepers of the flame. It is human resources’ responsibility to lead the organization in tapping the one remaining resource it has people. In today's global economy, everyone can have the latest computers and software. They can have identical products. What they cannot have are the same people. Each organization is made up of a unique group of people. It becomes the responsibility of human resources to mesh the people with varying backgrounds with its vision and goals to create a merger that will accomplish the objectives of both the organization and the individual. Management needs to realize that in the future, raw materials, finished products and money will not be the keys to organizational success. People will be that key. Future success will depend on how we use the things that do not appear on a Balance Sheet or a Profit and Loss Statement, the intellectual capital of the organization, the knowledge its people possess.

There has been considerable research on the issues of board-level representation by personnel/HR directors and senior HR managers' involvement in strategic decision-making. Since the early 1990s there has been a growing interest in international HRM, reflecting the growing recognition that the effective management of human resources internationally is a major determinant of success or failure in international business. There is also evidence that HR constraints often limit the effective implementation of international business strategies. More recently, it has been argued that the more rapid pace of internationalization and globalization leads to a more strategic role for HRM as well as changes in the content of HRM. Yet, while there have been some attempts to integrate international corporate strategy and human resource strategy, surprisingly, the role of the corporate human resources function has been neglected, particularly in the context of the international firm. This seeks to redress the balance. The question addressed is, what is the role of the corporate HR function in the international firm? We found an emerging agenda for corporate HR in international firms which focuses on senior management development, succession planning and developing a cadre of international managers. We conceptualize this as a strategic concern with developing the core management competences of the organization, and argue that it can be usefully analyzed from the perspective of the learning organization.

“The point is the difference in attention to each person can maximize his or her potential so that organizations can maximize their effectiveness and the society as a whole can make the wisest use of its human resources”. The challenges of HR managers today are to recognize talent and nurture the same carefully and achieve significant productivity gains over period of time. The organization is nothing but people. Technological advances, globalize competition, demographic changes, the information revolution and trends towards service society have changed the rules of the game significantly. “In this scenario, organizations with similar set of resources gain competitive advantage only through effective and efficient management of human resources”. The role of HR manager is shifting from a protector and screener to the planner and change agent. In present day competitive world, highly trained and committed employees are often a firm’s best bet. HR managers play an important role in planning and implementing downsizing, restructuring and other cost-cutting activities. They make the organization into more responsive to innovations and technological changes. Employees are the assets of corporate success. HR professionals can help the organization in selecting and train the employees for any emerging situations and promote commitments of all employees at various levels. In this case the employees can work willingly and enthusiastically and thus a competitive advantage to the organization. Now, employees are seen as the sources of competitive advantages. A company’s human resources represents one of the most potent and valuable resources. Consequently, the extent to which a workforce is managed effectively is a critical element in improving and sustaining organizational performance. Managing people is one of the most difficult aspects of organizational management; it means dealing with people who differ physically and psychologically. Human Resources Management emerged as a practiced personnel function, promising flexibility, and responsiveness and marked increased in the value of the employee. The organizational context in which the human resources management finds itself currently is one of the rapid change and considerable uncertainty. Human resources management is also in the process of change with regard to the nature of the role performed. In the past, human resources management professionals performed many functions themselves. The role they are taking on now is one of consultant to line managers, where line managers perform many functions traditionally handled by human resources management professionals. Similarly, the trend is for business to shed all functions not directly related to core business.

The changes surrounding us are not mere trends but the working of large, unruly forces, globalization, which has opened enormous new markets and a necessary corollary, enormous numbers of new competitors; the spread of information technology and the growth of networks; the dismantling of the corporate hierarchy and the politically charged downsizing and job disruption that accompany it. The new economy is moving away from being asset-intensive towards becoming more knowledge intensive. The focus is thus moving from providing product to providing services. As most organizations have access to the Internet and the latest technology, the people within the organization provide the competitive advantage, not the product or the technology. In the new economy, people are an organizations greatest asset. It is the role of human resource management and the human resource professional to nurture this asset. The new sources of sustainable competitive advantage in the new economy have the people at the center-creativity and talent, their aspirations and hopes, their dreams and excitement. The companies that flourish in this decade will do so because they are able to provide meaning and purpose, a context and frame that encourage individual potential to flourish and grow. Thus human resources management has an important and essential role to play in organizations in the new economy. To fulfill this role, organizations will needs to evaluate their existing human resources functions and adapt them to suit the need of the new economy and individuals working in organizations in the new economy.

**1.6HRM IN INDIA**

As it stands today the Indian organization could not have hoped for more. Viewed from the global perspective, in addition to being strategically positioned on the corporate world map as a low cost, highly skilled destination, the Indian corporate is emerging as a base for committed and intelligent and a very knowledgeable workforce. This has been achieved by the help of a strong foundation provided by the Indian education system at the primary, secondary and the technical as well as professional level. It is undisputed that the Indian Institute of Technology, the National Institute of Technology and the famed India Institute of Management are among the world class institutions to talk about. Quality education and research are encouraged on these campuses and across the country, which mould and contribute to the practices in Indian organizations. The HRM practices in Indian organizations are by no doubt unique. The cultural impact on the hiring practices, compensation standards, benefits and statutory governance, performance linked rewards and payouts and the general day-to-day management practices though instep with international HRM practices have a flavour their own. We will discuss a few distinct differentiators that make India HRM different from global HRM trends and patterns:

- The Indian culture is one that is deeply rooted in its societal and collectivistic values providing for a natural urge to collaborate at the workplace, work in teams and groups and achieve.
- The diversity that is seen in the Indian society. Diverse religions and states are reflected in the ability of the Indian and the Indian corporate to tolerate diversity of thinking and working together without inhibitions
- Work culture wise, the hard work, long working hours, perseverance and the need to earn money impact the HRM policies
- Availability of a educated mass of different caliber of knowledge and skill allows the country to undertake different nature of work beginning with lower skilled activities such as BPO's(Business Process Outsourcing) and moving up the value curve to far more advanced activities as KPO's (Knowledge Process Outsourcing).
- Compensation costs are still a competitive advantage for India making it a preferred business location the world over.
- Current trend in the over populated urban part of the country are quickly fading out to tier 2 and tier 3 cities and town where the cost of living and wage levels are not as competitive, further expanding the Indian resource base for hiring and building talent, contributing to the overall gain of the country.

HRM in India however is not structurally well researched and hence a lack of theoretical information to track and document its progress, unlike in the emerged countries likes the USA and the UK. Research is yet at its infancy in India and there is a lot of dependence on the emerged countries in emulating best practices in the way people are hired and managed. Today the organizations of Indian origin have their unique HR strategies that work best for them. Work more and earn more is a common and accepted philosophy at the Indian workplace. Work is respected and revered and almost worshipped in Indian organizations.

Benefits are basic yet equitable and adequate. There is a high focus on cash in hand as opposed to benefits and perks. Our statutory and legal frameworks, as a result, are a lot more liberal and less restrictive as compared to the emerged countries. An open society drives openness at the workplace and hypocrisy is largely discouraged, leading to well structured policies and processes that drive workplace behaviour. Diversity for India is a challenge very different from its existence in the rest of the world. Diversity initiatives in India drive gender diversity and disability diversity awareness.

## 1.7 MEASURES TO SPEED-UP GROWTH OF HRM IN INDIA

The following steps may be taken to develop HR management in India:

1. Institutions such as National Institute of Personnel Management, Kolkata; Xavier Labour Relations Institute, Jamshedpur; various universities etc., should develop the right values and attitudes for the growth of HR management.
2. Organizational structure should be so designed as to promote interdependence and mutuality between line and staff.
3. Top management should place the HR department at par with the other department and assign the same status to HR manager as other departmental heads.
4. The legal and welfare role of HR manager should be adequately supplemented by human relations and managerial roles.
5. Job description and job specification for HR manager should be written in accordance with the latest developments in human resources and behavioural sciences.

6. Candidates selected for HR job should be provided formal training in reputed institutions.
7. HR managers should enlarge their perception about their role. They should consider and function as change agents rather than confining themselves to conventional roles of welfare officer, law officer and canteen supervisor.
8. Efforts should be made at all levels to professionalize HR management.

## 1.8 INTRODUCTION TO HRM TRENDS IN A DYNAMIC ENVIRONMENT

The world of work is rapidly changing. Even as little as a decade ago, the times were calmer than they are today. But that doesn't mean that ten years ago one didn't experience change. One the contrary, we were then, as we are today, in a slate of flux. Its just- that today the changes appear to be happening more rapidly.

As part of an organization then, HRM must be prepared to deal with the effects of the changing world of work. For them, this means understanding the implications of globalization, work-force diversity, changing skill requirements, corporate downsizing, total quality management, reengineering, the contingent work force, decentralized work sites, and employee involvement. Let's look at how these changes are affecting HRM goals and practices.

**1. Globalization and Its HRM Implications**

Back in 1973, with the first oil embargo, U.S. businesses began to realize the importance that international forces had on profit and loss statements. The world was changing rapidly, with oilier countries making significant inroads into traditional U.S. markets. Unfortunately, U.S. businesses did not adapt to this changing environment as quickly or adeptly as they should have. The results were that U.S. businesses lost out in world markets and have had to fight much harder to get in. Only by the late 1980s did U.S. businesses begin to get the message. But when they did, they aggressively began to improve production standards, for using more on quality and preparing employees for the global village. It is on this latter point that Human Resources will have the biggest effect.

**2. Cultural Environment**

Before we leave the issue of globalization, there is one final point to cover. As shown, understanding cultural environments is critical to the success of an organization's operations, but training employees in these is not the only means of achieving the desired outcomes. Large companies in U.S. are dealing with this issue by hiring nationals in foreign countries in which they operate. What that has meant to these corporations is a ready supply of qualified workers who are well versed in their home country's language and customs. This recruiting has other benefits, too. Because these individuals come from differing backgrounds and are mixed together, there is a spillover training effect: that is, while working closely with one another, individuals informally learn the differences that exist between them and their two cultures. Some companies, for example, build on this informal development by providing formalized training that focuses on the "major differences that lead to problems."

HRM also will be required to train management to be more flexible in its practices. Because tomorrow's workers will come in all different colors, nationalities, and so on, managers will be required to change their ways. This will necessitate managers being trained to recognize differences in workers and to appreciate-even celebrate-those differences. The various requirements of workers because of different cultural backgrounds, customs, work schedules, and the like must be all taken into account. In addition, extensive training to recognize these differences and "change the way managers think about people different from themselves" has positive outcomes. Many companies like have already begun to formalize this process.

**3. Technological Changes**

There is a general consensus that technology has enabled human resource management to dispense with routine and transactional administrative tasks. In turn, HR managers increasingly contribute to business strategy and execution. The advances have been impressive. But a question that remains is whether increasing HR participation in management alters downstream firm outcomes. Will increasing HR's involvement with line management temper management decisions? If so, will changes be in predictable directions?

In his book *Human Resource Champions* (*Human Resource Champions*. Cambridge, MA.: Harvard Business School Press, 1996), David Ulrich argues that human resource managers must perform four tasks: change management, administration, employee advocacy and strategic planning. Empirical studies on HR technology indeed find that technology has increased HR's involvement with the business and, to a smaller degree, with change management. But so far, little work has been done on what difference HR's increasing involvement makes at the level of corporate performance. Does HR help to integrate employees' concerns into the business? Does it make strategy more effective by integrating employee performance and culture issues into strategy? Or does it make strategic thinking more efficient by reducing frictions that change and strategy execution generate? Recognizing the HR function's increasing integration with line management, the HR community needs to formulate answers to these secondary questions.

**How Technology Can Improve HR**

In 1998, D. Lepak and S. Snell ("Virtual HR: Strategic Human Resource Management in the 21st Century. *Human Resource Management Review* 8(3): 215 - 34) argued that there were three ways in which technology could improve human resource management (HRM):

a. It can streamline operations.
b. It can improve relations with other departments through more timely and efficient service.
c. It can play a transformational role by removing barriers to horizontal integration within and outside the firm.

Lepak and Snell claimed that the last consideration is most important. Technology is transforming HR because it is altering the way that firms departmentalize. Whereas in the past firms allocated tasks or differentiated internally, technology facilitates differentiation externally; it facilitates outsourcing.

Although Lepak and Snell saw this as something new, in fact HR had been outsourcing long before the advent of the personal computer. Four examples that come to mind are:

a. Staffing departments' use of personnel agencies and external recruiters;
b. Benefit departments' use of record keepers for defined contribution plans;
c. Benefit departments' use of actuarial consultants for defined benefit plans; and
d. Training managers' outsourcing of training.

While it is true that technology has facilitated outsourcing and reduced the need for transactional work, executed properly, outsourcing creates the need for controls and administrative oversight of a sophisticated nature.

4. **Total Quality Management**

- Human resources play a vital role in total quality management (TQM). TQM is an integrative philosophy of management for continuously improving the quality of products and processes. The following forces shape the Human Resources management towards TQM:
- Opening the Indian economy to the rest of the global through the globalization policy.
- Entrusting more priority for private sector to play a constructive role in the restructuring and development process of Indian economy.
- Mounting competition among the industries across the globe.
- Successful companies accord high priority to productively and systematically understanding and responding to current and future external customer needs.
- Successful organizations proactively and systematically understand and respond to current and future customer needs.
- Human resource diversity and mobility are creating new employee needs and expectations about the future work culture.
- The information technology revolution is reshaping the core competencies needed in a knowledge economy.
- Organizational and Human resource leaders are being challenged to become effective
  strategic partners in the creation of world-class work cultures.

The TQM approach brought changes in the attitudes and expectations of the managers about the roles of human resource managers. Further, the expectations of stakeholders about the HRM profession have also been changing. Traditionally objectives of the business organizations were restricted to productivity and profits. Consequently, stakeholders particularly the customers and employees were given low priority. Workers' participation in management programs was limited to offering suggestions by employees. Training and development programs were limited to job related activities rather than extending to employee capacities. But, the business objectives and total quality HRM approach are to maximize customer satisfaction, and market share though improved quality.

**5. Reengineering Work Processes**

The application of technology and management science to the modification of existing systems, organizations, processes, and products in order to make them more effective, efficient, and responsive. The design of workflow in most large corporations was based on assumptions about technology, people, and organizational goals that were no longer valid. They suggested seven principles of reengineering to streamline the work process and thereby achieve significant levels of improvement in quality, time management, and cost:

1. Organize around outcomes, not tasks.
2. Identify all the processes in an organization and prioritize them in order of redesign urgency.
3. Integrate information processing work into the real work that produces the information.
4. Treat geographically dispersed resources as though they were centralized.
5. Link parallel activities in the workflow instead of just integrating their results.
6. Put the decision point where the work is performed, and build control into the process.
7. Capture information once and at the source.

## 6. Flexible Manufacturing System

A flexible manufacturing system (FMS) is an arrangement of machines interconnected by a transport system. The transporter carries work to the machines on pallets or other interface units so that work-machine registration is accurate, rapid and automatic. A central computer controls both machines and transport system. The basic components of FMS are:

1. Workstations
2. Automated Material Handling and Storage system.
3. Computer Control System

**1. Workstations:** In present day application these workstations are typically computer numerical control (CNC) machine tools that perform machining operation on families of parts. Flexible manufacturing systems are being designed with other type of processing equipments including inspection stations, assembly works and sheet metal presses. The various workstations are

(*i*) Machining centers

(*ii*) Load and unload stations

(*iii*) Assembly work stations

(*iv*) Inspection stations

(*v*) Forging stations

(*vi*) Sheet metal processing, etc.

**2. Automated Material Handling and Storage system:** The various automated material handling systems are used to transport work parts and subassembly parts between the processing stations, sometimes incorporating storage into function.

The various functions of automated material handling and storage system are:

(*i*) Random and independent movement of work parts between workstations

(*ii*) Handling of a variety of work part configurations

(*iii*) Temporary storage

(*iv*) Convenient access for loading and unloading of work parts

(*v*) Compatible

**3. Computer Control System:** It is used to coordinate the activities of the processing stations and the material handling system in the FMS. The various functions of computer control system are:

(*i*) Control of each work station

(*ii*) Distribution of control instruction to work station

(*iii*) Production control

(*vi*) Traffic control

(*v*) Shuttle control

(*vi*) Work handling system and monitoring

(*vii*) System performance monitoring and reporting

The FMS is most suited for the mid variety, mid value production range.

### 7. Economic Challenges

The job of HRM department in India has never been so challenging. Last decade has witnessed tectonic shift in job market. From being an employer's market, it has suddenly turned into employee's market, especially in the most crucial segment, i.e. middle management. Globalization and India's growing stature in the world has seen demand for Indian managers soaring. From the state of plenty, there is a stage of scarcity of the right talent. The biggest challenge is to retain the talent one has so assiduously hunted and trained. The attrition rate has reached alarming proportions. It has reached such proportions that certain segments of Industry are maintaining bench strengths to fill in the sudden gaps due to resignations. In addition, there are following new issues:

a. **Globalization:** Growing internationalization of business and workforce has its impact on HRM in terms of problems of unfamiliar laws, languages, practices, attitudes, management styles, work ethics and more. HR managers have a challenge to deal with more and more heterogeneous functions and more involvement in employee's personal life.

b. **Corporate Re-organizations:** Liberalization has led to large scale reorganization of businesses in terms of expansions, mergers and acquisitions, joint ventures, takeovers, and internal restructuring of organizations. In circumstances as dynamic and as uncertain as these, it is a challenge to manage employees' anxiety, uncertainties, insecurities and fears.

c. **New Organizational Forms:** Exposure to international business and practices has led to change in the organizational structure and HR policies of the local companies. Take for instance, the hierarchical structure of Indian companies. Suddenly, Indian companies have begun to adopt flat hierarchical management structure. But to implement and grout such fundamental changes in management philosophy of any company is never easy. The challenge for HRM is to cope with the implications of these new relations in place of well established hierarchical relationships that existed within the organizations for ages in the past.

d. **Changing Demographics of Workforce:** Changes in workforce are largely reflected by dual career couples, large chunk of young blood with contrasting ethos of work among old superannuating employees, growing number of women in workforce, working mothers, more educated and aware workers etc. Thus, changing demography of workforce has its own implications for HR managers and a true challenge to handle.

e. **Changed Employee Expectations:** With the changes in workforce demographics, employee expectations and attitudes have also transformed. Traditional allurements like job security, house, and remunerations are not much attractive today. Rather, employees are demanding empowerment and equality with management. Hence, it is a challenge for HRM to redesign the profile of workers, and discover new methods of hiring, training, remunerating and motivating employees.

f. **New Industrial Relations Approach:** In the changed industrial climate, even trade unions have realized that strikes and militancy have lost their relevance and not many workers are willing to join them and disrupt work. However, the problems faced by workforce now have different dimension for the management. They manifest in the form of increased attrition rate. Unsatisfied employees instead of approaching the management for resolution, often take up the new job. The challenge before the HRM is find ways and means to feel the pulse of employees and address the issues on proactive basis.

g. **Renewed People Focus:** "Man behind the machine is most important than the machine". This is an old doctrine of the armed forces. However, this doctrine has begun to gain acceptance in the corporate world and thus all out efforts to grab the best talent at whatever cost.

h. **Managing the Managers:** Managing the managers is most difficult. Armed with inside information, they cannot be lured with rosy promises. They are in great demand too with growth in economy. These are the people who are most mobile, attrition rate being highest for the junior and middle management level. The challenge of HRM is how to manage this tribe?

i. **Weaker Section's Interests:** Another challenge for HRM is to protect the interest of weaker sections of society. The dramatic increase of women workers, minorities and other backward communities in the workforce, coupled with weakening of trade unions, has resulted in the need for organizations to re-examine their policies, practices and values. In the name of global competition, productivity and quality, the interests of the society around should not be sacrificed. It is a challenge of today's HR managers to see that these weaker sections are neither denied their rightful jobs nor are discriminated while in service.

j. **Contribution to the Success of Organizations:** The biggest challenge to an HR manager is to make all employees contribute to the success of the organization in an ethical.

### 8. Workforce Diversity

"Workforce diversity" describes the differences, similarities, and unique features that exist in an organization's workforce due to the mixture of gender, ethnicity, race, national origin, disabilities, veteran status, sexual orientation, gender identity, religious beliefs and other factors. Diversity of employee backgrounds can have the following benefits:

- Ability to more readily recruit and retain a diverse workforce
- Creation of an internal talent pipeline to fill interim and long-term assignments
- Opportunity to pursue more effectively the mission of the university through the participation of a diverse workforce
- Enrichment of the dimensions of expanded organizational learning.

## 1.9 SUMMARY

- Human resource management (HRM) is concerned with the personnel policies and managerial practices and systems that influence the workforce.
- HRM is the function performed in organizations that facilitates the most effective use of people (employees) to achieve organizational and individual goals.
- Scope of HRM includes Personnel aspect, Welfare aspect, and Industrial relations aspect.
- HRM acts as a fuel for the smooth functioning of an organization and its overall development and progress.

## 1.10 KEYWORDS

- **System:** It is a set of interrelated but separate elements or parts working towards a common goal.
- **TQM:** It is an integrative philosophy of management for continuously improving the quality of products and processes.
- **HRM:** It is concerned with the personnel policies and managerial practices and systems that influence the workforce.
- **Flexible Manufacturing System** (FMS): FMS is an arrangement of machines interconnected by a transport system

## 1.11 REVIEW QUESTIONS

1. Define HRM. Explain the objectives and importance of HRM.
2. Write a short note on “Growth of HRM in India”.
3. Explain the HRM trends in a dynamic environment.

## 1.12 FURTHER READINGS


- Machael Vaz, Marketing and Human Resources Management, Mumbai Manan Prakashan.
- H John Bernardin, Human Resource Management, Mc Grawhill.

# UNIT 2
# HUMAN RESOURCE PLANNING AND JOB ANALYSIS

**Structure**

2.1 Definition of Human Resource Planning
2.2 Objectives and importance of the Human Resources Planning
2.3 Process of Human Resource Planning
2.4 Responsibility of Human Resource Planning
2.5 Job Analysis: Meaning and Uses
2.6 Process of Job Analysis
2.7 Methods of Collecting Job Analysis
2.8 Job Description
2.9 Job Specification
2.10 Summary
2.11 Keywords
2.12 Review Questions
2.13 Further Readings

**Learning Objectives**

After studying this unit, you will be able to:

- Explain the objectives and importance of the Human Resources Planning
- List out the responsibility of Human Resource Planning
- Explain the process of Human Resource Planning
- Define Job Analysis, Job Description and Job Specification

- Describe the process and methods of collecting Job Analysis

## 2.1 DEFINITION OF HUMAN RESOURCE PLANNING

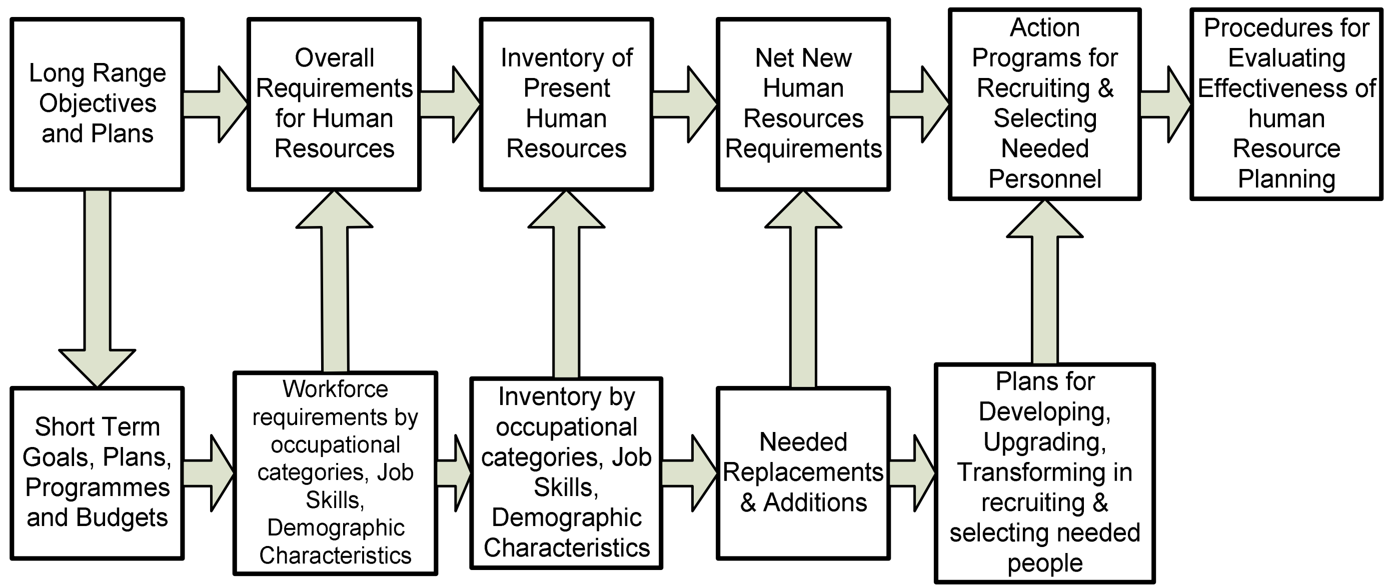
Through human resource planning, the management strives to have the right number and the right kinds of people at the right place, at the right time, to do things which result in both the organization and the individual receiving the maximum long-range benefit.

Human resource or manpower planning is the process by which a management determines how an organization should move from its current manpower position to its desired manpower position. According to Wickstrom, Human Resource Planning consists of a series of activities, *viz.,*

a. *Forecasting* future manpower requirements, either in terms of mathematical projections of trends in the economic environment and development in industry, or in terms of judgemental estimates based upon the specific future plans of a company;
b. *Making an inventory* of present manpower resources and assessing the extent to which these resources are employed/ optimally;
c. *Anticipating* manpower problems by projecting present resources into the future and comparing them with the forecast of requirements to determine their adequacy, both quantitatively and qualitatively; and
d. *Planning* the necessary programmes of requirement selection, training, development, utilization, transfer, promotion, motivation and compensation to ensure that future manpower requirements are properly met.

Thus, it will be noted that 'human planning consists in projecting future manpower requirements and developing manpower plans for the implementation of the projections'.

## Human Resource Planning System



## 2.2 OBJECTIVES AND IMPORTANCE OF THE HUMAN RESOURCES PLANNING

The following are the major objectives of Human Resource Planning (HRP):

1. To ensure optimum use of human resources current employees.
2. To assess or forecast future skill requirement.
3. To provide control measures to ensure that necessary resources are available as and when required.
4. A number of specified reasons for attaching importance to human resource planning and forecasting exercises are:
    - ✓ To link manpower planning with the organizational planning
    - ✓ To determine recruitment levels.
    - ✓ To anticipate redundancies.
    - ✓ To determine optimum training levels.
    - ✓ To provide a basis for management development programs.
    - ✓ To cost the manpower.
    - ✓ To assist productivity bargaining.
    - ✓ To assess future accommodation requirement.
    - ✓ To study the cost of overheads and value of service functions.
    - ✓ To decide whether certain activity needs to be subcontracted, etc.

The HR forecasts is responsible for estimating number of people and the jobs needed by an
organization to achieve its objectives and realize its plans in time in the most efficient and effective manner possible in the simplest sources. HR needs are computed by subtracting HR supplies or numbers of the people available from expected HR demands or number of people required to produce at a desired level. It is a 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 the part of planning process of business. This is the activity aims to coordinating requirements for the availability of the different types of employers. The major activities are include the forecasting (future requirements), inventorying (present strength), anticipating (comparison of present and future requirements) and planning (necessary program to meet the requirements).

The objectives of human resource planning may be summarized as below:

- ***Forecasting Human Resources Requirements:*** HRP is essential to determine the future needs of HR in an organization. In the absence of this plan it is very difficult to provide the right kind of people at the right time.
- ***Effective Management of Change:*** Proper planning is required to cope with changes in the different aspects which affect the organization. These change needs continuation of allocation/reallocation and effective utilization of HR in organization.
- ***Realizing the Organizational Goals:*** In order to meet the expansion and other organizational activities the organizational HR planning is essential.
- ***Promoting Employees:*** HRP gives the feedback in the form of employee data which can be used in decision-making in promotional opportunities to be made available for the organization.
- ***Effective Utilization of HR:*** The data base will provide the useful information in identifying surplus and deficiency in human resources. The objectives of HRP is to maintain and improve the organizational capacity to reach its goals by developing appropriate strategies that will result in the maximum contribution of HR. HR planning should involve in the following areas:

- They should collect, maintain, improve and interpret the relevant information regarding human resources.
- They should report periodically human resource objective and requirements, existing employees, and allied features of human resources.
- They should develop procedures and techniques to determine the requirements of different types of human resources over period of time from the standpoint of organizational goals.
- They should develop the measures of HR utilization as components of forecast of human resources requirements along with independent validation.
- They should employ suitable techniques leading to effective allocation of work with a view to improving human resources utilization.
- They should conduct research to determine the factors hampering the contribution of the individuals groups to the organization with a view to modifying or removing these handicaps.
- They should develop and employ methods of economic assessment of human resources to reflect its features as income generator and cost and accordingly improve the quality of decisions affecting the human resources.
- They should evaluate the procurement, promotion, and retention of the effective human resources.
- They should analyze the dynamic process of recruitment, promotion, and the loss to the organization and control these processes with a view to maximizing the individual and the group performances without involving high cost.

It is usually the top management that formulates the vision and translates the vision into the objectives. Further, these objectives get translated into strategy and long-range plans. These plans usually form the guidelines for the human resources department to plan for the human resources requirements. The HR department should coordinate the above information and prepares the human resources plan.

Major reasons for the emphasis on HRP at the macro level are as follows:

a. **Employment-Unemployment Situation:** Though in general the number of educated unemployment is on the rise, there is acute shortage for a variety of skills. This emphasis is the need for more effective recruitment and retaining people.
b. **Technological Change:** The myriad changes in production technologies, marketing methods and management techniques have been extensive and rapid. Their effect has been profound on the job contents and job contexts. These changes cause problems relating to redundancies, retaining and redeployment. All these suggest the need to plan manpower needs intensively and systematically.
c. **Organizational Change:** In the turbulence 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.
d. **Demographic Change:** The changing profile of the work force in terms of age, sex, literacy, technical inputs and social background has implications for HRP.
e. **Skill Shortage:** Unemployment does not mean that the labour market is a buyer's market. Organizations generally become more complex and require a wide range of specialist skills that are rare and scare. Problems arise when such employees leave.
f. **Governmental Influences:** Government control and changes in legislation with regard to affirmative action for disadvantages groups,

working conditions and hours of work, restrictions on women and child employment, causal and contract labour, etc. have stimulated the organizations to be become involved in systematic HRP.

g. **Legislative Control:** The policies of "hire and fire" have gone. Now the 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 labour law relating to lay-offs and closures. Those responsible for managing manpower must look far ahead and thus attempt to foresee manpower problems.
h. **Impact of the Pressure Group:** Pressure groups such as unions, politicians and persons displaced from land by location of giant enterprises have been raising contradictory pressure on enterprise management such as internal recruitment and promotion, preference to employees' children, displace person, sons of soil etc.
i. **Systems Approach:** The spread of system thinking and advent of the macro computer as the part of the on-going revolution in information technology which emphasis planning and newer ways of handling voluminous personnel records.
j. **Lead Time:** The log lead time is necessary in the selection process and training and deployment of the employee to handle new knowledge and skills successfully.

**IMPORTANCE OF HRP**

Human Resource Planning is practically useful at different levels:

i) *At the national level,* it is generally done by the Government and covers items like population projections, programme of economic development, educational facilities, occupational distribution, and growth, industrial and geographical mobility of personnel.

ii) *At the sector level,* it may be done by the Government -Central or State - and may cover manpower needs of agricultural, industrial and service sector.

iii) *At the industry level,* it may cover manpower forecast for specific industries, such as engineering, heavy industries, consumer goods industries, public utility industries, etc.

iv) *At the level of the individual unit,* it may relate to its manpower needs for various departments and for various types of personnel.

## 2.3 PROCESS OF HUMAN RESOURCE PLANNING

Organizations need to do human resources planning so they can meet business objectives and gain a competitive advantage over competitors. The process of human resource planning includes:

**1. Analysing the Corporate Level Strategies**: – Human Resource Planning should start with analysing corporate level strategies which include expansion, diversification, mergers, acquisitions, reduction in operations, technology to be used, method of production etc. Therefore Human Resource Planning should begin with analysing the corporate plans of the organisation before setting out on fulfilling its tasks.

**2. Demand forecasting**: – Forecasting the overall human resource requirement in accordance with the organisational plans is one of the key aspects of demand forecasting. Forecasting of quality of human resources like skills, knowledge, values and capabilities needed in addition to quantity of human resources is done through the following methods: -

**a. Executive or Managerial Judgement:** – Here the managers decide the number of employees in the future. They adopt one of the three approaches mentioned below: -

- **Bottom-Up approach:** – Here the concerned supervisors send their proposals to the top officials who compare these with the organizational plans, make necessary adjustments and finalize them.
- **Top-Down approach:** – Here the management prepares the requirements and sends the information downwards to the supervisory –level who finalizes the draft and approves it.
- **Participative Approach:** – Here the supervisors and the management sit together and projections are made after joint consultations.

**b. Statistical Techniques:** – These methods use statistical methods and mathematical techniques to forecast and predict the supply and demand of Human Resources in the future.

- **Ratio-Trend analysis:** – In this method depending on the past data regarding number of employees in each department, like production department, sales department, marketing department and workload level, etc ratios for manpower are estimated. Past values are plotted and extrapolated to get fairly accurate future projections.

**c. Work Study method:** – This technique is suitable to study the correlation between volume of work and labour i.e. demand for human resources is estimated on the basis of workload. Work study method is more appropriate for repetitive and manual jobs when it is possible to measure work and set standards.

**d. Delphi Technique:** – '*Delphi'* Technique is named after the Greek Oracle at the city of Delphi. In this method, the views of different experts related to the industry are taken into consideration and then a consensus about the Human Resource requirement is arrived at. Delphi technique is used primarily to assess long-term needs of human resource.

**3. Analysing Human Resource Supply**: – Every organization has two sources of supply of Human Resources: Internal and External. Internally, human resources can be obtained for certain posts through promotions and transfers. In order to judge the internal supply of human resources in future, human resource inventory or human resource audit is necessary. Human resource inventory helps in determining and evaluating the quantity of internal human resources available. Once the future internal supply is estimated, supply of external human resources is analysed.

**4. Estimating manpower gaps**: – Manpower gaps can be identified by comparing demand and supply forecasts. Such comparison will reveal either deficit or surplus of Human Resources in the future. Deficit suggests the number of persons to be recruited from outside, whereas surplus implies redundant employees to be re-deployed or terminated. Employees estimated to be deficient can be trained while employees with higher, better skills may be given more enriched jobs.

**5. Action Planning**: – Once the manpower gaps are identified, plans are prepared to bridge these gaps. Plans to meet the surplus manpower may be redeployment in other departments and retrenchment. People may be persuaded to quit voluntarily through a golden handshake. Deficit can be met through recruitment, selection, transfer and promotion. In view of shortage of certain skilled employees, the organisation has to take care not only of recruitment but also retention of existing employees. Hence, the organisation has to plan for retaining of existing employees.

**6. Modify the Organisational plans**: – If future supply of human resources from all the external sources is estimated to be inadequate or less than the requirement, the manpower planner has to suggest to the management regarding the alterations or modifications in the organisational plans.

**7. Controlling and Review**: – After the action plans are implemented, human resource structure and the processes should be controlled and reviewed with a view to keep them in accordance with action plans.

## 2.4 RESPONSIBILITY OF HUMAN RESOURCE PLANNING

Top level executives are responsible for HR planning as it is one of the important factors influencing the success of an organization. The plans are usually prepared by the Human Resources division in consultation with other corporate heads. The responsibility and accountability for manpower aspects of various divisions is on their respective heads. They should undertake their own appraisals of future needs in such a way so as to provide a concrete basis for organization wide forecasting and planning. The Human Resources division must offer counsel and advice to various divisional heads and coordinate the various manpower estimates from time to time. Prof. Geisler outlined the responsibilities of Human Resource Department in respect of HR planning as:

1) Assist and counsel operating managers to plan and set objectives,
2) Collect and summarize manpower data keeping long run objectives and broad organizational interests in mind.
3) Monitor and measure performance against the plan and keep top management informed about it.
4) Provide proper research base of effective manpower and organizational planning.

The problems faced by human resource professionals while preparing or administering HR plans may be summarized below:

**a. Accuracy:** Projecting manpower needs over a period of time is a risky one. It is not possible to track the current and future trends correctly and convert the same into meaningful action guidelines. Factors such as absenteeism, labor turnover, seasonal trends in demand, competitive pressures technological changes and a host of other factors may turn the best of manpower plans not fashionable decorative pieces.

**b. Support:** Planning is generally undertaken to improve overall efficiency. In the name of cost cutting, this may ultimately help management to weed out unwanted labor at various levels. The few efficient ones that survive such frequent onslaughts complain about increased workload. Support from management is equally missing on more than one occasion.

**c. Numbers game:** HRP, in the final analysis may suffer due to an excessive focus on the quantitative aspects. The quality side of the coin (consisting of employee motivation, morale, career prospects, training avenues etc.) may be discounted thoroughly.

## 2.5 JOB ANALYSIS: MEANING AND USES

The management of a business need to determine what work needs to be done. Job analysis is a key part of this need. Job analysis concentrates on what job holders are expected to do. It provides the basis for a job description, which in turn influences decisions taken on recruitment, training, performance appraisal and reward systems.

A job analysis would typically contain:

| | |
|---|---|
| **Job purpose** | What is the job meant to do - and how does this related to other parts of the business? |
| **Job content** | Duties and responsibilities |
| **Accountabilities** | What results / outputs is the job holder responsible for? |
| **Performance criteria** | How will the job holder's performance be measured? |
| **Resource requirements** | Equipment, Location |

**Meaning of Job Analysis**

Job analysis is the systematic study of jobs to identify the observable work activities, tasks, and responsibilities associated with a particular job or group of jobs.

A job analysis is also defined as the process used to collect information about the duties, responsibilities, necessary skills, outcomes, and work environment of a particular job.

Job analysis is:

- It is a systematic method for gathering information
- It focuses on work behaviors, tasks, and outcomes
- It identifies the personal qualifications necessary to perform the job and the conditions under which work is performed
- It reports the job as it exists at the time of analysis; not as it was in the past nor as it exists in another organization

**USES OF JOB ANALYSIS**

The information produced by job analysis is used extensively in Human Resource Management. It is difficult to imagine how an organization could effectively hire, train, appraises, compensate or utilize its human resources without the kinds of information derived from job analysis. Following are the uses of job analysis:

1. **Job Descriptions** – Job descriptions define what a job is by identifying its content, requirements and context. Because job descriptions provide a written summary of the duties and responsibilities of the job, they help managers and current and prospective employees understand what the job is and how it is to be performed.
2. **Job Specification** –Job specifications focus on the personal characteristics and qualifications that an employee must possess to perform the job successfully.

3. **Job Design** – Job design identifies what work must be performed, how it will be performed, where it is to be performed and who will perform it. Job analysis information is invaluable in determining which tasks should be grouped together to form a job and structuring jobs so that employee satisfaction and performance can be enhanced.
4. **Organizational Structure and Design** – Job analysis by clarifying job requirements and the inter relationships among jobs means content and tasks duties and responsibilities at all levels can be specified, thus promoting efficiency by minimising overlap or duplication. Job analysis information is invaluable in determining which tasks should be grouped together to form a job and structuring jobs so that employee satisfaction and performance can be enhanced.
5. **HR Planning** – HR or personnel planning involves "getting the right number of qualified people into the right job at the right time". Job analysis information is essential for this if the number and types of employees to be recruited or exited from the organisation are to be accurately determined.
6. **Recruitment** – Job analysis information helps the HR Manager attract better qualified candidates by identifying whom to recruit and how and where to recruit them by establishing the job requirements that must meet. In addition, job analysis permits the HR Manager to provide realistic job previews by highlighting irrelevant and or distorted job information.
7. **Selection** – Job analysis information identifies what the job is by defining what duties and responsibilities must be performed. This facilitates the development of job related selection techniques, helps ensure that requirements are met, and increase the likelihood of a

proper matching of an applicant with a job. Finally, job analysis information can be used to validate the selection techniques.

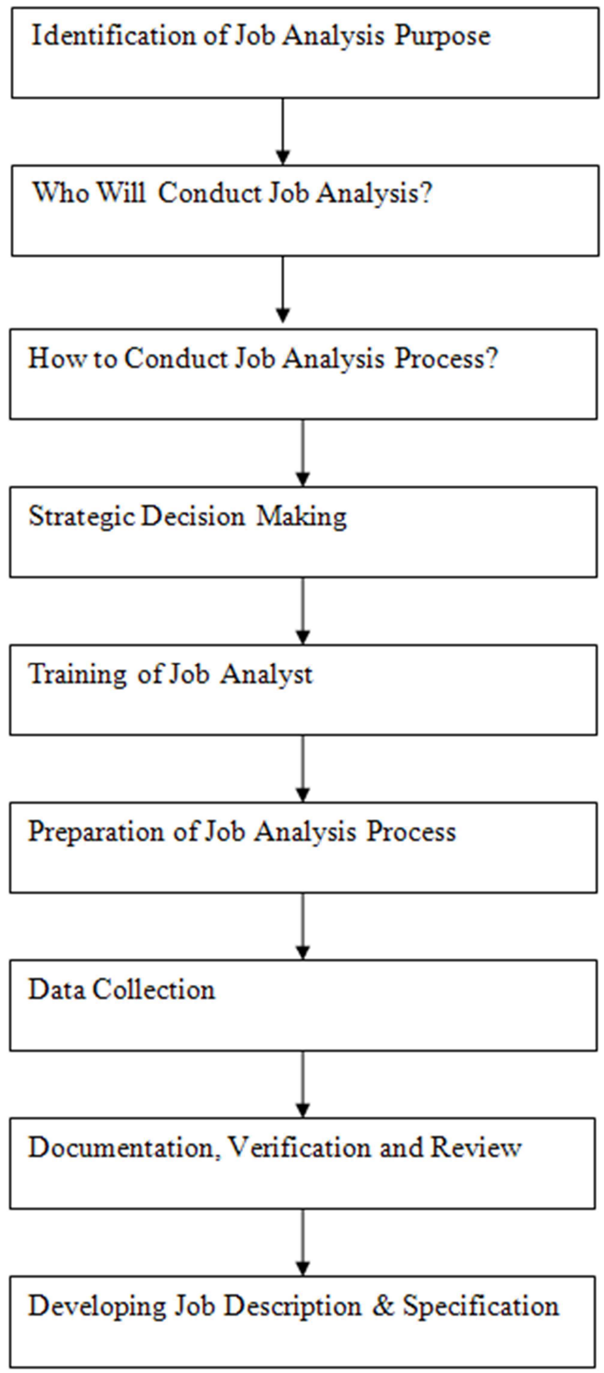
8. **Orientation** – Effective job orientation requires a clear understanding of the work to be performed. A new employee cannot be properly taught how to do a job if job duties and responsibilities are not clearly defined.
9. **Performance Appraisal** – Job analysis information is essential to the establishment of performance standards. Through job analysis a thorough understanding of what the employee is supposed to do is obtained. Without this, acceptable levels of performance cannot be determined or an accurate measure of actual performance obtained.
10. **Training and Development** – Job analysis information is used to design and implement training and development programs. The job specification defines the knowledge, skills and abilities required for successful job performance. This allows the HR Manager to establish training and development objectives, design programs and determine whether or not a current or potential employee requires training.
11. **Career planning and Development** – HR Managers are better placed to offer career guidance when they have a good understanding of the types of jobs existing in an organization. Similarly, by identifying jobs and job requirements, employees become aware of their career options and what constitutes a realistic career objective for them in the organization.
12. **Compensation and Benefits** – The job description is the foundation of job evaluation. It summarizes the nature and requirements of the job and permits its evaluation relative to other jobs. Once the relative worth of a job has been determined, an equitable level of compensation and benefits can be assigned.

13. **Health and Safety** – Job analysis information helps create a healthy and safe working environment. Jobs with hazardous conditions methods or procedures can be identified and redesigned to eliminate or reduce exposure to health and safety hazards.
14. **Industrial Relations** – Misunderstandings and disagreement among managers, employees and unions over job content is a major source of grievance and demarcation disputes. Job analysis information can help avoid such disputes by providing a clear description of tasks and responsibilities and identifying the formal qualifications, skills, abilities, knowledge and experience required to successfully perform the work.

## 2.6 PROCESS OF JOB ANALYSIS

Where to place the employees in order to best utilize their skills and talent? How to determine the need of new employees in the organization? How to eliminate unneeded jobs? How to set realistic performance measurement standards? How to identify the jobs and prepare a plan to fill them? All this can be effectively done by a proper and thorough job analysis. Managers deal such kinds of challenges in day-to-day company operations where they need to fulfill effectively and efficiently fulfill the organization's requirements related to human resource recruitment, selection, performance, satisfaction and cutting down and adding extra responsibilities and duties. And there is no scope where they can avert the risk of being wrong.

An effective and right process of analyzing a particular job is a great relief for them. It helps them to maintain the right quality of employees, measure their performance on realistic standards, assess their training and development needs and increase their productivity. Following is the job analysis process:


Identification of Job Analysis Purpose
Who Will Conduct Job Analysis?
How to Conduct Job Analysis Process?
Strategic Decision Making
Training of Job Analyst
Preparation of Job Analysis Process
Data Collection
Documentation, Verification and Review
Developing Job Description & Specification

- **Identification of Job Analysis Purpose:** Well,  any process is futile until its purpose is not identified and defined. Therefore, the first step in the process is to determine its need and desired output. Spending human efforts, energy as well as money is useless until HR managers do not know why data is to be collected and what is to be done with it.
- **Who Will Conduct Job Analysis:** The second most important step in the process of job analysis is to decide who will conduct it. Some companies prefer getting it done by their own HR department while some hire job analysis consultants. Job analysis consultants may prove to be extremely helpful as they offer unbiased advice, guidelines and methods. They do not have any personal likes and dislikes when it comes to analyze a job.
- **How to Conduct the Process:** Deciding the way in which job analysis process needs to be conducted is surely the next step. A planned approach about how to carry the whole process is required in order to investigate a specific job.
- **Strategic Decision Making:** Now is the time to make strategic decision. It’s about deciding the extent of employee involvement in the process, the level of details to be collected and recorded, sources from where data is to be collected, data collection methods, the processing of information and segregation of collected data.
- **Training of Job Analyst:** Next is to train the job analyst about how to conduct the process and use the selected methods for collection and recoding of job data.
- **Preparation of Job Analysis Process:** Communicating it within the organization is the next step. HR managers need to communicate the whole thing properly so that employees offer their full support to the job

analyst. The stage also involves preparation of documents, questionnaires, interviews and feedback forms.

- **Data Collection:** Next is to collect job-related data including educational qualifications of employees, skills and abilities required to perform the job, working conditions, job activities, reporting hierarchy, required human traits, job activities, duties and responsibilities involved and employee behaviour.
- **Documentation, Verification and Review:** Proper documentation is done to verify the authenticity of collected data and then review it. This is the final information that is used to describe a specific job.
- **Developing Job Description and Job Specification:** Now is the time to segregate the collected data in to useful information. Job Description describes the roles, activities, duties and responsibilities of the job while job specification is a statement of educational qualification, experience, personal traits and skills required to perform the job.

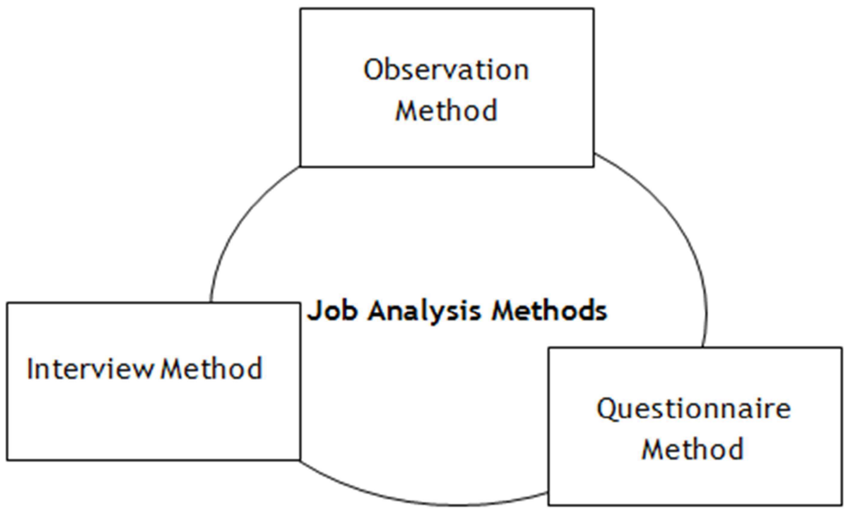
Thus, the process of job analysis helps in identifying the worth of specific job, utilizing the human talent in the best possible manner, eliminating unneeded jobs and setting realistic performance measurement standards.

## 2.7 METHODS OF COLLECTING JOB ANALYSIS

Though there are several methods of collecting job analysis information yet choosing the one or a combination of more than one method depends upon the needs and requirements of organization and the objectives of the job analysis process. Typically, all the methods focus on collecting the basic job-related information but when used in combination may bring out the hidden or overlooked information and prove to be great tools for creating a perfect job-candidate fit.

Selecting an appropriate job analysis method depends on the structure of the organization, hierarchical levels, nature of job and responsibilities and duties involved in it. So, before executing any method, all advantages and disadvantages should be analyzed because the data collected through this process serves a great deal and helps organizations cope with current market trends, organizational changes, high attrition rate and many other day-to-day problems.

Let's discuss few of job analysis methods that are commonly used by the organizations to investigate the demands of a specific job.




**Job Analysis Methods**

Most Common Methods of Job Analysis are:

- **Observation Method:** A job analyst observes an employee and records all his performed and non-performed task, fulfilled and un-fulfilled responsibilities and duties, methods, ways and skills used by him or her to perform various duties and his or her mental or emotional ability to handle challenges and risks. However, it seems one of the easiest methods to analyze a specific job but truth is that it is the most difficult one. Why? Let's Discover.

It is due to the fact that every person has his own way of observing things. Different people think different and interpret the findings in different ways. Therefore, the process may involve personal biasness or likes and dislikes and may not produce genuine results. This error can be avoided by proper training of job analyst or whoever will be conducting the job analysis process.

This particular method includes three techniques: Direct Observation, Work Methods Analysis and Critical Incident Technique. The first method includes direct observation and recording of behaviour of an employee in different situations. The second involves the study of time and motion and is specially used for assembly-line or factory workers. The third one is about identifying the work behaviours that result in performance.

- **Interview Method:** In this method, an employee is interviewed so that he or she comes up with their own working styles, problems faced by them, use of particular skills and techniques while performing their job and insecurities and fears about their careers.

  This method helps interviewer know what exactly an employee thinks about his or her own job and responsibilities involved in it. It involves analysis of job by employee himself. In order to generate honest and true feedback or collect genuine data, questions asked during the interview should be carefully decided. And to avoid errors, it is always good to interview more than one individual to get a pool of responses. Then it can be generalized and used for the whole group.
- **Questionnaire Method:** Another commonly used job analysis method is getting the questionnaires filled from employees, their superiors and

managers. However, this method also suffers from personal biasness. A great care should be takes while framing questions for different grades of employees.

In order to get the true job-related information, management should effectively communicate it to the staff that data collected will be used for their own good. It is very important to ensure them that it will not be used against them in anyway. If it is not done properly, it will be a sheer wastage of time, money and human resources.

These are some of the most common methods of job analysis. However, there are several other specialized methods including task inventory, job element method, competency profiling, technical conference, threshold traits analysis system and a combination of these methods. While choosing a method, HR managers need to consider time, cost and human efforts included in conducting the process.

## 2.8 JOB DESCRIPTION

A job description sets out the purpose of a job, where the job fits into the organization structure, the main accountabilities and responsibilities of the job and the key tasks to be performed.

A job description has four main uses:

**Organisation** - It defines where the job is positioned in the organisation structure. Who reports to whom?

**Recruitment** -It provides essential information to potential recruits (and the recruiting team) so that they can determine the right kind of person to do the job (see person specification)

**Legal** - The job description forms an important part of the legally-binding contract of employment

**Appraisal of performance -** individual objectives can be set based on the job description

**Contents of a Job Description**

The main contents of a job description are:

**Job Title:** This indicates the role/function that the job plays within an organization, and the level of job within that function (e.g. Finance Director would be a more senior position than Financial Accountant - although both jobs are in the "finance department")

**Reporting responsibilities:** Who is the immediate boss of the job holder?

**Subordinates**: Who reports directly to the job holder?

**Main purpose**: Who is involved in the job overall?

**Main tasks and accountabilities:** description of the main activities to be undertaken and what the job holder is expected to achieve (e.g. in the case of the Management Accountant, this might include "Complete monthly management accounts by 10th working day of each month and prepare report on all key performance variances")

Prescriptive job descriptions may be seen as a hindrance in certain circumstances:

- Job descriptions may not be suitable for some senior managers as they should have the freedom to take the initiative and find fruitful new directions;
- Job descriptions may be too inflexible in a rapidly-changing organization, for instance in an area subject to rapid technological change;
- Other changes in job content may lead to the job description being out of date;

- The process that an organization uses to create job descriptions may not be optimal.

## 2.9 JOB SPECIFICATION

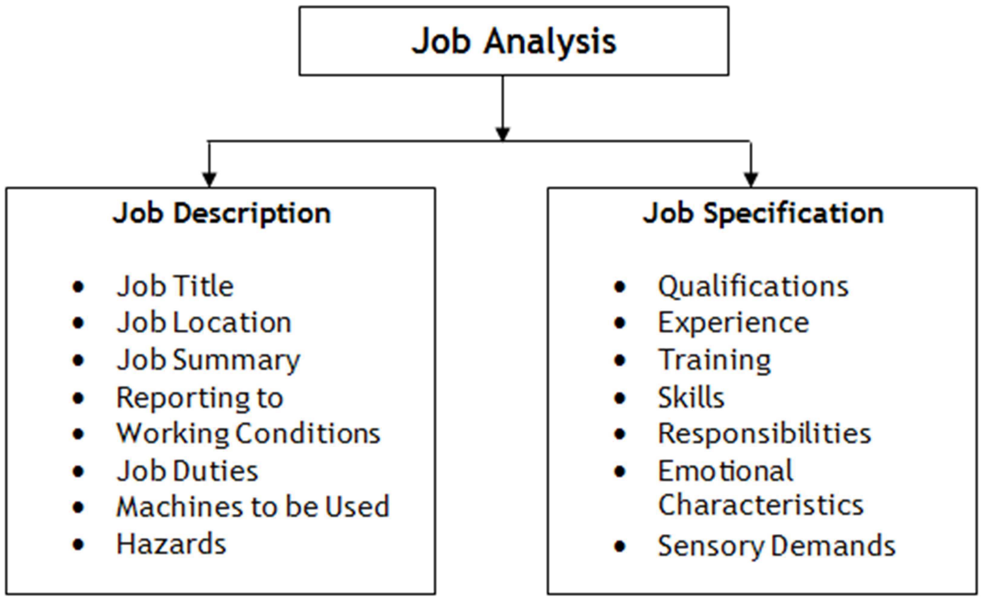
Job Specification is also known as employee specifications, a job specification is a written statement of educational qualifications, specific qualities, level of experience, physical, emotional, technical and communication skills required to perform a job, responsibilities involved in a job and other unusual sensory demands. It also includes general health, mental health, intelligence, aptitude, memory, judgment, leadership skills, emotional ability, adaptability, flexibility, values and ethics, manners and creativity, etc.

**Purpose of Job Specification**

The purpose of job specification is as follows:

- Described on the basis of job description, job specification helps candidates analyze whether are eligible to apply for a particular job vacancy or not.
- It helps recruiting team of an organization understand what level of qualifications, qualities and set of characteristics should be present in a candidate to make him or her eligible for the job opening.
- Job Specification gives detailed information about any job including job responsibilities, desired technical and physical skills, conversational ability and much more.
- It helps in selecting the most appropriate candidate for a particular job.

Job description and job specification are two integral parts of job analysis. They define a job fully and guide both employer and employee on how to go about the whole process of recruitment and selection. Both data sets are extremely relevant for creating a right fit between job and talent, evaluate performance and analyze training needs and measuring the worth of a particular job. Both Job Description and Job Specification are the part of Job Analysis.




## 2.10 SUMMARY

- Manpower planning consists in projecting future manpower requirements and developing manpower plans for the implementation of the projections.
- In Ratio-Trend analysis method, depending on the past data regarding number of employees in each department, like production department, sales department, marketing department and workload level, etc ratios for manpower are estimated. Past values are plotted and extrapolated to get fairly accurate future projections.
- '*Delphi'* Technique is named after the Greek Oracle at the city of Delphi. In this method, the views of different experts related to the industry are taken into consideration and then a consensus about the

Human Resource requirement is arrived at. Delphi technique is used primarily to assess long-term needs of human resource.

- Job analysis concentrates on what job holders are expected to do. A job analysis is also defined as the process used to collect information about the duties, responsibilities, necessary skills, outcomes, and work environment of a particular job.
- A job description sets out the purpose of a job, where the job fits into the organization structure, the main accountabilities and responsibilities of the job and the key tasks to be performed.
- Job specification is a written statement of educational qualifications, specific qualities, level of experience, physical, emotional, technical and communication skills required to perform a job, responsibilities involved in a job and other unusual sensory demands.

## 2.11 KEYWORDS

**Job analysis:** The process of gathering information about the requirements and necessary skills of a job in order to create a job description.

**Job Description:** A written statement that explains the responsibilities and qualifications of a given job, based on a job analysis. The job description usually includes specific required tasks as well as an overview of the position and whom the employee reports to.

**Job evaluation:** A comparison of one job with other jobs in a company for the purpose of assessing fair compensation.

**Recruitment:** The process of finding and hiring the best-qualified candidate for a position.

## 2.12 REVIEW QUESTIONS

1. Define human resource planning. Explain the objectives and importance of human resource planning.
2. Write a short note on HRP Process.
3. What is Job Analysis? Explain the different methods of Job Analysis
4. Differentiate between job analysis, job description and job satisfaction. Explain the use of Job Analysis.

## 2.13 FURTHER READINGS


- Torrington & Hall, Personnel Management: A New Approach. Prentice Hall International.
- Walker, James W. , Human Resource Planning. New York: McGraw-Hill Book Co.,

# Unit 3

# CAREERS AND SUCCESSION PLANNING

**Structure**

3.1 Introduction
3.2 Definition and Features of Career Planning
3.3 Career Anchors and Career Planning
3.4 Stages in Career Development and Career Management
3.5 Succession Planning
3.6 Succession Management
3.7 Summary
3.8 Keywords
3.9 Review Questions
3.10 Further Readings

**Learning Objectives:**

After studying this unit, you will be able to:

- List out the features of Career Planning
- Explain the stages in Career Development and Career Management
- Define Succession Planning and explain the steps in succession planning
- Explain the steps to be considered while building a successful Succession Management

## 3.1 INTRODUCTION

Career planning is a relatively new personnel function. Establishedprogrammes on career planning are still rare except in larger or more progressiveorganizations. Organizational involvement in career planning is increasing. Many candidates, especially highly-educated ones, desire a career, not “just a job”.Many of today’s workers have high expectations about their jobs. There has beena general increase in the concern for the quality of life. Workers expect morefrom their jobs than just income. A further impetus to career planning is the need
fororganizations to make the best possible use of their most valuable resources -people - in a time of rapid technological growth and change.A career development system is a formal, organized, planned effort to achieve abalance between individual career needs and organizational workforcerequirements. It is a mechanism for meeting the present and future human resourceneeds of an organization. Basically career development practices are designed to enhance the career satisfaction of employees and to improve organizational effectiveness.

A career has been defined as the evolving sequence of a person’s experiences overtime. It is viewed fundamentally as a relationship between one (or more)organization(s) and the individual. To some a career is a carefully worked out planfor self-advancement; to others it is a calling - a life role; to others it is a voyage ofself-discovery; and to still others it is life itself.

## 3.2 DEFINITION AND FEATURES OF CAREER PLANNING

A career can be defined as a sequence of separate but related work activities that provides continuity, order and meaning in a person's life. A Career is a general course that a person chooses to pursue throughout his/her working life. Historically, a career was a sequence of work-related positions an individual has occupied during a lifetime, although not always with the same company. However, there are a few relatively static jobs that require infrequent training and virtually no development for maintaining acceptable productivity levels. This may satisfy the objective perspective of career. The subjective viewpoint is more or less held together by a self-concept that consists of perceived inclinations and abilities, basic values, career motives and needs. In both the perspectives we assume that individuals control their destiny and that available opportunities need to be manipulated to maximize the success and satisfaction in their careers. So, career planning is very important because the consequence of the career success or failure is linked closely to each individual's self-concept, identity, and satisfaction with career and life.

Career planning and development is a deliberate process through which a person becomes aware of personal career-related attributes and lifelong series of stages that contribute to his or her career fulfillment. Career planning and development is not a one-shot training programme. It has longer time frame and wider focus. It is an ongoing organized and formalized effort that recognizes people as a viral organizational resource.

Career Planningis an ongoing process whereby an individual sets career goals and identifies themeans to achieve them. Career planning should not concentrate only on advancement opportunitiessince the present work environment has reduced many of these opportunities. At some point of time,career planning should focus on achieving success that does not necessarily entail promotions.

Organizational Career Planningis the planned succession of the jobs worked out by afirm to develop its employees. With organizational career planning, the organization identifies paths andactivities for the individual employees as they develop. A career path is a flexible line of movementthrough which an employee may move during employment with a company. Following an establishedcareer path, the employee can undertake career development with the firm's assistance. From theworkers prospective, following a career path may involve weaving from the company to company andfrom position to positions he/she obtain greater and experience.

Career Developmentis a formal approach used by the organization to ensure that the people withthe proper qualifications and experiences are available when needed. Formal career development is important to maintain a motivated and committed workforce. Career development tools, which are specified during career planning and utilized in the career development program, most notably include various types of training and the application of organizational development techniques. Career planning and development benefit both the individual and the organization.

The business environment today is highly competitive and complex and there is a certain degree ofambiguity and uncertainty about the career development. Consequently, employees are also confusedabout their career development. Earlier the employees enjoyed the job security by taking up aposition in an organization. It is a psychological contract between the employee and the employer. Inthe then time, the loyalty and devotion, commitments were the factors for higher position in anorganization. Now, contrastingly, career planning for an employee is very difficult. Career growthhas already crossed the boundaries and has undergone a great change. Switching organizations andideas are now the common phenomenon in the present situation. The need of the employees has alsogone a sea change and the trainers are experiencing difficult times in organizing and developingprograms to suit their needs. In addition to it, restructuring, downsizing, rightsizing and layoffs havebecome common practices in the organizations. Hence, the need of the hour is enhancing or increasingthe employability of individuals in an organization. So attempts to differentiate between careerand job, identify steps in career planning, and analyze the steps require by an employee for success inthe career.

The traditional career paths of yesterday defined a point-to-point progression that targeted a selectfew for specific leadership positions. Career-management pathing programs generally worked becausethe environment was more static, jobs more stable, and employees were loyal and more connected totheir organization. These conditions do not describe today's world of work. Job jumping, careerchanging, volatile industries, and shifting work environments are now a way of organizational life.The contracts between employer and employee have significantly changed.Organizations wanting to effectively manage the career expectations and progression of theiremployees are working in an environment radically different from that of a few years ago.

Current career planning challenges include:

- Operating in a hyper-competitive business environment in which resources are scarce.
- Attracting and retaining highly skilled and capable people within an aging workforce.
- Factoring in a greater proportion of contract and casual employees with no long-term allegiance to the organization.
- Engaging the talents, motivations and creativities of people whilst aligning to business requirements.
- Managing employee expectations in an environment in which there are fewer opportunities for promotion.

- Supporting marginal performers in increasing their discretionary effort and contribution to the role.
- Encouraging poor performers to move on in a respectful way.

**Features of Career Planning**

Following are the main features of Career Planning

- Career planning normally follows a bottom-up approach in which the process begins with the individuals, works upwards, and ends with organizational intervention.
- It is not a one-time affair but an ongoing process by which an employee identifies the needs and also the methods to fulfill those needs on a regular basis.
- It aims at matching the individual's career goals with the opportunities available.
- It is a means of achieving employee progression and organizational efficiency and not an end in itself.
- It is the collective responsibility of both the individual employee and the organization.
- It is normally made in a dynamic environment where the changes in the demand for and supply of labour, the characteristics of labour, technology, competitive conditions and market strategies are rapid and often radical.

**Aims and Objectives of Career Planning**

Career planning aims at matching individual potential for promotion and individual aspirations with organizational needs and opportunities. Career planning is making sure that the organization has the right people with the right skills at the right time. In particular, it indicates what training and development would be necessary for advancing in the career, altering the career path or staying in the current position. Its focus is on future needs and opportunities and removal of stagnation, obsolescence and dissatisfaction of the employee. In the process, it opens avenues for growth to higher levels of responsibilities for each and every employee of the organization through hierarchy of position, and training and development activities to equip the individuals with the requisites for succession. The principal objectives of career planning are:

1. To secure the right man at the right job and at the right time;
2. To maintain a contended team of employees;
3. To provide adequate career avenues to employees to higher levels of responsibilities; and
4. To strengthen the retention programme of the organization.

An effective career management plan takes care of an individual's interest, aptitude, specialization and expertise while deciding on the placement. An organization which believes in a sound career management programme is not only committed to and conscious of the development of human resources but also provides structural facilities for manpower research, manpower training and development.

### 3.3 CAREER ANCHORS AND CAREER PLANNING

Career anchor is defined as "a pattern of skills, interests, and values developed in the early stages of a person's career, when that person begins to recognize his or her abilities and the aspects of work that he or she enjoys most". Career anchors help to guide subsequent decisions about jobs and careers. The term was introduced by US organizational theorist Edgar H. Schein.

In addition to opportunities for growth and development, what do people want from their careers? Making generalizations is difficult because of the wide range of individual differences. Further, what people want from their career tends to change over time: career advancements and advancing age spark new career interests and changing needs. Nonetheless, E.H. Schein has identified five dominant motives which underline people's career choices and long-range goals. Schein refers to these basic motivating factors as "career anchors". Edgar Schein (1978) says that career planning is a continuing process of discovery - one in which a person slowly develops a clearer occupational self-concept in the terms of what his or her talents, abilities, motives, needs, attitudes and values are. Schein also says that as you learn more about yourself, it becomes apparent that you have a dominant career anchor, a concern or value that you will not give up if a choice has to be made. Schein believed that people developed certain 'career anchors' at an early stage in their career which will govern their individual career paths.

Schein's career anchors represent the aspects of work that are especially valued or needed by people for their personal fulfillment. They include:

1. *Managerial Competence:* The individual desires opportunities to manage.
2. *Technical/Functional Competence:* The individual desires to use varioustechnical abilities and special competencies.
3. *Security:* The individual is basically motivated by a need for job security orstability in the work situation.
4. *Creativity:* The individual is motivated by a need to create or build something.
5. *Autonomy and Independence:* The individual's primary interest is theopportunity to work independently and without organizational constraints.

Later, he added the need for a basic occupational identity - service to others; power,influence and control; and variety.Career planning and development activities allow employees to grow in any of thedesired directions. What people want from their careers also varies according to thestage of one's career. What may have been important in an early stage may not beimportant in a later one. Four distinct career stages have been identified: exploration, establishment/advancement, mid career, and late career. Each stage representsdifferent career needs and interests of the individual.

### 3.4 STAGES IN CAREER DEVELOPMENT AND CAREER MANAGEMENT

A career as mentioned includes many positions, stages and transitions just as a person's life does. It can easily understand if we think of career consisting of several stages. Most of us have gone or will go through the following five stages:

**Exploration**

This is the career stage that usually ends in one's mid twenties as one makes the transition from college to work. What we hear from our teachers, friends, relations and our own observation of careers of our parents shape our future career choices at this stage. From an organizational standpoint this stage has least relevance as it takes place prior to employment. However the organizations can still track the minds of young people by offering internships to them or offering on the job training to bright students. For the individual this is the stage of self exploration seeking answers to various puzzling questions about careers.

**Establishment**

This career stage where one begins the search for work and picks up the first job. It includes the first experience on the job, peer group evaluations, personal tensions and anxieties that confront a person trying to make his mark. This period is characterized by committing mistakes, learning from those mistakes and assuming increased responsibilities. One does not reach the summit at this stage as he rarely gets a chance to handle powerful assignments. It is like going uphill, spending a lot of time and energy all the while.

**Mid career**

Mid career is a stage that is typically reached between the age of 35 and 50. At this point one may continue to show improved performance, level off or begin to decline as you are no longer viewed as a learner. Mistakes committed by you would be viewed seriously and may invite penalties as well. If you are good enough you may grow and turn out good results. If you do not have the same fire in the belly when you started your career the best thing would be to hold on to what you have. Technically speaking platitude career stares at you more or less happily with what comes your way, the organization can place you on jobs that require experience and maturity. The organization cannot discount your worth and treat you as deadwood, since you still retain the flavor and continue to show reasonably good performance. But then what would happen to those employees who have employees which have both interests and productivity at work? Organizations often show them the door or shift them to less important jobs.

**Late Career**

This is the stage where one relaxes a bit and plays the part of an elder statesperson. For those who continue to grow through the mid career stage this is the time to command respect from younger employees. Your varied experiences and judgment are greatly valued and your word will carry weight undoubtedly as you can teach others and share your experiences with others.

For those who have stagnated or deteriorated during the previous stage, the late career brings the reality that they are no longer required to run the race and its better to redirect the energies to family, friends and hobbies.

**Decline**

During this period a person’s attention may turn to retirement. The achievements of a long career and the frustrations and anxieties that go along what that phase are left behind. Regardless of whether one is leaving a glorified career or a dismal job, one has to make adjustments and get along with people and things.

Career experts say that people will change careers (not jobs) five to seven times in a lifetime. That's why career management is an important life skill to develop and cultivate. The six stages of modern career development are:

- Assessment
- Investigation
- Preparation
- Commitment
- Retention
- Transition.

Learning the characteristics of each stage will empower you to navigate through each stage easily and with more confidence.

In the **Assessment Stage**, you are getting ready for your life's work. This stage is characterized by unawareness, in that you are not sure what your values, strengths, and weaknesses are. You start to feel as though you want to know more about yourself and make a conscious effort to get in touch with who you really are.

The key characteristics of assessment stage are:

- Taking assessment instruments
- Working with a career counselor or career coach

In the **Investigation Stage**, you are researching what work exists in the world. This stage is characterized by feelings of confusion, in that you are not sure what career options exist for you. You may feel overwhelmed with all of the jobs and opportunities that exist as you begin the process of researching the modern world of work. But if you approach this stage with a positive frame of mind, you will find that you will learn about many possibilities you may have never considered.

Key characteristics of investigation stage are:

- Researching the world of work
- Conducting informational interviews with people in your chosen field

In the **Preparation Stage**, you are still getting ready to do your life's work. This stage is characterized by feelings of excitement, as you think of how wonderful it will be to perform meaningful work. However, there is still much work to be done, and to be successful, you have to prepare.

Key characteristics of this stage are:

- Gaining knowledge and experience
- Setting goals and adopting a success-oriented mind-set

In the **Commitment Stage**, you will feel confident that you have figured out what you are meant to do. Sometimes people have known all along what they were meant to do but could not commit to the process of making it happen, for whatever reason. At this stage, more than ever, you must focus your energy and keep your eye on the target.

Key characteristics of commitment stage are:

- Conducting a job search
- Negotiating and accepting a job offer

In the **Retention Stage**, you will feel comfortable in your career field, as you will now have figured out how things work in your industry. You will want to remain committed to your career by continually updating your skill set and staying current with industry standards.

Key characteristics of this stage are:

- Providing first-class customer-service skills

- Building a professional network

The **Transition Stage** is characterized by feelings of discomfort in that you are unsure of what you will be doing next (and/or if you will be happy). In this stage, you will learn to make conscious changes in your career direction.

Key characteristics of transition stage are:

- Making career changes
- Developing resiliency

**Career Planning Process**

Career planning is the process of setting individual career objectives and devisingdevelopmental activities necessary to achieve them. It is, in the broadest sense, thepersonal process of planning one’s future work. In this process, an individualanalyses his or her interest, values, goals, and capabilities. From the managementview point, career planning and development should remain an individualresponsibility. However, many individuals lack the insight, skills, or initiative todetermine their own career progress effectively. Among the techniques to aidindividual career planning are career counseling, career and life planning, and selfdevelopment activities.

Career planning involves four fundamental elements which, when taken together,represent the career planning process.

*Direction:* This involves the career goals one sets and the organization’s ability toact favorable upon these goals, especially in the light of business objectives andrealities.

*Career Time:* This relates to distance and velocity factors - how far one wantsto go in an organization or on the career path and how fast that person expects toget there.

*Transition:* This is the resistance one encounters while moving toward career goals.
Transition relates to the changes expected, say, in knowledge, skill and attitude en route to a career goal.
*Outcomes:* This relates to the probabilities that one'sinvestment and sacrifices for career progress will pay off.
The important influences on careers are of course the organization and theindividual themselves. Both the organization and the individual are important andcareer planning can be seen from the perspective of both parties.

**Career Management**

Career Management is the combination of structured planning and the active management choice of one's own professional career.The outcome of successful career management should include personal fulfillment, work/life balance, goal achievement and financial assurity. Career management is the lifelong process of investing resources to achieve your career goals. Career management is not a singular event but a continuing process that is a necessity for adapting to the changing demands of the 21st Century economy.

**Six Steps to Successful Career Management**

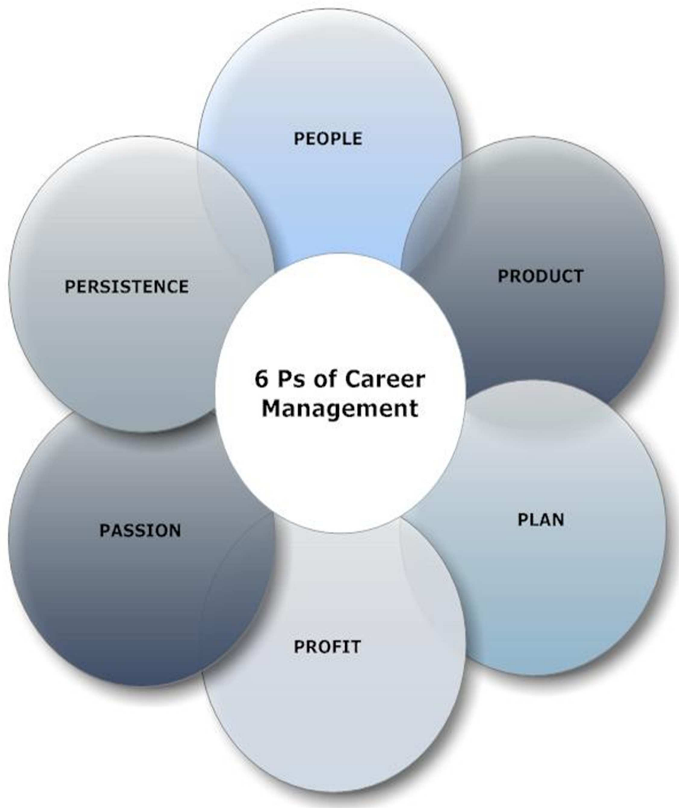
In some respects building a successful career is no different from any other project. Clear goal setting, thorough planning and effective execution are key ingredients in the recipe for success. Though expert advice can help you with the process, in the end it is up to you to formulate objectives, develop a plan, and follow through to realize your career goals. While you may enjoy your share of luck, success seldom falls in your lap. Furthermore, if you ignore the basic principles of career management, an unexpected setback could badly damage your long-term prospects. Here are six steps towards success in your career:

1. **Take a good look at yourself.** Understand your needs. What is important to you? What are you passionate about? A career spans many years. It can be hard to maintain enthusiasm, excitement and energy unless you believe in what you are doing. Look for the right balance in of career, earnings and fulfillment. Are you aiming for the top or is family more important? What are your unique talents and abilities? It makes sense to play to your strengths.
2. **Research career options** and prioritize. Discover what skills and experience various careers require ahead of time. What is a good fit for you with your skill set?
3. **Map a path** from where you are to where you want to be. Think strategically and long-term about your career. Do not place too much emphasis on compensation early on. It may be more important to develop the skills and experience to "set you up." Your action plan should build upon your strengths and improve your weaknesses. Establish firm bases for the future. If the platform is secure, you can usually survive a mistake or setback.
4. **Don't ignore ongoing training.** Acquiring the additional skills, knowledge and education needed for your new career is fundamental. Also consider getting some unique experience which will help differentiate you in the market place.
5. **Market yourself.** Do not take an overly conservative or narrow view. Consider start-ups and smaller organizations where you will get more responsibility. But always target companies that are excellent at what they do, and that place importance on developing staff, particularly at the beginning of your career. Don't forget to network! A well-developed list of professional contacts can open doors for you.

6. **Seek ongoing career management.** Continue to examine, evaluate and refine. The marketplace can change quickly. Be prepared for unexpected opportunities as well as setbacks. Don't ignore the value of mentors. Establish at least one quality mentor in the field you hope to pursue. Also, use advisors and experts often. Their experience, advice and influence may prove invaluable.

**Six Ps of Career Management**

Following are the six Ps of career management:




**The Six Ps of Career Management**

1. **People**: Be honest, intelligent, ethical, and hardworking. You should enjoy working and learning with others as you develop and master your skill set.

2. **Product**: Your product is your core competencies and the value you create. For example, I always sold myself as someone who could build processes from scratch, creating repeatable processes for the job I was interviewing for.
3. **Plan**: While you may not know exactly what you want to do at this time, assume you need a three to five-year Career Management Plan. Avoid job jumping. Try to find mentors and coaches during your journey, so you can get their feedback.
4. **Profit**: Yes, you have to earn a living right? Profit from your career by living within your means, saving up for a possible job loss or recession. You should be making more than you're spending. Don't finance a car if you can save up and buy one with cash. Cut back on the nice-to-haves. Pay yourself first before money goes out the door.
5. **Passion**: Find your passion. Perspective employers will see it in your eyes and in your gestures.
6. **Persistence**: Passion happens in several ways; it can happen overnight or it takes time to grow and manifest. You must have persistence and patience as you manage your career. Always remember, there are no shortcuts. We all must pay our dues to get to where we want to go, learning valuable lessons along the way.

### 3.5 SUCCESSION PLANNING

Succession planning can be broadly defined as identifying future potential leaders to fill key positions. Wendy Hirshdefines succession planning as 'a process by which one or more successors are identified for key posts (or groups of similar key posts), and career moves and/or development activities are planned for these successors. Successors may be fairly ready to do the job (short-term successors) or seen as having longer-term potential (long-term successors)'.

Career development and succession planning go hand in hand. When they are linked to the
organization's vision, employees can align their personal aspirations to the organization's current andfuture needs, creating a mutually beneficial environment. Career development and succession planningsynergy creates happier and more productive employees in a growth-oriented company. Theorganization experiences positive bottom-line results while preparing for future business needs basedon mutual corporate and individual growth. The ongoing business strategy incorporates retention andsuccession planning as part of the systemic structure. Internal career development, training initiatives,mentoring, coaching, evaluations, annual reviews, and orientation programs are meaningfully connectedto organizational goals. The result is a workable process that consistently addresses thecorporate requirements for finding, keeping, and placing talent in key positions as needed. Internalcareer development programs are proving critical in keeping valued employees while concurrentlyensuring greater control over the succession planning process. Retention research indicates thatindividuals tend to stay longer where they are experiencing personal and professional growth.Employers who actively partner with their employees to align career direction with company goalsare realizing better retention rates. Employees actively involved in their personal development moresatisfaction with their work and tend to stay longer with the organization.

Succession planning is one of the most critical functions of an organization. This is the process that identifies the critical and core roles of an organization and identifies and assesses the suitable candidates for the same. The succession planning process ramps up potential candidates with appropriate skills and experiences in an effort to train them to handle future responsibilities in their respective roles.

Succession planning is applicable for all critical roles in the organization. The upper management of each practice or department is responsible of coming up with a suitable succession plan for each core position under his or her department.

**Steps of Succession Planning**

There are four main important steps in planning for succession.


**Step 1: Recruitment and staffing**

This is one of the key steps of the succession planning. Hiring the right and skilled employees is the key to growing human resources in the organization. Sometimes, some companies require a paradigm shift in order to retain in the business.In such cases, the organization requires to let go or redefine the roles and responsibilities of the portion of existing staff. Then, the organization hires the new blood in order to acquire the required skills and expertise.When it comes to succession planning, organization should always hire people who will have the potential to go up the corporate leader.

**Step 2: Training and development**

All the organizational training can come under two categories; skills training and management training.

1. **Skills training:** Employees are trained to enhance their skills, so their day-to-day work becomes easy.
2. **Management training:** A selected set of employees undergoes training where they are trained to take over management responsibilities.

**Step 3: Compensation and performance management**

Based on their performance, the employees who have the potential to become leaders in the organization should be appropriately compensated.These employees should be considered for fast track promotions and special compensation benefits.

**Step 4: Talent management**

Talent management is one of the key factors that contribute for succession planning. The right candidate will have the required level of skills in order to execute responsibilities of the new role.The upper management and mentors of the staff member should always make sure that the employee is constantly enhancing his / her skills by accepting challenging responsibilities.

**Typical Activities in Succession Planning**

Succession planning has many activities involved. Some of these activities are sequential and others can be performed in parallel to others.Following are the core activities involved in succession planning:

1. Identification of the critical roles for the growth of the company. There are many tools such as Pareto charts in case if you need any assistance in prioritizing the roles.
2. Identification of gaps in the succession planning process. In this step, the process of succession planning is analyzed for its strength. If there are weaknesses and gaps, they will be methodologically addressed.
3. In this step, the possible candidates for the potential role will be identified. This will be done by analyzing their past performances as well and for some other characteristics such as age.
4. All shortlisted employees for potential roles will be then educated about their career path. The employees should understand that they are being trained and their skills are being developed in order to fill critical roles in the organization.
5. When it comes to training and developing people, they should be developed for the positions that exist in the company as well as the positions (roles) that will be introduced in the future.
6. Have a clear understanding of the timeline required for filling key roles. For this, an understanding of when key roles will be vacant is necessary.
7. Conduct regular meetings on the succession plans of the organization.
8. Identify top players of every department and make necessary arrangements to keep them in the company for a long time.
9. Review past succession that took place based on the succession plan and review success. If there are issues, make necessary changes to the succession plan.

### 3.6 SUCCESSION MANAGEMENT

SuccessionManagement is making provisions for the development, replacement and strategic application of key people over time, and requires the identification of the organization’s values, mission, and strategic plans.It is a proactive approach that ensures continuing leadership by cultivating talent from within the organization through planned development activities.

According to Hirsh, succession planning sits inside a very much wider set of resourcing and

development processes called ’succession management’, encompassing management resourcing

strategy, aggregate analysis of demand/supply (human resource planning and auditing), skills analysis,the job filling process, and management development (including graduate and high-flyer programmes).Succession planning involves having senior executives periodically review their top executives andthose in the next-lower level to determine several backups for each senior position. This is importantbecause it often takes years of grooming to develop effective senior managers. There is a criticalshortage in companies of middle and top leaders for the next five years. Organizations will need tocreate pools of candidates with high leadership potential.

#### Five Steps to Successful Succession Management

Succession management is the planning, execution and ongoing management of a company’s critical future talent needs. The focus is on developing today’s talent into tomorrow’s leaders. Here are five important steps to consider when building a successful succession management strategy.

**Step One:** The process must begin with an assessment of your organization's current and future business strategy. Understanding your competitive position in the marketplace, along with your growth goals, allows for better clarification of future leadership needs.

**Step Two:** Develop the model for an integrated talent management system. You cannot begin to prepare your future executives if you do not know what they will be called upon to do – and what competencies they will need to succeed. In step two, you need to define future leadership needs and competencies required for success. Once you know what is needed, you can then establish internal talent identification and evaluation criteria. In addition, you might also need to uncover executive 'derailers' that can cause executives at any level to fail. These can include such behavioural traits as the inability to motivate others or build a team, indecisiveness or the tendency to take criticism too personally. Knowing what works, along with what doesn't, makes for a comprehensive leadership model.

**Step Three:** Assess and align the talent in your organizationwith your business strategy.

In step three, you begin to assess and identify people with the most leadership potential. To be certain the process is objective, and to avoid overlooking those not currently in management roles, validated psychometric assessments should be used along with current performance data. Casting a wide net ensures that you do not miss promising people at any level of your organization. Current employees will be rated against the established leadership competencies, and individual gap analyses will be used to determine their developmental needs.

**Step Four:** Provide leadership feedback and development planning. Filling key positions from within your organization is much more accurate and efficient than bringing in an executive from the outside. It also has the added advantages of providing opportunities for employee growth and retention, as people will feel more valued and confident about their future with your company. Therefore, it is vital that your high-potential leaders have a clear understanding of your organization's leadership competencies, as well as their own developmental needs. This is achieved through individual feedback and coaching, and providing each individual with a development plan to help them reach your shared goals.

**Step Five:** Implement, monitor, measure and report developmental strategies. Leadership development needs to be a continuous process, not a series of one-time events. People can make behavioural adjustments and develop new skills if they are motivated and provided with the required resources and support. Developmental learning has a greater and more lasting impact than conventional training, since individuals in your talent pool are expected to grow and see their growth measured over time. During this phase, specific strategies to address your particular business needs can be implemented – including, but not limited to action learning, executive coaching and team-based projects.

**Deploying a Succession Management Process**

- Best-practice organizations make succession planning an integral corporate process by exhibitinga link between succession planning and overall business strategy. This link gives successionplanning the opportunity to affect the corporation's long-term goals and objectives.

- Human resources is typically responsible for the tools and processes associated with successfulsuccession planning. Business or line units are generally responsible for the “deliverables” *i.e.*,they use the system to manage their own staffing needs. Together, these two groups produce acomprehensive process.
- Technology plays an essential role in the succession planning process. Ideally, technologyserves to facilitate the process (make it shorter, simpler, or more flexible) rather than becomingthe focus of the process or inhibiting it in any way.

**3.7 SUMMARY**

- A career development system is a formal, organized, planned effort to achieve a balance between individual career needs and organizational workforce requirements.
- Career planning and development is a deliberate process through which a person becomes aware of personal career-related attributes and lifelong series of stages that contribute to his or her career fulfillment.
- Organizational Career Planningis the planned succession of the jobs worked out by a firm to develop its employees.
- Career planning aims at matching individual potential for promotion and individual aspirations with organizational needs and opportunities.
- Career anchor is defined as a pattern of skills, interests, and values developed in the early stages of a person's career, when that person begins to recognize his or her abilities and the aspects of work that he or she enjoys most.
- Career planning is the process of setting individual career objectives and devising developmental activities necessary to achieve them.

- Career Management is the combination of structured planning and the active management choice of one's own professional career.
- Succession planning is one of the most critical functions of an organization. This is the process that identifies the critical and core roles of an organization and identifies and assesses the suitable candidates for the same.
- SuccessionManagement is making provisions for the development, replacement and strategic application of key people over time, and requires the identification of the organization’s values, mission, and strategic plans.

### 3.8 KEYWORDS

- **Career:**A sequence of separate but related work activities that provides continuity, order and meaning in a person's life.
- **Career Path:** A career path is a flexible line of movement through which an employee may move during employment with a company.
- **Career Planning:**Career Planningis an ongoing process whereby an individual sets career goals and identifies the means to achieve them.
- **Career Development**: Career Developmentis a formal approach used by the organization to ensure that the people with the proper qualifications and experiences are available when needed.
- **Career Management**: Career Management is the combination of structured planning and the active management choice of one's own professional career.
- **Succession Planning**: A process by which one or more successors are identified for key posts (or groups of similar key posts), and career moves and/or development activities are planned for these successors.

- **Succession Management:** SuccessionManagement is making provisions for the development, replacement and strategic application of key people over time, and requires the identification of the organization’s values, mission, and strategic plans.

### 3.9 REVIEW QUESTIONS

1. What is career planning? Outline the process of career planning
2. What is career development? Explain the steps involved in it.
3. “Career development is a waste of money for a company. All it does is *raise* employees’ expectations and then, frustrated, they quit.” Do you agree or disagree? Discuss.
4. Differentiate between succession planning and succession management. Explain the steps involved in succession planning.

### 3.10 FURTHER READINGS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# UNIT 4

# RECRUITMENT, SELECTION, TRAINING AND DEVELOPMENT

**Structure**

4.1 Introduction

4.2 Meaning and Objectives of Recruitment

4.3 Sources of Recruitment

4.4 Methods of Recruitment

4.5 Recruitment: Indian Experiences

4.6 Introduction to Selection

4.7 Meaning and objectives of Training

4.8 Training and Development

4.9 Needs for Training

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4.11 A Systematic Approach to Training

4.12 Training Methods

4.13 Evaluation of Training Programme

4.14 Executive Development

4.15 Methods of Management Development Programmes

4.16 Summary

4.17 Keywords

4.18 Review Questions

4.19 Further Readings

**Learning Objectives**

After studying this unit, you will be able to:

- Define recruitment and describe the objectives of recruitment.
- Explain the sources and methods of recruitment.
- Describe the process of selection of employees.
- List out the objectives of Training and Development
- Explain the types of training and methods of training
- Describe the Methods of Management Development Programmes

## 4.1 INTRODUCTION

Attracting the right talent has been a key issue for big and small companies all over the world. How to do it? What are the parameters for hiring the best talent available? The mistake in hiring a talent that is not suitable can be fifteen times an employee's salary in costs and loss of productivity. Mistakes like this happens when we are unclear about what is needed, has a poor selection pool and mostly at our own ability in picking the right candidate.

## 4.2 MEANING AND OBJECTIVES OF RECRUITMENT

Recruitment is the premier major step in the selection process in the organizations. It has been explained as an activity directed to obtain appropriate human resources whose qualifications and skills match functions of the relevant posts in the organization. Its importance cannot be over-emphasized and can also be best described as the 'heart' of the organization.

Recruitment is defined as "the process of identifying and hiring the best-qualified candidate (from within or outside of an organization) for a job vacancy, in a most timely and costeffective manner".

The **recruitment process** is the value added HR Process. It is about attracting, interviewing and hiring new employees. The perfect recruitment includes the adaption of the new hire. It is about the definition of the job vacancy, designing the appealing recruitment text and offering the competitive package to the winning candidate. The recruitment process is managed by the recruitment strategy. HR should always find the right position on the job market as the candidates flow smoothly through the organization. The recruitment is not just external; the internal recruitment has an enormous impact on the performance of the company and increases the satisfaction of employees. The recruitment is not just the operational HR process. The **definition of the recruitment** is not easy, and the whole process can be extremely complex.

The recruitment is the **essential part of building the competitive advantage**. HR has to define the needed profiles (skills and competencies). The profile of the ideal candidate has to be aligned with the corporate culture and corporate values. The profile has to support enhancing the organizational capability. The recruitment is one of the best opportunities to enrich the organization, and it is the way to build the learning organization. **HR Recruiter** has to be skilled to identify the right profile of the best candidate, and they have to be promoted to managers as the best hiring option.

**OBJECTIVES OF RECRUITMENT**

Recruitment fulfills the following objectives

1. It reviews the list of objectives of the company and tries to achieve them by promoting the company in the minds of public.
2. It forecasts how many people will be required in the company.
3. It enables the company to advertise itself and attract talented people.
4. It provides different opportunities to procure human resource

To fulfill the above said objectives, the recruitment must:

- Attract and encourage more and more candidates to apply in the organization.

- Create a talent pool of candidates to enable the selection of best candidates for the organization.
- Determine present and future requirements of the organization in conjunction with its personnel planning and job analysis activities.
- Link the employers with the employees.
- Increase the pool of job candidates at minimum cost.
- Increase the success rate of selection process by decreasing number of visibly under qualified or overqualified job applicants.
- Reduce the probability that job applicants once recruited and selected will leave the organization only after a short period of time.
- Meet the organizations legal and social obligations regarding the composition of its workforce.
- Identify and prepare potential job applicants who will be appropriate candidates.
- Increase organizational and individual effectiveness of various recruiting techniques and sources for all types of job applicants

**Policies**

To achieve the above objectives, it is necessary to have relevant recruitment policies and also to ensure that they are effectively implemented. Policies increase managerial effectiveness by standardizing many routine decisions clarifying the discretion managers and subordinates can exercise in implementing functional tactics. Changing environment has a direct effect on the success and failure of the organization.

These changes take place inside and outside the organization. Most policies in organizations are never reviewed and they become irrelevant due to the changes in the environment that the organization is operating.

## 4.3 SOURCES OF RECRUITMENT

Every organization has the option of choosing the candidates for its recruitment processes from two kinds of sources: internal and external sources. The sources within the organization itself (like transfer of employees from one department to other, promotions) to fill a position are known as the internal sources of recruitment. Recruitment candidates from all the other sources (like outsourcing agencies etc.) are known as the external sources of recruitment.

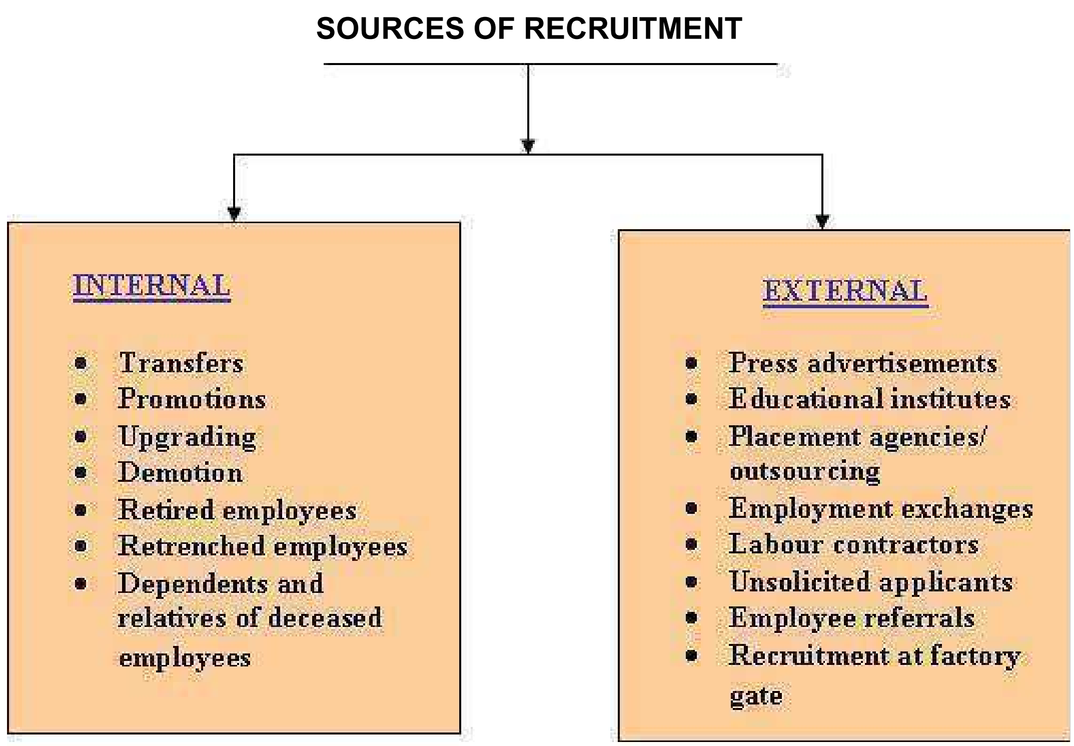


**Figure 4.1: SOURCES OF RECRUITMENT**

**Internal Sources of Recruitment**

The internal sources of recruitment are:-

1. **Promotions**: Promotion means to give a higher position, status, salary and responsibility to the employee. So, the vacancy can be filled by promoting a suitable candidate from the same organisation.
2. **Transfers**: Transfer means a change in the place of employment without any change in the position, status, salary and responsibility of the employee. So, the vacancy can be filled by transferring a suitable candidate from the same organization.
3. **Internal Advertisements**: Here, the vacancy is advertised within the organization. The existing employees are asked to apply for the vacancy. So, recruitment is done from within the organization.
4. **Retired Managers**: Sometimes, retired managers may be recalled for a short period. This is done when the organization cannot find a suitable candidate.
5. **Recall from Long Leave**: The organization may recall a manager who has gone on a long leave. This is done when the organization faces a problem which can only be solved by that particular manager. After he solves the problem, his leave is extended.

**Merits of internal sources**

1. It keeps employees happy with high morale.
2. It creates a sense of security among employees
3. It ensures continuity of employees and organisational stability.
4. It is quite economical.
5. It is time saving, simple and reliable.
6. Employees remain loyal to the organisation.
7. Labour turnover is reduced.

8. A better employer-employee relationship is established.
9. There is no need of induction training because the candidate already knows everything about the organization, the work, the employee, the rules and regulations, etc.
10. It motivates the employees of work hard in order to get higher jobs in the same organization.
11. It develops loyalty and a sense of responsibility.

**Demerits of Internal Sources**

The limitations / demerits of using internal sources of recruitment:-

1. It prevents new blood from entering the organization. New blood brings innovative ideas, fresh thinking and dynamism into the organization.
2. It has limited scope because it is not possible to fill up all types of vacancies from within the organization.
3. The position of the person who is promoted or transferred will be vacant.
4. There may be bias or partiality in promoting or transferring persons from within the organization.
5. Those who are not promoted will be unhappy.
6. The right person may be promoted or transferred only if proper confidential reports of all employees are maintained. This involves a lot of time, money and energy.

**External Sources of Recruitment**

The external sources of recruitment are:-

1. **Management Consultants**: Management consultants are used for selecting higher-level staff. They act as a representative of the employer. They make all the necessary arrangements for recruitment

and selection. In return for their services, they take a service charge or commission.

2. **Public Advertisements**: The Personnel department of a company advertises the vacancy in newspapers, the internet, etc. This advertisement gives information about the company, the job and the required qualities of the candidate. It invites applications from suitable candidates. This source is the most popular source of recruitment. This is because it gives a very wide choice. However, it is very costly and time consuming.
3. **Campus Recruitment**: The organization conducts interviews in the campuses of Management institutes and Engineering Colleges. Final year students, who're soon to get graduate, are interviewed. Suitable candidates are selected by the organization based on their academic record, communication skills, intelligence, etc. This source is used for recruiting qualified, trained but inexperienced candidates.
4. **Recommendations**: The organization may also recruit candidates based on the recommendations received from existing managers or from sister companies.
5. **Deputation Personnel**: The organization may also recruit candidates who are sent on deputation by the Government or Financial institutions or by holding or subsidiary companies.

**Merits of external sources**

1. Wide choice: By this, an enterprise can make the best selection.
2. Fresh view points: Fresh views and outlook may be available.
3. Varied and broader experience: An enterprise can get the benefit of employing the personnel with varied and broader experience.

**Demerits**

1. Heart burning among old employees: Exiting employees of an enterprise will be demoralised, particularly when an important position is filled up from an external source.
2. Lack of co-operation from old staff: When existing employees are demoralised, they do not extend co-operation to the personnel selected from the external sources.
3. Danger of maladjustment: Sometimes, personal selected from the external source may not be in a position to adjust to the new environment.
4. There is deterioration in the employer-employee relationships.
5. There is a greater turnover of labour.

## 4.4 METHODS OF RECRUITMENT

The methods of recruitment open to a business are often categorized into:

**Internal recruitment** is when the business looks to fill the vacancy from within its existing workforce.

**External recruitment** is when the business looks to fill the vacancy from any suitable applicant outside the business.

| | **Advantages** | **Disadvantages** |
|---|---|---|
| **Internal Recruitment** | Cheaper and quicker to recruit | Limits the number of potential applicants |
| | People already familiar with the business and how it operates | No new ideas can be introduced from outside the business |

| | | |
|---|---|---|
| | Provides opportunities for promotion with in the business – can be motivating | May cause resentment amongst candidates not appointed |
| | Business already knows the strengths and weaknesses of candidates | Creates another vacancy which needs to be filled |
| **External Recruitment** | Outside people bring in new ideas | Longer process |
| | Larger pool of workers from which to find the best candidate | More expensive process due to advertisements and interviews required |
| | People have a wider range of experience | Selection process may not be effective enough to reveal the best candidate |

The four most popular ways of recruiting externally are:

**Job centres** - These are paid for by the government and are responsible for helping the unemployed find jobs or get training. They also provide a service for businesses needing to advertise a vacancy and are generally free to use.

**Job advertisements** - Advertisements are the most common form of external recruitment. They can be found in many places (local and national newspapers, notice boards, recruitment fairs) and should include some important information relating to the job (job title, pay package, location, job description, how to apply-either by CV or application form). Where a business chooses to advertise will depend on the cost of advertising and the coverage needed (i.e. how far away people will consider applying for the job

**Recruitment agency** - Provides employers with details of suitable candidates for a vacancy and can sometimes be referred to as ‘head-hunters’. They work for a fee and often specialise in particular employment areas e.g. nursing, financial services, teacher recruitment

**Personal recommendation** - Often referred to as ‘word of mouth’ and can be a recommendation from a colleague at work. A full assessment of the candidate is still needed however but potentially it saves on advertising cost.

## 4.5 **RECRUITMENT: INDIAN EXPERIENCES**

### OUTSOURCING

The following trends are being seen in recruitment:

In India, the HR processes are being outsourced from more than a decade now. A company may draw required personnel from outsourcing firms. The outsourcing firms help the organization by the initial screening of the candidates according to the needs of the organization and creating a suitable pool of talent for the final selection by the organization. Outsourcing firms develop their human resource pool by employing people for them and make available personnel to various companies as per their needs. In turn, the outsourcing firms or the intermediaries charge the organizations for their services.

Advantages of outsourcing are:

1. Company need not plan for human resources much in advance.
2. Value creation, operational flexibility and competitive advantage
3. Turning the management's focus to strategic level processes of HRM

4. Company is free from salary negotiations, weeding the unsuitable resumes/candidates.
5. Company can save a lot of its resources and time

**POACHING/RAIDING**

"Buying talent" (rather than developing it) is the latest mantra being followed by the organizations today. Poaching means employing a competent and experienced person already working with another reputed company in the same or different industry; the organisation might be a competitor in the industry. A company can attract talent from another firm by offering attractive pay packages and other terms and conditions, better than the current employer of the candidate. But it is seen as an unethical practice and not openly talked about. Indian software and the retail sector are the sectors facing the most severe brunt of poaching today. It has become a challenge for human resource managers to face and tackle poaching, as it weakens the competitive strength of the firm.

**E-RECRUITMENT**

Many big organizations use Internet as a source of recruitment. E-recruitment is the use of technology to assist the recruitment process. They advertise job vacancies through worldwide web. The job seekers send their applications or curriculum vitae i.e. CV through e mail using the Internet. Alternatively job seekers place their CV's in worldwide web, which can be drawn by prospective employees depending upon their requirements.

- Advantages of e-recruitment are:
  - Low cost.
  - No intermediaries
  - Reduction in time for recruitment.
  - Recruitment of right type of people.

- Efficiency of recruitment process.

**Recruitment in Public Sector**

The major sources of recruitment practiced in the public sector organizations in order of performance are:

- ✓ Employment Exchange
- ✓ Advertisement
- ✓ Internal Sources ( Through promotion and transfer)
- ✓ Casual employment seekers
- ✓ Displaced persons
- ✓ Employees relatives and friends

**Recruitment in Private Sector**

In private sector organizations, procedures and methods in regard to recruitment are not formalized. As such, each private sector employer followed its own method. The following methods are found popular in their hierarchical order of importance:

- ✓ Advertisements
- ✓ Employment exchanges
- ✓ Relatives and friends of existing employees and their recommendations
- ✓ Internal sources through promotion and transfers
- ✓ Casual callers

## 4.6 INTRODUCTION TO SELECTION

Employee Selection is the process of putting right men on right job. It is a procedure of matching organizational requirements with the skills and qualifications of people. Effective selection can be done only when there is effective matching. By selecting best candidate for the required job, the organization will get quality performance of employees. Moreover, organization will face less of absenteeism and employee turnover problems.

By selecting right candidate for the required job, organization will also save time and money. Proper screening of candidates takes place during selection procedure. All the potential candidates who apply for the given job are tested.

But selection must be differentiated from recruitment, though these are two phases of employment process. Recruitment is considered to be a positive process as it motivates more of candidates to apply for the job. It creates a pool of applicants. It is just sourcing of data. While selection is a negative process as the inappropriate candidates are rejected here. Recruitment precedes selection in staffing process. Selection involves choosing the best candidate with best abilities, skills and knowledge for the required

The **Employee selection Process** takes place in following order-

1. **Preliminary Interviews-** It is used to eliminate those candidates who do not meet the minimum eligibility criteria laid down by the organization. The skills, academic and family background, competencies and interests of the candidate are examined during preliminary interview. Preliminary interviews are less formalized and planned than the final interviews. The candidates are given a brief up about the company and the job profile; and it is also examined how much the candidate knows about the company. Preliminary interviews are also called screening interviews.
2. **Application blanks-** The candidates who clear the preliminary interview are required to fill application blank. It contains data record of the candidates such as details about age, qualifications, reason for leaving previous job, experience, etc.
3. **Written Tests-** Various written tests conducted during selection procedure are aptitude test, intelligence test, reasoning test, personality test, etc. These tests are used to objectively assess the potential candidate. They should not be biased.

4. **Employment Interviews-** It is a one to one interaction between the interviewer and the potential candidate. It is used to find whether the candidate is best suited for the required job or not. But such interviews consume time and money both. Moreover the competencies of the candidate cannot be judged. Such interviews may be biased at times. Such interviews should be conducted properly. No distractions should be there in room. There should be an honest communication between candidate and interviewer.
5. **Medical examination-** Medical tests are conducted to ensure physical fitness of the potential employee. It will decrease chances of employee absenteeism.
6. **Appointment Letter-** A reference check is made about the candidate selected and then finally he is appointed by giving a formal appointment letter.

## 4.7 MEANING AND OBJECTIVES OF TRAINING

Training is process of learning a sequence of programmed behavior. It is application ofknowledge. It gives people an awareness of the rules and procedures to guide their behavior. It attempts to improve their performance on the current job or prepare them for an intended job.

Training is the process of increasing the knowledge and skills for doing a particular job. It is an organised procedure by which people learn knowledge and skill for a definite purpose. The purpose of training is basically to bridge the gap between job requirements and resent competence of an employee.

According to Micheal. J. Jucious “training is an process by which the aptitudes, skills and abilities of employees to perform specific jobs are increased. On the other hand, education is the process of increasing the general knowledge and understanding of employees.”

**Objectives of Training**

Following are the objectives of training:

a. To prepare the employee both new and old to meet the present as well as the changing requirements of the job and the organization.
b. To prevent obsolescence
c. To impart the new entrants the basic knowledge and skills they need for an intelligent performance of a definite job.
d. To prepare employees for higher level tasks
e. To assist employees to function more effectively in their present positions by exposing them to the latest concepts, information and techniques and developing the skills they will need in their particular fields.
f. To build a second line of competent officers and prepare them to occupy more responsible positions.
g. To develop the potentialities of people for the next level job
h. To ensure smooth and efficient working of a department.
i. To ensure economical output of required quality

## 4.8 TRAINING AND DEVELOPMENT

Employee training is different from management development or executive development. While the former refers to the training given to employees in the areas of operations, technical and allied areas, the latter refers to developing an employee in the areas of principles and techniques of management, administration, organisation and allied areas.

Training is short term process utilising a systematic and organised procedure by which non managerial personnel learn technical knowledge and skills for a definite purpose. Development is a long term educational process utilising a systematic and organised procedure by which managerial personnel learn conceptual and theoretical knowledge for general purpose. Training is designed for non managers while development involves managerial personnel.

## 4.9 NEED FOR TRAINING

Specifically the need for training arises due to the following reasons:

1) **To increase productivity:** Instruction can help employees increase the level of performance on their present assignment. Increased human performance often directly leads to increased operational productivity and increased company profit.
2) **To improve quality:** Better informed workers are less likely to make operational mistakes. Quality increases may be in relationship to a company product or service, or in reference to the tangible organisational employment atmosphere.
3) **To help a company to fulfill its future personnel needs:** Organisations that have a good internal educational programme will have to make less drastic manpower changes and adjustments in the event of sudden personnel alternations. When the need arises, organisational vacancies can more easily be staffed from internal sources if a company initiates and maintains an adequate instructional programme for its employees.
4) **To improve health and safety:** Proper training can help prevent industrial accidents. A safer work environment leads to more stable mental attitudes on the part of employees. Managerial mental state would also improve if supervisors know that they can better themselves through company designed development programmes.
5) **Obsolescence prevention:** Training and development programmes foster the initiative and creativity of employees and help to prevent manpower obsolescence, which may be due to age, temperament or

motivation, or the inability of a person to adapt him to technological changes.

6) **Personal growth:** Employees on a personal basis gain individually from their exposure to educational and training experiences.
7) **Internal mobility:** Training becomes necessary when an employee moves from one job to another due to promotion and transfer. Employees chosen for higher level jobs need to be trained before they are asked to perform the higher responsibilities.

## 4.10 TYPES OF TRAINING

Training is required for several purposes. Accordingly, training programmes may be oof following types:

1. **Orientation training:** Induction or orientation training seeks to adjust newly appointed employees to the work environment. Every new employee needs to be made fully familiar with the job, his superior and subordinates and with the rules and regulations of the organisation. Induction training creates self-confidence in the employees.
2. **Job training:** It refers to the training provided with a view to increase the knowledge and skills of an employee for improving performance on the job. Employees may be taught the correct methods of handling equipment and machines used in a job. Such training helps to reduce accidents, waste and inefficiency in the performance of the job.
3. **Safety training**: Training provided to minimise accidents and damage to machinery is known as safety training. It involves instruction in the use of safety devices and in safety consciousness.
4. **Promotional training**: It involves training of existing employees to enable them to perform higher level jobs. Employees with potential are selected and they are given training before their promotion so that they

do not find it difficult to shoulder the higher responsibilities of the new positions to which they are promoted.

5. **Refresher training**: When existing techniques become obsolete due to the development of better techniques, employees have to be trained in the use of new methods and techniques. With the passage of time employees may forget some of the methods of doing work. Refresher training is designed to revive and refresh the knowledge and to update the skills of the existing employees. Short-term refresher courses have become popular on account of rapid changes in technology and work methods.
6. **Remedial training:** Such training is arranged to overcome the shortcomings in the behaviour and performance of old employees. Some of the experience employees might have picked up inappropriate methods and styles of working. Such employees are identified and correct work methods and procedures are taught to them. Remedial training should be conducted by psychological experts.

## 4.11 A SYSTEMATIC APPROACH TO TRAINING

In order to achieve the training objectives, an appropriate and systematic training policy is necessary. A training policy represents the commitment of top management to employee training. A systematic approach to training is required:

a) To indicate the company's intention to develop its employees
b) To guide the design and implementation of training programmes
c) To identify the critical areas where training is to be given on a priority basis and
d) To provide appropriate opportunities to employees for their own betterment.

## 4.12 TRAINING METHODS

The methods employed for training of operatives may be described as under:

1. **On-the –job training (OJT)**: In this method, the trainee is placed on a regular job and taught the skills necessary to perform it. The trainee learns under the guidance and supervision of the superior or an instructor. The trainee learns by observing and handling the job. Therefore, it is called learning by doing.

Several methods are used to provide on-the-job training, e.g.,coaching, job rotation, committee assignments etc.

MERITS: The main advantage of the On-the-Job Trianing is that the trainee learns on the actual machine in use and in the real environment of the job. He gets a feel of the actual job. Therefore, he is better motivated to learn and there is no problem of transfer of training skills to the job. Secondly, this method is very economical because no additional space, equipment, personnel or other facilities are required for training. The trainee produces while he learns. Thirdly, the trainee learns the rules and regulations and procedures by observing their day-to-day applications. Fourthly, this is the most suitable method for teaching knowledge and skills which can be acquired through personal observation in a relatively short time period. It is widely used for unskilled and semiskilled jobs. Fifthly, line supervisors take an active part in training their subordinates.

DEMERITS: First, in on-the-job training, the learner finds it difficult to concentrate due to noise of the actual workplace. Secondly, this method is often haphazard and unorganised. The superior or experienced employee may not be a good trainer. Thirdly, in this method, the trainee may cause damage to costly equipment and materials.

In order to make on-the-job training successful, some conditions must be satisfied:

- What and how to teach should be carefully decided?
- The instructor should be carefully selected and trained.
- A definite follow-up schedule should be used to judge the results of training.

**2. Vestibule training:** In this method, a training centre called vestibule is set up and actual job conditions are duplicated or simulated in it. Expert trainers are employed to provide training with the help of equipment and machines which are identified with those in use at the workplace.

MERITS: The main advantage of vestibule training is that the trainee can concentrate on learning without disturbance of the workplace noise. Secondly, the interest and motivation of the trainee are high as the real job conditions are duplicated. Thirdly, this method is essential in cases where on-the-job training might result in a serious injury, a costly event, or the destruction of valuable equipment and material. Fourthly, correct method can be taught effectively by the trained instructor who knows how to teach. Fifthly, it permits the trainee to practice without the fear of being observed and described by the superior or co-worker.

DEMERITS: Vestibule training is the most expensive method because of additional investments in classroom, equipment and expert trainers. Secondly, the training situation is somewhat artificial and the trainee does not get a feel of the real job. Thirdly, separation of training from the supervisory responsibilities may lead to problems in the organisation.

**3. Apprenticeship training:** In this method, theoretical instruction and practical learning are provided to trainee in training institutes. In India, the Government has established Industrial Training Institutes (ITIs) for this purpose. Under the Apprenticeship Act, 1962 employers in specified industries are required to train the prescribed number of persons in “designated trades”. The aim is to develop all-round craftsman. Generally, a stipend is paid during the training period. Thus, it is an “earn when you learn scheme”.

MERITS: First, the main advantage of this method is that it combines theory and practice. Secondly, the trainee acquires skills which are valuable in the job market. Thirdly, apprenticeship programmes provide skilled workforce to industry.

DEMERITS: Apprenticeship training is time-consuming and expensive. Many persons leave the training programme midway as the training period ranges from one year to five years.

Apprenticeship training is the oldest method of training. It is particularly suitable for scanning crafts and technical trades wherever job proficiency is the result of a relatively long training period.

4. **Classroom training (Off-the-job training):** Under this method, training is provided in company classrooms or in educational institutions. Lectures, case studies, group discussions, and audio visual aids are used to explain knowledge and skills to the trainees. Classroom training is suitable for teaching concepts and problem-solving skills. It is also useful for orientations and safety training programmes. Some companies maintain their own training institutes or schools. Special training courses are designed, e.g. management course for foreman, computer course for typists, etc. Courses in retraining and upgrading may also be conducted. Small firms depend on outside schools and courses.

Off-the –job training methods mainly consists of:

a. Lectures
b. Conferences
c. Group discussions
d. Case studies

e. Role playing
f. Programme instructions
g. Laboratory training

**5. Internship training:** It is joint programme of training in which educational institutions and business firms cooperate. Selected candidates carry on regular studies for the prescribed period. They also work in some factory or office to acquire practical knowledge and skills. This method helps to provide a good balance between theory and practice. But it involves a long time period due to slow process. This method of training used in professional work, e.g. MBBS, CA, ICWA, Company Secretaries etc.

## 4.13 EVALUATION OF TRAINING PROGRAMME

Since huge sums of money are spent on training, how far the programme has been useful must be judged/ determined. Evaluation helps determine the results of the training. In practice, however, firms either overlook or lack facilities for evaluation.

### Need for Evaluation

The main objective of evaluating the training programme, is to determine if they are accomplishing specific training objectives, that is, correcting performance deficiencies. A second reason for evaluation is to ensure that any changes in trainee capabilities are due to the training programme and not due to any other conditions. Training programmes should be evaluated to determine their cost effectiveness. Evaluation is useful to explain programme failure, should it occur. Finally, credibility of training is greatly enhanced when it is proved that the firm has benefitted tangibly from it.

### Principles of Evaluation

Evaluation of the training programme must be based on the following principles:

1. Evaluation specialist must be clear about the goals and purposes of evaluation
2. Evaluation must be continuous
3. Evaluation must be specific
4. Evaluation must provide the means and focus for trainers to be able to appraise themselves, their practices, and their products
5. Evaluation must be based on objective methods and standards.
6. Realistic target dates must be set for each phase of the evaluation process.

**Techniques of Evaluation**

Several techniques of evaluation are being used in firms. It may be stated that the usefulness of the methods is inversely proportional to the ease with which the evaluation can be done.

One approach towards evaluation is to use experimental and control groups. Each group is randomly selected, one to receive training and the other not to receive training. The random selection helps to assure the formation of groups quite similar to each other. Measures are taken of the relevant indicators of success before and after training for both the groups. If the gains demonstrated by the experimental groups are better than those by the control group, the training programme is labeled as successful.

Another method of training evaluation involves longitudinal or time-series analysis. Measurements are taken before the programme begins and are continued during and after the programme is completed. These results are plotted on a graph to determine whether changes have occurred as a result of the training effort. To further validate that change has occurred as a result of training or not due to some other variable, a control group may be included.

One simple method of evaluation is to send a questionnaire to the trainees, after the completion of the programme to obtain their opinions about the programmes worth. Their opinions could also be obtained through interviews. A variation of this method is to measure the knowledge and skills that employees possess at the commencement and completion of a training. If the measurement reveals that the results after training are satisfactory, then the training may be taken as successful.

**How to make training effective?**

Action on the following lines needs to be initiated to make training practices effective:

- ✓ Ensure that the management commits itself to allocate major resources and adequate time to training.
- ✓ Ensure that training contributes to competitive strategies of the firm.
- ✓ Ensure that a comprehensive and systematic approach to training exists, and training and retraining are done at all levels on a continuous and ongoing basis
- ✓ Make learning one of the fundamental values of the company. Let this philosophy percolate down to all employees in the company
- ✓ Ensure that there is proper linkage among organisational, operational and individual training needs.

## 4.14 EXECUTIVE DEVELOPMENT

Executive's development or management development is a systematic process of growth and development by which the managers develop their abilities to manage. So, it is the result of not only participation in formal courses of instruction but also of actual job experience. It is concerned with improving the performance of the managers by giving them opportunities for growth and development, which in turn depends on organisation structure of the company.

"Executive development is eventually something that the executive has to attain himself. But he will do this much better if he is given encouragement, guidance and opportunity by his company".

## 4.15 METHODS OF MANAGEMENT DEVELOPMENT PROGRAMMES

Various methods of management development may be classified into two broad categories as shown in the following figure:

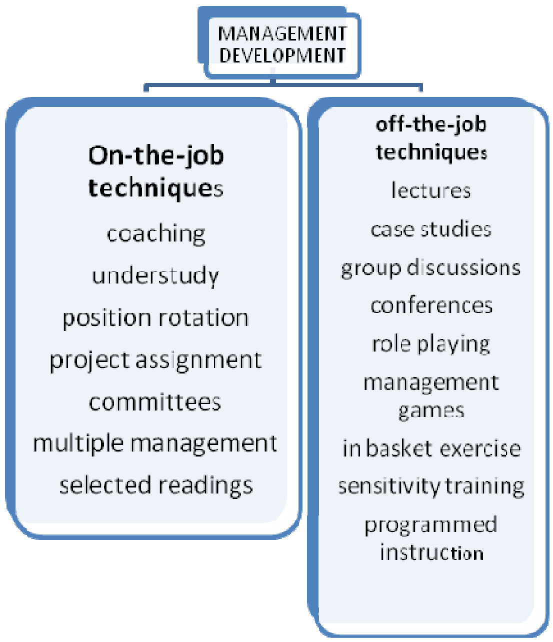


**Figure 6.1: Management Development Methods**

**On-the-job methods**: On-the-job training helps to improve on the job behavior of executives. Such training is inexpensive and time saving. On-the-job training is given through the following methods:

1. **Coaching:** In this method, the superior guides and instructs the trainee as a coach. The coach or counselor sets mutually agreed upon goals, suggests how to achieve these goals, periodically reviews the trainee's progress and suggests changes required in behavior and performance.

2. **Understudy:** An understudy is a person selected and being trained as the heir apparent to assume at a future time the full duties and responsibilities of the position presently held by the superior. The superior routes much of the developmental work through the junior, discusses problems with him and allows him to participate in decision making process as often as possible.

3. **Position rotation:** It involves movement or transfer of executives from one position or job to another on some planned basis. These persons are moved from one managerial position to another according to a rotation schedule.

4. **Project assignments:** Under this method, a number of trainee executives are put together to work on a project directly related to their functional area. The group called project team or task force will study the problem and find appropriate solutions.

5. **Committee assignment:** A permanent committee consisting of trainee executive is constituted. All the trainees participate in the deliberations of the committee. Through discussion in committee meetings they get acquainted with different viewpoints and alternative methods of problem solving.

6.**Multiple management:** Under this method a junior board of young executives is constituted. Major problems are analysed in the junior board which makes recommendations to Board of Directors. The young executives learn decision making skills and the Board of Directors receives the collective wisdom of the executive team.

7. **Selective readings:** Managing has become a specialised job requiring a close touch with the latest developments in the field. By reading selected professional books and journals, managers can keep in touch with the latest research findings, theories and techniques in management. Many organizations maintain libraries for their executives and managers are encouraged to continually read and improve their skills

**8. Lectures:** these are formally organized talks by an instructor on specific topics. Lectures are essential when technical or special information of a complex nature is to be provided. Lecture method is a simple way of imparting knowledge to a large number of persons within a short time. It is very useful when facts, concepts, principles, attitudes and problem-solving skills are to be taught.

9. **Group discussions:** It is a variant of the lecture method. Under it, paper is prepared and presented by one or more trainees on the selected topic. This is followed by a critical discussion. The chairman of the discussion or seminar summarizes the contents of the papers and the discussions which follows.

10. **Case study method:** Under this method, a real or hypothetical business problem or situation demanding solution is presented in writing to the trainees. They are required to indentify and analyze the problems, suggest and evaluate alternative courses of action and choose the most appropriate solution.

11**. Conference method:**A conference is a formal meeting conducted in accordance with an organized plan. Problems of common interest are discussed. The participants pool their ideas and experience to deal with the problems effectively.

12. **Role playing:** In this method, the trainees act out a given role as they would in a stage play. Two or more trainees are assigned parts to play before the rest of the class. Thus, it is a method of human interaction which involves realistic behavior in an imaginary or hypothetical situation. Role playing primarily involves employer employee relationships, hiring, firing, discussing a grievance procedure, conducting a post appraisal interview or a salesman making a presentation to a customer.

13. **Basket exercise:** In this method, the trainee is provided with a basket or tray of papers and files related to a functional area. He is expected to carefully

study these and make his own recommendations on the problem situation. The recommendations / observations of different trainees are compared and conclusions are arrived at. These are put down in the form of a report.

14. **Management games:** Management or business games are designed to be representative of real life situations. These are classroom simulation exercises which teams of individuals compete against one another or against an environment in order to achieve a given objective. In these exercises, the participant plays a dynamic role, and enriches their skills through involvement and simulated exercise.

15. **Programmed instruction**: This method incorporates a pre-arranged and proposed acquisition of some specific skills or general knowledge. Information is broken into meaningful units and these units are arranged in a proper way to form a logical and required learning package.

16. **Sensitivity training:** This method s also called T-Group training and laboratory training. The purpose is to increase self-awareness, develop interpersonal competence and sharpen teamwork skills. The trainees are brought together in a fee and open environment wherein participants discuss themselves. The discussion is directed by a behavioral expert who creates the opportunity to express their ideas, beliefs and attitudes.

## 4.16 SUMMARY

- Recruitment is the premier major steps in the selection process in the Organizations. Recruitment is defined as “the process of identifying and hiring the best-qualified candidate (from within or outside of an organization) for a job vacancy, in a most timely and costeffective manner”.Every organization has the option of choosing the candidates for its recruitment processes from two kinds of sources: internal and external sources.

- Internal recruitment is when the business looks to fill the vacancy from within its existing workforce. External recruitment is when the business looks to fill the vacancy from any suitable applicant outside the business.
- “Buying talent” (rather than developing it) is the latest mantra being followed by the organizations today.
- Poaching means employing a competent and experienced person already working with another reputed company in the same or different industry; the organization might be a competitor in the industry.
- Employee Selection is the process of putting right men on right job. It is a procedure of matching organizational requirements with the skills and qualifications of people.
- Training is process of learning a sequence of programmed behavior. It is application of knowledge. It gives people an awareness of the rules and procedures to guide their behavior. It attempts improve their performance on the current job or prepare them for an intended job.
- Employee training is different from management development or executive development. While the former refers to the training given to employees in the areas of operations, technical and allied areas, the latter refers to developing an employee in the areas of principles and techniques of management, administration, organisation and allied area
- In order to achieve the training objectives, an appropriate and systematic training policy is necessary. A training policy represents the commitment of top management to employee training.

- Since huge sums of money are spent on training, how far the programme has been useful must be judged/ determined. Evaluation helps to determine the results of the training. In practice, however, firms either overlook or lack facilities for evaluation. The main objective of evaluating the training programme is to determine if they are accomplishing specific training objectives, that are, correcting performance deficiencies.
- Executives development or management development is a systematic process of growth and development by which the managers develop their abilities to manage.

## 4.17 KEYWORDS

- **Recruitment:** It is the process of identifying and hiring the best-qualified candidate (from within or outside of an organization) for a job vacancy, in a most timely and costeffective manner.
- **Selection:** It is a procedure of matching organizational requirements with the skills and qualifications of people.
- **E- recruitment:** It is the use of technology to assist the recruitment process.
- **Coaching: A** training method in which a more experienced or skilled individual provides an employee with advice and guidance intended to help him or her develop skills, improve performance and enhance the quality of his or her career.
- **Emotional intelligence**: Describes the mental ability an individual possesses enabling him or her to be sensitive and understanding to the emotions of others, as well as to manage his /her own emotions and impulses.

- **Executive**: A term used to define the highest-ranking individual or group of individuals reporting to a board of directors who have managerial or administrative authority for the business operations of the entire organization, business unit, or function.
- **Job rotation**: The practice of transferring employees for temporary periods of time between varying jobs within an organization. Often used as a training and development method.

## 4.18 REVIEW QUESTIONS

1. Define recruitment. Explain the sources of recruitment.
2. What is meant by selection? Explain the process of selection of employees.
3. Critically explain the different methods of recruitment.
4. Define training. What are the objectives of training?
5. Distinguish between training and development. What is the need of training?
6. Make a critical evaluation of various training methods.
7. What do you understand by management development? What are the methods of management development?

## 4.19 FURTHER READINGS


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# Unit 5

# INDUCTION; PLACEMENT; TRANSFER; PROMOTION AND SOCIALIZATION

**Structure**

5.1 Introduction, Definition and Objectives of Induction

5.2 Placement

5.3 Induction vs. Orientation

5.4 Content and Responsibility for Induction

5.5 Internal Mobility: Transfer, Promotion, Demotion, Separation

5.6 Socialization Process

5.7 Summary

5.8 Keywords

5.9 Review Questions

5.10 Further Readings

**Learning Objectives**

After studying this unit, you will be able to:

- Define and distinguish between Induction and Orientation.
- Explain the need for internal mobility.
- Describe the purpose and stages in Socialization Process.

## 5.1 INTRODUCTION, DEFINITION AND OBJECTIVES OF INDUCTION

Induction is the act or process of reasoning from a part to a whole, from particulars to generals, or from the individual to the universal; also, the result or inference so reached.Induction is a process of becoming familiar with a procedure or organization. If you are a new employee in a firm, you experience a lot of introductions or meet new colleagues for the first time. The firm/company will put you on an induction course, which will tell you about how things work to make you know about/become familiar with the history/background/procedures of the organization.

Induction is a process of familiarizing the new recruits to the organization functioning so that they become productive in the least possible time; they are a means of honing the workforce to greater efficiency, precision, and perfection.

Every business, large or small, needs a well-planned induction process. The induction process has to provide all the information that new employees and others need, and are able to assimilate, without being overwhelming or diverting them from the essential process of integration into a team.

The term 'induction' is generally used to describe the whole process whereby employees blend in or acclimatize to their new jobs. The aim of the induction process is to help new employees make a smooth, positive adjustment to the workplace. Induction training is all about the basics as well like: shift timings; holiday routine; casual/sick leave policy; location of the cafeteria; dress code; Health and Safety, Terminology, jargon, glossary, definitions of local terms, Organization overview and structure etc. Induction enables the new employee to gain familiarity with the work environment and to acquire a sense of belonging that will build a commitment to the organization.

A successful induction process has three objectives:

- Helps new employees to settle in

- Helps new employees to comprehend their responsibilities and what is expected of them
- Ensures that the employer receives the benefit of the new employee as quickly as possible

An induction process should also be;

- Flexible and interesting
- Employee centered
- Meets equal opportunities requirements

**The Need for Induction**

Recruitment is an expensive business as it takes time, money and effort to find the right people to join your company. Efficiently organized and delivered induction training will be your new employees' first proper impression of you and your enterprise; this makes it an ideal occasion to reinforce their decision to come and work for you.

The purpose of induction is to ensure the effective integration of staff into the organization for the benefit of both parties. Research has shown that a well planned induction program increase staff retention. A well conducted induction ensures new hires are retained, and then settled in speedily and comfortably in a constructive role.

New employees also need to understand the organization's goals, values and philosophy; personnel practices, ethics, integrity, corporate social responsibility and the job they're required to do. An effective induction process shortens the time it takes to get the new employee to settle down.

An induction process is not simply for new employees. The same benefits can be received by staff who have been promoted or transferred or those who have returned from a long period of absence.

The induction of new employees is critical for modern organizations. The new hire does not contribute to the results of the organization. The induction program helps to shorten the learning curve, accommodate the new hire in the organization. Additionally, the induction program is a test for the employee. The recruitment and selection does not prevent the organization from unsuccessful hires fully. The adaptation period identifies the unsuccessful hires and eliminates them from the organization. The content of the Induction Program is extremely valuable as the process works at 100% and increases the performance of the organization.

## 5.2 PLACEMENT

Placement is a process of assigning a specific job to each of the selected candidates. It involves assigning a specific rank and responsibility to an individual. It implies matching the requirements of a job with the qualifications of the candidate.

The significances of placement are as follows:

* It improves employee morale.
* It helps in reducing employee turnover.
* It helps in reducing absenteeism.
* It helps in reducing accident rates.
* It avoids misfit between the candidate and the job.
* It helps the candidate to work as per the predetermined objectives of the organization.

## 5.3 INDUCTION vs. ORIENTATION

When a new employee joins a company he is led into an induction/orientation or an induction and orientation program. This really confuses many in HR as some believe it is induction while others refer to it as orientation. Are these two words synonymous or there is some difference between the two concepts?

Every company or organization has to have an induction and orientation program in place so that a new employee learns the rules and regulations of the company quickly. The program also makes him aware of the organizational structure of the company, the persons whom he has to interact and report matters, and also the actual training that the person has to undergo to perform the role and duties assigned to him. Induction is of a shorter duration while orientation may take up to a week. Induction comes first and is usually followed by orientation. Induction is more informal than orientation. Induction means to introduce the new employee with all the other employees to make him feel relaxed. He is given a preview of the company and is more in the form of a presentation than in the form of training which is what orientation is. Induction gives an idea of the type of organization he is going to work with and in general to make him feel more comfortable with the premises and the people inside the organization.

Orientation is a more formal program that follows induction and usually consists of familiarizing the employee with his work environment, the machines and equipment, and the job and tasks that the new employee is expected to perform. If the new employee makes mistakes, it is taken as a part of his learning process. Mistakes gradually reduce in frequency and magnitude and by the time orientation comes to an end, the program makes the employee ready to take on the challenges of his job.

In brief,induction and orientation are part of a program that is designed to make a new employee comfortable in the organization and to make him learn the job he/she has to perform in an easy manner.

• Induction comes first and is followed by orientation

• Induction is more informal while orientation is more formal.

• Induction is shorter, mostly of a day while orientation may take up to 7 days.

### 5.4 CONTENT AND RESPONSIBILITY FOR INDUCTION

Human Resources need to prepare the attractive Induction Program for new hires. The Induction Program brings new hires into the organization. The new hires build their relationship with the organization and the attractive content on the induction program helps to build the positive image. The new hires do not build the relationship just on the basis of the job content. The emotions are extremely valuable, as well. The induction program has to provoke the positive emotions.

The induction program should last several months and it should begin before the start date. The new hire does not feel as the member of the organization from the first day. The newcomer needs time to learn the corporate culture, build the network of informal friends and recognize the importance of formal processes.

The ideal structure of the Induction Program is:

- Welcome Pack
- Induction Day
- Goals for the Induction Period
- Meeting Plan
- Mentoring

HR should not forget to send the Welcome Pack for the New Hires. The welcome pack should be sent before the start date. It informs the new employee about the corporate culture, corporate values and necessary documentation. The welcome pack includes the engaging information about the company and its internal processes. The new hires want to know more about the company and the welcome pack should answer their questions. The welcome pack can include the specific website address, which helps to connect new hires.

The Induction Day is the formal training for the new employees. They receive the same information at once. Many organizations make the Induction Day extremely frustrating. It consists from a number of different presentations, and it does not bring the value added. Each company tries to bring the new and better Induction Day. It is a mission impossible. It is better focus on the rest of the Induction Program.

The goals for the induction period are extremely influential. The new hire does receive the challenges for the initial period of employment. Many new hires are not productive from the beginning. The initial goals help to them to orientate in the organization. The goals push them to find the right contacts.

The manager should set up the regular meeting plan of the new hire with the rest of the team and other influential people for the job. The manager has contacts and understands the roles and responsibilities of the new employee. The manager can schedule initial meetings to know each other. The manager should choose the informal mentor for the new employee.

An effective induction program should take at least several months and involve many different aspects. It should comprise the following steps:

- General introduction and welcome to the organization
- Confirming the terms and conditions of employment and processing the necessary paperwork, etc
- Generic 'compliance' training in areas such as equal opportunity and occupational health and safety
- Specific on-the-job training, which aims to assist the employee to attain proficiency in the job as soon as possible

- Providing evidence that reassures the employee that he/she has made a good choice of employer, as developing a positive attitude early on means the employee is more likely to stay
- Promoting self-confidence in the employee (through both job competency and acceptance by others) and commitment towards the organization
- Acquainting the employee with the organization culture — that is the various unwritten rules, behavioural standards, interactions etc that determine how the organization runs day-to-day. This is a very important, but often overlooked, aspect of induction, and an area where many induction programs come unstuck.
- Providing background information about the organization policies, procedures, employee benefits, etc — but give careful thought to how you do this and avoid information overload.

## 5.5INTERNAL MOBILITY: TRANSFER, PROMOTION, DEMOTION, SEPARATION

An employee prefers internal mobility as long as he is sure of getting suitable employment within the organization. The organizations may resort to internal mobility until they find suitable candidate to different jobs within the organization. Internal mobility is a cluster comprising of promotion, demotion, transfer and separations. Such movements may take place between positions in specific areas, departments, divisions or establishments for employers with multiple establishments. The lateral or vertical movement (promotions, transfer, demotion or separation) of an employee within an organization is called internal mobility. It may take place between jobs in various departments or divisions

**Need for Internal Mobility**

The internal mobility is needed for the following reasons:

- Changes in technology, mechanization etc. resulting in enhancement of job demands.
- Expansion and diversification of production/operations.
- Adding different lines of auxiliary and supportive activities in the organization.
- Taking up of geographical expansion and diversification.
- Introduction of creative and innovative ideas in all the areas of management resulting in-increased job demands.
- Changes in employee skill, knowledge, abilities aptitude, values etc
- Changing demands of trade unions regarding protecting the interests of their members.
- Changing government role in human resource management.
- Economic and business trends and their impact on job design and demands

Internal mobility as stated previously includes a cluster consisting of transfer, promotion and demotion, each of which is briefly discussed here.

**Transfer**

A transfer is a change in job assignment. It may involve a promotion or demotion or change in status and responsibility. A transfer has to be viewed as a change in assignments in which an employee moves from one job to another in the same level of hierarchy requiring similar skills involving approximately same level of responsibility, same status and same level of pay. A transfer does not imply any ascending (promotions) or descending (demotion) change in status or **responsibility.**

**Purposes of Transfer**

Organizations resort to transfers with a view to serve the following purposes:

- ✓ **To meet the organizational requirements:** Organizations may have to transfer employees due to changes in technology changes in volume of productions, production schedule, product line quality of products, changes in the job pattern caused by change in organizational structure, fluctuating in the market, conditions like demands, fluctuations, introduction few lines and /or dropping of existing lines. All these changes demand the shift in job assignments with a view to place the right man on the right job.
- ✓ **To satisfy the employees' needs:** Employees may need transfers in order to satisfy their desire to work under a friendly superior, in a department / region where opportunities for advancement are bright, in or near their native place or place of interest, doing a job where the work itself is challenging.
- ✓ **To utilize employees better:** An employee may be transferred because management feels that his skills, experiences and job knowledge could be put to better use elsewhere.
- ✓ **To make the employees more versatile:** Employees may be rolled over different jobs to expand their capabilities. Job rotation may prepare the employees for more challenging assignments in future.
- ✓ **To adjust the workforce:** Workforce may be transferred from a plant where there is less work to a plant where there is more work.
- ✓ **To provide relief:** Transfer may be given to employees who are overburdened or doing hazardous work for long periods.
- ✓ **To punish employees:** Transfers may be affected as a disciplinary measure to shift employees indulging in undesirable activities to remote far flung areas.

**Promotion**

Employee movement from current job to another that is higher in pay, responsibility and/or organization level is known as promotion. Promotion has powerful motivational value as it compels an employee to utilize his talents fully, and remain loyal and committed to his or her job and the organization.

**Bases of promotion:** Merit based promotions Seniority based promotions
Promotion policy: To be fair, an organization should institute a promotion policy that gives due weightage to both seniority and merit. Promotion opportunities must be thrown open to all employees. The norms for promotion should be expressed in writing. Detailed records must be maintained for this purpose. A responsible official should be asked to take the final decision regarding employee promotions.

**Demotion**

Employee movement that occurs when an employee is moved from one job to another that is lower in pay, responsibility and/or organization level is called demotion.

**Causes of demotion:** Employee unable to meet job requirements, Organization forced to demote employees because of adverse business conditions, Demotions happening to check errant employees.

**Demotion policy:** A clear cut policy regarding demotions would help employees adjust to complex organizational demands admirably. To this end, punishable offences must be listed in advance. Better to state the reasons before punishing an employee. Any violation must be properly investigated and followed by a consistent and equitable application of the penalty. There should be enough room for review.

**Employee Separations**

**Resignation:** A voluntary separation initiated by the employee himself is called resignation. It is always better to find why the employee has decided to quit the organization. Properly conducted exit interviews would help throw light on factors behind the curtain

**Retirement:** Termination of service on reaching the age of superannuation is called retirement. To avoid problems, organizations normally plan replacements to retiring employees beforehand.

**Death:** Some employees may die in service. Death caused by occupational hazards, of course, would attract the provisions of Workmen's Compensation Act, 1923. The normal separation of people from an organization due to resignation, retirement or death is known as attrition.

**Lay off:**A lay off entails the separation of the employee from the organization temporarily for economic or business reasons.

**Retrenchment:** A permanent lay off for reasons other than punishment but not retirement or termination owing to ill-health is called retrenchment. Legally speaking, employers in India are required to give advance notice or pay equivalent wages before the actual lay off date. (50 percent of basic wages plus allowances)

**Outplacement:** Outplacement assistance includes efforts made by the employer to help a recently separated employee find a job. Apart from training support to such employees, some organizations offer assistance in the form of paid leave travel charges for attending interviews, search firm expenses, etc.

**Suspension:** Suspension means prohibiting an employee from attending work and performing normal duties assigned to him.

**Discharge and dismissal:** The termination of the services of an employee as a punitive measure for some misconduct is called dismissal. Discharge also means termination of the services of an employee but not necessarily as a punishment. A discharge does not arise from a single irrational act (such as alcoholism, willful violation of rules, insubordination, carelessness, dishonesty, inefficiency, violent acts, unauthorized absence for a long time.

## 5.6 SOCIALIZATION PROCESS

Socialization is a process by which individuals acquire the knowledge, language, social skills, and value to conform to the norms and rolesrequired for integration into a group or community. It is a combination of both self-imposed (because the individual wants to conform) and externally-imposed rules, and the expectations of the others. In an organizational setting, socialization refers to the process through which a new employee 'learns the ropes,' by becoming sensitive to the formal and informal powerstructure and the explicit and implicit rules of behavior.

In order to reduce the anxiety that new employees may experience, attempts should be made to integrate the person into the informal organization. The initial training and development effort designed for employees is Socialization, the guided adjustment of new employees to the company, the job, and the work group.

I. **Purposes of Socialization**

Socialization formats are unique to each firm. However, some basic purposes include emphasizing these areas: the employment situation (job, department, and company), company policies and rules, compensation and benefits, corporate culture, team membership, employee development, dealing with change, and socialization.

a. **The Employment Situation**

A basic purpose, from the firm's viewpoint, is to have the new employee become productive as quickly as possible. Therefore, specific information about performing the job may be provided at an early point in time.

**b. Company Policies and Rules**

Every job within an organization must be performed considering the guidelines and constraints provided by policies and rules. Employees must have an understanding of these to permit a smooth transition to the workplace.

**c. Compensation and Benefits**

Employees will have a special interest in obtaining information about the reward system. Although this information is usually provided during the recruitment and selection process, a review of the data is appropriate during Socialization.

**d. Corporate Culture**

The firm's culture reflects, in effect, how we do things around here. This relates to everything from the way employees dress to the way they talk.

**e. Team Membership**

A new employee's ability and willingness to work in teams is most likely determined before he or she is hired. In Socialization, the importance of becoming a valued member of the company team may be emphasized.

**f. Employee Development**

Employees should know exactly what is expected of them and what is required by the firm for advancement in the job or via promotion.

**g. Dealing with Change**

Employees at all levels must learn to effectively deal with change in order to survive in their jobs. The best way individuals can be prepared for change is to continually develop and expand their skills.

**h. Socialization**

In order to reduce the anxiety that new employees may experience, attempts should be made to integrate the person into the informal organization.

**II. Stages in socialization Process**

Socialization can be conceptualized as a process made up of three stages:

**a. Pre-arrival Stage**

This stage explicitly recognizes that each individual arrives with a set of organizational values, attitudes, and expectations. For instance, in many jobs, particularly high skilled and managerial jobs, new members will have undergone a considerable degree of prior socialization in training and in school. Pre-arrival socialization, however, goes beyond the specific job. The selection process is used in most organizations to inform perspective employees about the organization as whole. In addition, of course, interviews in the selection process also act to ensure the inclusion of the "right type" determining those who will fit in. Indeed, the ability of the individuals to present the appropriate face during the selection process determines their ability to move into the organization in the first place. Thus success depends upon the degree to which aspiring members have correctly anticipated the expectations and desires of those in the organization in charge of selection.

**b. Encounter Stage**

Upon entry into the organization, new members enter the encounter stage. Here the individuals confront the possible dichotomy between their expectations about their jobs, their coworkers, their supervisors, and the organization in general and reality. If expectations prove to have been more or less accurate, the encounter state merely provides a reaffirmation of the perceptions generated earlier. However, this is often not the case. Where expectation and reality differ; new employees must undergo socialization that will detach them from their previous assumption and replace these with the organization's pivotal standards. Socialization, however, cannot solve all the expectation differences. At the extreme, some new members may become totally disillusioned with the actualities of their jobs and resign. It is hoped that proper selection would significantly reduce this latter occurrence.

**c. Metamorphosis Stage**

Finally the new member must work out any problems discovered during the encounter stage. This may mean going through changes. Hence the last stage is termed as metamorphosis stage. Metamorphosis is complete as is the socialization process – when new members have become comfortable with the organization and their work teams. In this situation they will have internalized the norms of the organization and their coworkers; and they understand and accept these norms. New members will feel accepted by their peers as trusted and valued individuals. They will have gained an understanding of the organizational system- not only their own tasks but the rules, procedures and informally accepted practices as well. Finally they will

know how they are going to be evaluated. They will know what is expected of them and what constitutes a
good job. Consequently, successful metamorphosis should have positive effect on a new employee's productivity and the employee's commitment to the organization, and should reduce the likelihood that the employee will leave the organization any time soon.

## 5.7 SUMMARY

- Induction is a process of familiarizing the new recruits to the organization functioning so that they become productive in the least possible time; they are a means of honing the workforce to greater efficiency, precision, and perfection.
- Induction and orientation are part of a program that is designed to make a new employee comfortable in the organization and to make him learn the job he/she has to perform in an easy manner.
- The ideal structure of the Induction Program includes Welcome Pack, Induction Day, Goals for the Induction Period, Meeting Plan, Mentoring.
- Internal mobility includes a cluster consisting of transfer, promotion and demotion.
- Socialization can be conceptualized as a process made up of three stages i.e. Pre-arrival Stage, Encounter Stage, and Metamorphosis Stage.

## 5.8 KEYWORDS

- **Induction:**It is a process of becoming familiar with a procedure or organization

- **Internal mobility:** It is a cluster comprising of promotion, demotion, transfer and separations.
- **Transfer:** It is a change in job assignment.
- **Promotion:** Employee movement from current job to another that is higher in pay, responsibility and/or organization level is known as promotion.
- **Demotion**: Employee movement that occurs when an employee is moved from one job to another that is lower in pay, responsibility and/or organization level is called demotion.

## 5.9 REVIEW QUESTIONS

1. Define and distinguish between Induction and Orientation. Also explain the objectives and need for induction.
2. Explain the Internal mobility. Why there is need for internal mobility?
3. What is meant by Socialization Process? What are the purposes of socialization process?

## 5.10 FURTHER READINGS


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# UNIT 6

# PERFORMANCE APPRAISAL AND POTENTIAL EVALUATION

**Structure**

6.1 Introduction, definition and objectives of Performance Appraisal

6.2 The Performance Appraisal Process

6.3 Methods of Performance Appraisal

6.4 360 Degree Feedback System

6.5 Essential Characteristics of Effective Appraisal System

6.6 Potential Appraisal

6.7 Summary

6.8 Keywords

6.9 Review Questions

6.10 Further Readings

**Learning Objectives**

After studying this unit, you will be able to:

- List out the objectives of Performance Appraisal
- Describe the Performance Appraisal Process
- Explain the Methods of Performance Appraisal
- Explain the 360 Degree Feedback System
- Mention the essential characteristics of Effective Appraisal System

## 6.1 INTRODUCTION, DEFINITION AND OBJECTIVES OF PERFORMANCE APPRAISAL

In a performance appraisal, the HR department of a company rates performances of employees' to determine their net worth to the organization. The immediate superior of the employee provides pointers on his performance during the past year. This exercise helps the organization classify all its employees into star performers and non-performers. Also, the areas where employees need to be trained and developed are ascertained by performance appraisal. Performance appraisal is a continuous process which provides basis for employee compensation, employee promotion and employee development.

Companies conduct performance appraisals to decide on the treatment they must provide their employees with. The performers are generally rewarded by means of promotions and raises in pay. The under-performers are cautioned and often demoted, transferred or terminated.

Performance appraisals are usually conducted once every year. Organizations also conduct performance appraisals when they have a vacancy and wish to promote an employee internally. They appraise the performances of a few employees and select the best one.

Management is able to classify its employees as performers and non-performers and then take appropriate steps for them. Performance appraisals enhance communication flows in the organization. The employees, when apprised of their strengths and weaknesses in performance, get an opportunity to further hone their strengths and allay their weaknesses.

"Performance appraisal is the systematic description of an employee's job relevant strengths and weakness"

Performance appraisal is the integrated process of objective setting, appraisal and pay determination which supports the achievement of the company's business strategies. At an individual level it result in action plans related to performance improvement, carer development and training.

**Objectives of Performance Appraisal**

Performance Appraisal can be done with following objectives in mind:

- To maintain records in order to determine compensation packages, wage structure, salaries raises, etc.
- To identify the strengths and weaknesses of employees to place right men on right job.
- To maintain and assess the potential present in a person for further growth and development.
- To provide a feedback to employees regarding their performance and related status.
- To provide a feedback to employees regarding their performance and related status.
- It serves as a basis for influencing working habits of the employees.
- To review and retain the promotional and other training programmes
- To ensure transparency in organisational practices and procedures with a view to secure all required support from the employees.

## 6.2 THE PERFORMANCE APPRAISAL PROCESS

Stages in the performance appraisal process consist of:

1. **Establishing Performance Standards**: The first step in the process of performance appraisal is the setting up of the standards which will be used to as the base to compare the actual performance of the employees. This step requires setting the criteria to judge the performance of the employees as successful or unsuccessful and the degrees of their contribution to the

organizational goals and objectives. The standards set should be clear, easily understandable and in measurable terms. In case the performance of the employee cannot be measured, great care should be taken to describe the standards

Performance standard provides a benchmark against which to evaluate work performance. While the job description describes the essential functions and the tasks to be done, the performance standard defines how well each function or task must be performed in order to meet or exceed expectation.

There are two types of performance standards –

a. Quantitative standards
b. Qualitative standards

Quantitative standards are measurable standards where performance comparison can be done easily. Where as in qualitative standards measurement of performance and comparisons would become difficult.

The following guidelines can be useful in developing performance standards-

- Performance standards should be related to the employees assigned work and job requirements
- Reporting system should be adequate to measure and therefore should have more quantitative data.
- Quantifiable measures may not apply to all functions. Describe in clear and specific terms and characteristics of performance quality that are verifiable and that would meet or exceed expectations
- Accomplishment of organisational objectives should be included where appropriate, such as cost-control, improved efficiency, productivity, project completion, process redesign, or public

service.

**2. Communicating the Standards**: once set, it is the responsibility of the management to communicate the standards to all the employees of the organization.

The employees should be informed and the standards should be clearly explained to them. This will help them to understand their roles and to know what exactly is expected from them. The standards should also be communicated to the appraisers or the evaluators and if required, the standards can also be modified at this stage itself according to the relevant feedback from the employees or the evaluators. Communication of performance standard gives direction to an employee's performance so that he can be evaluated fairly in the appraisal process.

**3. Measuring the Actual Performance:** The most difficult part of the performance appraisal process is measuring the actual performance of the employees that is the work done by the employees during the specified period of time. It is a continuous process which involves monitoring the performance throughout the year. This stage requires the careful selection of the appropriate techniques of measurement, taking care that personal bias does not affect the outcome of the process and providing assistance rather than interfering in an employees work. It is important to note that measuring actual performance is the crucial part of performance appraisal as such it should be done with much care and diligence.

**4. Comparing the Actual with the Desired Performance:** The actual performance is compared with the desired or the standard performance. The comparison tells the deviations in the performance of the employees from the standards set. The result can show the actual performance being more than the desired performance or, the actual performance being less than the desired performance depicting a negative deviation in the organizational performance. It includes recalling, evaluating and analysis of data related to the employees' performance.

Comparing actual performance with the standard will become easy when the standards established are in quantitative terms.

**5. Discussing Results:** The result of the appraisal is communicated and discussed with the employees on one-to-one basis. The focus of this discussion is on communication and listening. The results, the problems and the possible solutions are discussed with the aim of problem solving and reaching consensus. The feedback should be given with a positive attitude as this can have an effect on the employees' future performance. The purpose of the meeting should be to solve the problems faced and motivate the employees to perform better.

**6. Decision Making**: The last step of the process is to take decisions which can be taken either to improve the performance of the employees, take the required corrective actions, or the related HR decisions like rewards, promotions, demotions, transfers etc. Decisions based on performance appraisal are objectives as such it improves employee job satisfaction and morale. Decision makers can justify their decision on issues like promotion or increment which avoids conflict between workers and management.

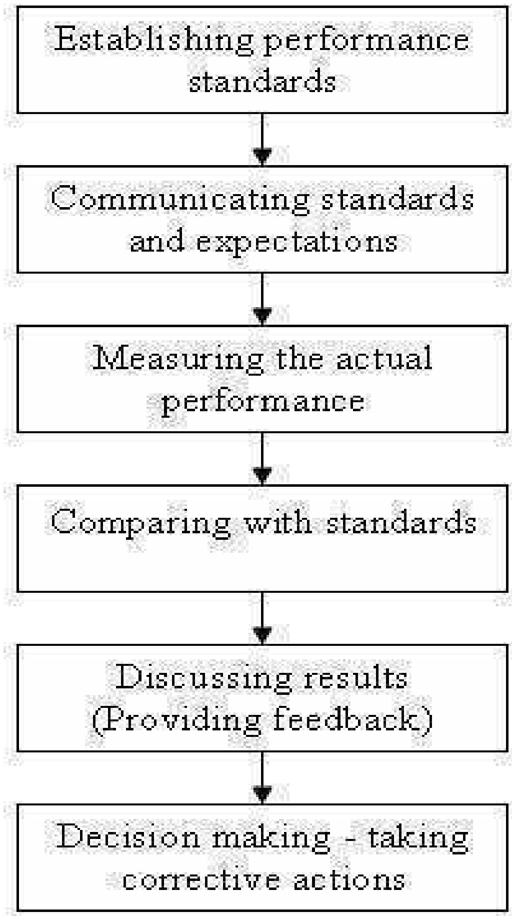


**Figure 6.1: Stages in the performance appraisal process**

## 6.3 METHODS OF PERFORMANCE APPRAISAL

Performance appraisal methods include eleven appraisal methods / types listed as follows:

1. Critical incident method
2. Weighted checklist method
3. Paired comparison analysis
4. Graphic rating scales
5. Essay Evaluation method

6. Behaviorally anchored rating scales
7. Performance ranking method
8. Management by Objectives (MBO) method
9.  360 degree performance appraisal
10. Forced ranking (forced distribution)
11. Behavioral Observation Scales

**1. Critical incident method**

This format of performance appraisal is a method which is involved in identifying and describing specific incidents where employees did something really well or that need improvement during their performance period. In this method critical incidents are identified and employee's performance on those critical tasks will be assessed.

**2. Weighted checklist method**

In this style, performance appraisal is made under a method where the jobs being evaluated based on descriptive statements about effective and ineffective behavior on jobs.

**3. Paired comparison analysis**

This form of performance appraisal is a good way to make full use of the methods of options. There will be a list of relevant options. Each option is in comparison with the others in the list. The results will be calculated and then such option with highest score will be mostly chosen.

**4. Graphic rating scales**

This format is considered the oldest and most popular method to assess the employee's performance. In this style of performance appraisal, the management just simply does checks on the performance levels of their staff. Employee's performance will be presented neatly on a graph to highlight superior performance.

**5. Essay Evaluation method**

In this style of performance appraisal, managers/ supervisors are required to figure out the strong and weak points of staff’s behaviors. Essay evaluation method is a non-quantitative technique. It is often mixed with the method the graphic rating scale.

**6. Behaviorally anchored rating scales**

This formatted performance appraisal is based on making rates on behaviors or sets of indicators to determine the effectiveness or ineffectiveness of working performance. The form is a mix of the rating scale and critical incident techniques to assess performance of the staff.

**7. Performance ranking method**

The performance appraisal of ranking is used to assess the working performance of employees from the highest to lowest levels. Managers will make comparisons of an employee with the others, instead of making comparison of each employee with some certain standards. In ranking method employees are compared with one another. Though this method looks simple its administration becomes difficult when the number of employees is more.

**8. Management by Objectives (MBO) method**

MBO is a method of performance appraisal in which managers or employers set a list of objectives and make assessments on their performance on a regular basis, and finally make rewards based on the results achieved. This method mostly cares about the results achieved (goals) but not to the way how employees can fulfill them.

**9. 360 degree performance appraisal**

The style of 360 degree performance appraisal is a method that employees will give confidential and anonymous assessments on their colleagues. This information can be used as references for such methods of performance assessments of 720, 540, and 180. 360 degree performance appraisal gives all details of an employee as the feedback is collected from superiors, peers, subordinates and self.

**10. Forced ranking (forced distribution)**

In this style of performance appraisal, employees are ranked in terms of forced allocations. For instance, it is vital that the proportions be shared in the way that 10 or 20% will be the highest levels of performances, while 70 or 80% will be in the middle level and the rest will be in the lowest one.

**11. Behavioral Observation Scales**

The method based on the scales of observation on behaviors is the one in which important tasks that workers have performed during their working time will be assessed on a regular basis. Under this method employees performance is systematically observed and recorded. All positive behavioral traits shown by employees during performance will be used for positive assessment of employees.

## 6.4 360 DEGREE FEEDBACK SYSTEM

360 Degree Feedback is a system or process in which employees receive confidential, anonymous feedback from the people who work around them. This typically includes the employee's manager, peers, and direct reports. A mixture of about eight to twelve people fill out an anonymous online feedback form that asks questions covering a broad range of workplace competencies. The feedback forms include questions that are measured on a rating scale and also ask raters to provide written comments. The person receiving feedback also fills out a self-rating survey that includes the same survey questions that others receive in their forms.

Managers and leaders within organizations use 360 feedback surveys to get a better understanding of their strengths and weaknesses. The 360 feedback system automatically tabulates the results and presents those in a format that helps the feedback recipient create a development plan. Individual responses are always combined with responses from other people in the same ratter category (e.g. peer, direct report) in order to preserve anonymity and to give the employee a clear picture of his/her greatest overall strengths and weaknesses.

360 Feedback can also be a useful development tool for people who are not in a management role. Strictly speaking, a "non-manager" 360 assessment is not measuring feedback from 360 degrees since there are no direct reports, but the same principles still apply. 360 Feedback for non-managers is useful to help people be more effective in their current roles, and also to help them understand what areas they should focus on if they want to move into a management role.

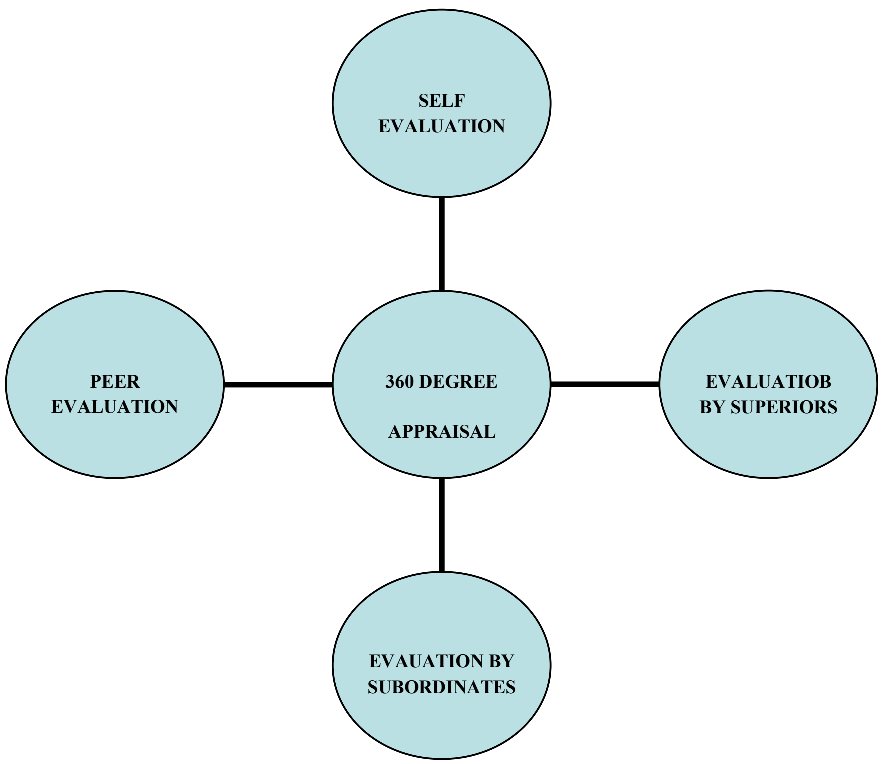


**Figure 6.2: Components of 360 Degree Appraisal**

**How is 360 Degree Feedback Used?**

Companies typically use a 360 feedback system in one of two ways:

**1. 360 Feedback as a Development Tool to help employees recognize strengths and weaknesses and become more effective**

When done properly, 360 are highly effective as a development tool. The feedback process gives people an opportunity to provide anonymous feedback to a co-worker that they might otherwise be uncomfortable giving. Feedback recipients gain insight into how others perceive them and have an opportunity to adjust behaviours and develop skills that will enable them to excel at their jobs.

**2. 360 Feedback as a Performance Appraisal Tool to measure employee performance**

Using a 360 degree feedback system for Performance Appraisal is a common practice, but not always a good idea. It is difficult to properly structure a 360 feedback process that creates an atmosphere of trust when you use 360 evaluations to measure performance. Moreover, 360 feedbacks focus on behaviours and competencies more than on basic skills, job requirements, and performance objectives. These things are most appropriately addressed by an employee and his/her manager as part of an annual review and performance appraisal process. It is certainly possible and can be beneficial to incorporate 360 feedbacks into a larger performance management process, but only with clear communication on how the 360 feedback will be used. Management must have a vision to incorporate the outcomes of this feedback in order to ensure better productivity of the appraisal.

**VARIOUS DIMENSIONS OF PERFORMANCE :**

Performance has many dimensions. They are-

- Output or result dimension

- Input dimension
- Time dimension
- Focus dimension
- Quality dimension and
- Cost dimension

## 6.5 ESSENTIAL CHARACTERISTICS OF EFFECTIVE APPRAISAL SYSTEM

The essential characteristics of effective appraisal system are as follows:

- **Reliability and validity**

Appraisal system should provide consistent, reliable and valid information and data, which can be used to defend the organization – even in legal challenges. If two appraisers are equally qualified and competent to appraise an employee with the help of same appraisal technique, their ratings should agree with each other. Then the technique satisfies the conditions of inter-rate reliability. Appraisals must also satisfy the condition of validity by measuring what they are supposed to measure. For example, if appraisal is made for potential of an employee for promotion, it should supply the information and data relating to potentialities of the employee to take up higher responsibilities and carry on activities at higher level.

- **Job relatedness**

The appraisal technique should measure the performance and provide information in job related activities/areas. Performance appraisal process can become useful only when it can suggest on issues related to job.

- **Standardization**

Appraisal forms, procedures, administration of techniques, ratings, etc., should be standardized as appraisal decisions affect all employees of the group. Standardised performance appraisal is more effective as it avoids confusion in the minds of performance evaluators and employees.

Consistency and standardisation increase employee’s faith on the performance appraisal system. Employees give needed cooperation and support when they develop faith with the system.

- **Practical viability**

The techniques should be practically viable to administer, possible to implement and economical to undertake continuously. Theoretical and imaginary system and practice can become effective as it fails to generate employee confidence.

- **Legal sanction**

Appraisals must meet the laws of the land. They must comply with provisions of various acts relating to labour. All provisions of labour laws and other legal issues to be taken into account while formulating performance appraisal practices. Violation of any legal rule cans cause failure of the appraisal system.

- **Training to appraisers**

Because appraisal is important and sometimes difficult, it would be useful to provide training to appraiser’s viz., some insights and ideas on rating, documenting appraisals and conducting appraisal interviews. Familiarity with rating errors can improve rater's performance and this may inject the needed confidence in appraisers to look into performance ratings more objectively. Training helps evaluators to perform their job timely, easily and objectively.

- **Open communication**

Most employees want to know how well they are performing the job. A good appraisal system provides the needed feedback on a continuing basis. The appraisal interviews should permit both parties to learn about the gaps and prepare themselves for future. To this end, managers should clearly explain their performance expectations to their subordinates in advance of the appraisals period. Once this is known, it becomes easy for employees to learn about the yardsticks and, if possible, try to improve their performance in future. Open communication helps an employee to accept feedback and to seek suggestion for improvement in his performance.

- **Employee access to results**

Employees should know the rules of the game. They should receive adequate feedback on their performance. If performance appraisals are meant for improving employee performance, then withholding appraisal result would not serve any purpose. Employees simply cannot perform better without having access to this information. Permitting employees to review the results of their appraisal allows them to detect any errors that may have been made. If they disagree with the evaluation, they can even challenge the same through formal channels. Employee's access to results is tool to exhibit transparency in the appraisal system.

- **Due process**

It states that formal procedures should be developed to enable employees who disagree with appraisal results (which are considered to be inaccurate or unfair). They must have the means for pursuing their grievances and having them addressed objectively.

**ESSENTIALS OF EFFECTIVE APPRAISAL SYSTEM**

- Reliability
- Validity
- Job relatedness
- Standardization
- Practical viability

- Legal sanction
- Training to appraisers
- Open communication
- Employee access to results
- Remedial steps

**Figure 6.3: Essential of an effective performance appraisal system**

## 6.6 POTENTIAL APPRAISAL

The potential appraisal refers to the appraisal i.e. identification of the hidden talents and skills of a person. The person might or might not be aware of them. Potential appraisal is a future – oriented appraisal whose main objective is to identify and evaluate the potential of the employees to assume higher positions and responsibilities in the organizational hierarchy. Many organisations consider and use potential appraisal as a part of the performance appraisal processes.

Identifying hidden potential of employees enables the organisation to utilise employee strengths fully. It benefits an employee as it result in achieving self actualisation need of employee.

**Potential appraisal can serve the following purposes:**

- To advise employees about their overall career development and future prospects
- Help the organisation to chalk out succession plans
- Motivate the employees to further develop their skills and competencies. To identify the training needs.
- Provides basis for HR planning
- Helps in effective utilisation of existing manpower
- Helps to assess organisation's strength in meting future challenges.

- Preparing the organisation for meeting complex business situations.

**Techniques of potential appraisal:**

- Self – appraisals
- Peer appraisals
- Superior appraisals
- MBO
- Psychological and psychometric tests
- Management games like role playing
- Leadership exercises etc.
- Performance records
- Behavioural observation
- SWOT analysis
- Forward planning

## 6.7 SUMMARY

- In a performance appraisal, the HR department of a company rates performances of employees to determine their net worth to the organization.
- Performance appraisals are usually conducted once every year. Organizations also conduct performance appraisals when they have a vacancy and wish to promote an employee internally. They appraise the performances of a few employees and select the best one
- There are two types of performance standards –Quantitative standards and Qualitative standards
- A good appraisal system provides the needed feedback on a continuing basis. The appraisal interviews should permit both parties to learn about the gaps and prepare themselves for future.

- MBO is a method of performance appraisal in which managers or employers set a list of objectives and make assessments on their performance on a regular basis, and finally make rewards based on the results achieved.
- 360 Degree Feedback is a system or process in which employees receive confidential, anonymous feedback from the people who work around them. This typically includes the employee's manager, peers, and direct reports. A mixture of about eight to twelve people fill out an anonymous online feedback form that asks questions covering a broad range of workplace competencies.
- The potential appraisal refers to the appraisal i.e. identification of the hidden talents and skills of a person. The person might or might not be aware of them. Potential appraisal is a future – oriented appraisal whose main objective is to identify and evaluate the potential of the employees to assume higher positions and responsibilities in the organizational hierarchy.

## 6.8 KEYWORDS

- **Core competencies** -The skills, knowledge and abilities which employees must possess in order to successfully perform job functions that are essential to business operations
- **Factor comparison** -A job comparison process involving ranking each individual job by certain selected compensable factors to establish appropriate values to be used in determining pay rates.
- **Forced distribution**- An appraisal rating method intended to prevent rater errors by requiring the rater to force ratings into a bell shaped curve.
- **Forced ranking** -A performance appraisal system where raters are

asked to identify a certain percentage of employees who are top performers ready for advancement and those employees falling into the bottom percentage who must improve or leave the organization.

- **Job evaluation** -Used for compensation planning purposes, it is the process of comparing a job with other jobs in an organization to determine an appropriate pay rate for the job.
- **Performance appraisal**- A periodic review and evaluation of an individual's job performance.
- **360 Degree Feedback -** 360 Degree Feedback is a system or process in which employees receive confidential, anonymous feedback from the people who work around them. This typically includes the employee's manager, peers, and direct reports.
- **MBO -**MBO is a method of performance appraisal in which managers or employers set a list of objectives and make assessments on their performance on a regular basis, and finally make rewards based on the results achieved
- **SWOT analysis-** Analysis in which employees need to assess their strengths, weaknesses, opportunities and threats
- **Critical incident method -** This format of performance appraisal is a method which is involved in identifying and describing specific incidents where employees did something really well or that need improvement during their performance period. Critical incidents are identified and employees performance on those critical incidents are recorded,

## 6.9 REVIEW QUESTIONS

1. What is performance appraisal? What are its objectives?
2. Stat the need for performance appraisal

3. Explain in detail the various stages in performance appraisal.
4. Write a note on 360 degree appraisal
5. Critically evaluate the various methods of performance appraisal.
6. Explain the essentials of a successful performance appraisal programme
7. How do the results of performance appraisal affect other HR activities?
8. Explain the need for potential appraisal in organisations.
9. State the need for reliability in the performance appraisal system.
10. Explain the benefits of potential appraisal

## 6.10 FURTHER READINGS


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# UNIT 7

# JOB EVALUATION AND COMPENSATION STRATEGIES AND STRUCTURE

**Structure**

7.1 Meaning and Objectives of Job Evaluation
7.2 Job Evaluation Vs Performance Appraisal
7.3 Process of Job Evaluation
7.4 Job Evaluation Methods
7.5 Concept of Compensation
7.6 Objectives of Compensation
7.7 Compensation Function, Compensation Policy and Objectives
7.8 Determination of Compensation
7.9 Compensation Structure
7.10 Incentives and Fringe Benefits
7.11 Summary
7.12 Key Words
7.13 Review Questions
7.14 Further Readings

**Learning Objectives**

After studying this unit, you will be able to:

- Distinguish between Job Evaluation and Performance Appraisal
- Explain the process and methods of Job Evaluation
- Describe the Compensation Function, Compensation Policy and its Objectives
- Mention the Determination of Compensation

- Define Incentive and Fringe benefits

## 7.1 MEANING AND OBJECTIVES OF JOB EVALUATION

Job evaluation is the output provided by job analysis. Job evaluation uses the information in job analysis to evaluate each job-valuing its components and ascertaining relative job worth.

The I.L.O defines job evaluation as “an attempt to determine and compare demands which the normal performance of a particular job makes on normal workers without taking into account the individual abilities or performance of the workers concerned ”.

The objective of job evaluation is to determine which jobs should get more pay than others. Several methods such as job ranking, job grading, and factor comparison are employed in job evaluation. Research indicates, however, that each method is nearly as accurate and reliable as the other in ranking and pricing different jobs. Job evaluation forms the basis for wage and salary negotiations.

## 7.2 JOB EVALUATION Vs PERFORMANCE APPRAISAL

Job evaluation is the evaluation or rating of jobs to determine their position in the job hierarchy. The evaluation may be achieved through the assignment of points or the use of some systematic method for essential job requirements, such as skills, experience and responsibility. Job evaluation helps to understand the relative worth of each job.

Performance appraisal or merit rating is an assessment or measurement of individual employee job performance. It helps to understand his contribution to the job performance and to judge how best he performs job responsibilities.

## 7.3 PROCESS OF JOB EVALUATION

Following are steps in the job evaluation process:

**STEP ONE -Job Description**

The position supervisor assigns duties and writes the job description. If there is an incumbent employee, s/he reviews it, and they both sign it. Instructions and additional assistance are available from Human Resources, if needed. The job description is a snapshot of the job as it presently exists, reflecting the current duties and responsibilities of the job and/or the incumbent.

**STEP TWO - Approval**

The manager reviews job descriptions and, if s/he concurs, approves the responsibilities, requirements, and departmental organization contained within a job description presented for new evaluation, and signs it. If the manager does not concur with the contents of the description, it is returned to the supervisor for changes.

**STEP THREE - Review**

Human Resources review the job description as submitted with the supervisor prior to evaluation by the Job Evaluation Committee (Step 4). Human Resources help to ensure that there is consistency and equity in the job descriptions and titles by editing them for clarity and format. If Human Resources Office makes changes, the job description is returned to the supervisor and manager for signature prior to being presented to the Job Evaluation Committee

**STEP FOUR - Evaluation**

The Job Evaluation Committee (JEC) is a multi-member committee, the members of which are appointed by the Director of Human Resources, representing offices throughout the organization. JEC ensures equity among jobs through the use of established, consistent criteria for evaluation and prevents escalation of the job evaluation grades by validating changes in job content presented for review. Members of JEC receive in-depth training on job evaluation and utilize a consistently applied point system for the evaluations.

## 7.4 JOB EVALUATION METHODS

There are three basic methods of job evaluation: (1) ranking, (2) classification, (3) factor comparison. While many variations of these methods exist in practice, the basic approaches are described here.

1. **Ranking Method**

Perhaps the simplest method of job evaluation is the ranking method. According to this method, jobs are arranged from highest to lowest, in order of their value or merit to the organization. Jobs also can be arranged according to the relative difficulty in performing them. The jobs are examined as a whole rather than on the basis of important factors in the job; and the job at the top of the list has the highest value and obviously the job at the bottom of the list will have the lowest value.

Jobs are usually ranked in each department and then the department rankings are combined to develop an organizational ranking. The following table is a hypothetical illustration of ranking of jobs.

***Table: Array of Jobs according to the Ranking Method***

| Rank | Monthly salaries |
| --- | --- |
| 1. Accountant | Rs 3,000 |
| 2. Accounts clerk | Rs 1,800 |
| 3. Purchase assistant | Rs 1,700 |
| 4. Machine-operator | Rs 1,400 |
| 5. Typist | Rs 900 |
| 6. Office boy | Rs 600 |

The variation in payment of salaries depends on the variation of the nature of the job performed by the employees. The ranking method is simple to understand and practice and it is best suited for a small organization. Its simplicity, however, works to its disadvantage in big organizations because rankings are difficult to develop in a large, complex organization. Moreover, this kind of ranking is highly subjective in nature and may offend many employees. Therefore, a more scientific and fruitful way of job evaluation is called for.

**2. Classification Method**

According to this method, a predetermined number of job groups or job classes are established and jobs are assigned to these classifications. This method places groups of jobs into job classes or job grades. Separate classes may include office, clerical, managerial, personnel, etc. Following is a brief description of such a classification in an office.

- **(a)** Class I - Executives: Further classification under this category may be Office manager, Deputy office manager, Office superintendent, Departmental supervisor, etc.
- **(b)** Class II - Skilled workers: Under this category may come the Purchasing assistant, Cashier, Receipts clerk, etc.
- **(c)** Class III - Semiskilled workers: Under this category may come Steno typists, Machine-operators, Switchboard operators, etc.
- **(d)** Class IV -Uniskilled workers: This category comprises File clerks, Office boys, etc.

The job classification method is less subjective when compared to the earlier ranking method. The system is very easy to understand and acceptable to almost all employees without hesitation. One strong point in favour of the method is that it takes into account all the factors that a job comprises. This system can be effectively used for a variety of jobs.

The weaknesses of the job classification method are:

- Even when the requirements of different jobs differ, they may be combined into a single category, depending on the status a job carries.
- It is difficult to write all-inclusive descriptions of a grade.
- The method oversimplifies sharp differences between different jobs and different grades.
- When individual job descriptions and grade descriptions do not match well, the evaluators have the tendency to classify the job using their subjective judgments.

### 3. Factor Comparison Method

A more systematic and scientific method of job evaluation is the factor comparison method. Though it is the most complex method of all, it is consistent and appreciable. Under this method, instead of ranking complete jobs, each job is ranked according to a series of factors. These factors include mental effort, physical effort, skill needed, supervisory responsibility, working conditions and other relevant factors (for instance, know-how, problem solving abilities, accountability, etc.). Pay will be assigned in this method by comparing the weights of the factors required for each job, i.e., the present wages paid for key jobs may be divided among the factors weighed by importance (the most important factor, for instance, mental effort, receives the highest weight). In other words, wages are assigned to the job in comparison to its ranking on each job factor.

The steps involved in factor comparison method may be briefly stated thus:

- Select key jobs (say 15 to 20), representing wage/salary levels across the organization. The selected jobs must represent as many departments as possible.
- Find the factors in terms of which the jobs are evaluated (such as skill, mental effort, responsibility, physical effort, working conditions, etc.).

- Rank the selected jobs under each factor (by each and every member of the job evaluation committee) independently.
- Assign money value to each factor and determine the wage rates for each key job.
- The wage rate for a job is apportioned along the identified factors.
- All other jobs are compared with the list of key jobs and wage rates are determined.

***Merits and Demerits of Factor Comparison Method***

| *Merits* | **Demerits** |
|---|---|
| • Analytical and objective.<br>• Reliable and valid as each job is compared with all other jobs in terms of key factors.<br>• Money values are assigned in a fair way based on an agreed rank order fixed by the job evaluation committee.<br>• Flexible as there is no upper limitation on the rating of a factor. | • Difficult to understand, explain and operate.<br>• Its use of the same criteria to assess all jobs is questionable as jobs differ across and within organizations.<br>• Time consuming and costly. |

4. **Point method**

This method is widely used currently. Here, jobs are expressed in terms of key factors. Points are assigned to each factor after prioritizing each factor in the order of importance. The points are summed up to determine the wage rate for the job. Jobs with similar point totals are placed in similar pay grades. The procedure involved may be explained thus:

(a) Select key jobs. Identify the factors common to all the identified jobs such as skill, effort, responsibility, etc.

(b) Divide each major factor into a number of sub factors. Each sub factor is defined and expressed clearly in the order of importance, preferably along a scale.

The most frequent factors employed in point systems are:

- Skill (key factor): Education and training required, Breadth/depth of experience required, Social skills required, Problem-solving skills, Degree of discretion/use of judgment, Creative thinking;
- Responsibility/Accountability: Breadth of responsibility, Specialized responsibility, Complexity of the work, Degree of freedom to act, Number and nature of subordinate staff, Extent of accountability for equipment/plant, Extent of accountability for product/materials;
- Effort: Mental demands of a job, Physical demands of a job, Degree of potential stress.

The educational requirements (sub factor) under the skill (key factor) may be expressed in the order of importance.

| *Degree* | *Define* |
|---|---|
| 1. | Able to carry out simple calculations; High School educated |
| 2. | Does all the clerical operations; computer literate; graduate |
| 3 | Handles mail, develops contacts, takes initiative and does work independently; post graduate |

Assign point values to degrees after fixing a relative value for each key factor.

***Table: Point Values to Factors along a Scale***

| Factor | Point values for Degrees 1 | 2 | 3 | 4 | 5 | Total |
|---|---|---|---|---|---|---|
| Skill | 10 | 20 | 30 | 40 | 50 | 150 |
| Physical effort | 8 | 16 | 24 | 32 | 40 | 120 |
| Mental effort | 5 | 10 | 15 | 20 | 25 | 75 |
| Responsibility | 7 | 14 | 21 | 28 | 35 | 105 |
| Working conditions | 6 | 12 | 18 | 24 | 30 | 90 |

Maximum total points of all factors depending on their importance to job

= 540

(Bank Officer)

4 Find the maximum number of points assigned to each job (after adding up the point values of all sub-factors of such a job). This would help in finding the relative worth of a job. For instance, the maximum points assigned to an officer's job in a bank come to 540. The manager's job, after adding up key factors + sub factors' points, may be getting a point value of, say 650 from the job evaluation committee. This job is now priced at a higher level.

5 Once the worth of a job in terms of total points is expressed, the points are converted into money values keeping in view the hourly/daily wage rates. A wage survey, usually, is undertaken to collect wage rates of certain key jobs in the organization. Let's explain this:

***Table: Conversion of Job Grade Points into Money Value***

| Point range | Daily wage rate (Rs.) | Job grades of key bank officials | |
|---|---|---|---|
| 500-600 | 300-400 | 1 | Officer |
| 600-700 | 400-500 | 2 | Accountant |
| 700-800 | 500-600 | 3 | Manager I Scale |
| 800-900 | 600-700 | 4 | Manager II Scale |
| 900-1,000 | 700-800 | 5 | Manager III Scale |

**Merits and Demerits of Point Method**

The point method is a superior and widely used method of evaluating jobs. It forces raters to look into all keys factors and sub-factors of a job. Point values are assigned to all factors in a systematic way, eliminating bias at every stage. It is reliable because raters using similar criteria would get more or less similar answers. The methodology underlying the approach contributes to a minimum of rating error. It accounts for differences in wage rates for various jobs on the strength of job factors. Jobs may change over time, but the rating scales established under the point method remain unaffected.

On the negative side, the point method is complex. Preparing a manual for various jobs, fixing values for key and sub-factors, establishing wage rates for different grades, etc., is a time consuming process. According to Decenzo and Robbins, "the key criteria must be carefully and clearly identified, degrees of factors have to be agreed upon in terms that mean the same to all rates, the weight of each criterion has to be established and point values must be assigned to degrees". This may be too taxing, especially while evaluating managerial jobs where the nature of work (varied, complex, novel) is such that it cannot be expressed in quantifiable numbers, compensable factors.When conducting a quantitative (or factor) internal job evaluation,first select the compensable factors.

Compensable factors are:

• Criteria used to provide a basis for judging job value
• Element used to measure job worth
• Intrinsic elements in jobs that add value to the organization.

To weight compensable factors:

• Consider the nature of the work performed.
• Rank factors selected in order of priority for the organization.
• Review with key management and other stakeholders.

5. **Job Component Method**

This method uses multiple factor regression analysis. Compared to the more simple no quantitative methods (e.g., ranking or paired comparison), the job component method uses statistical analysis of compensable factors to determine job worth. It is used to identify the specific factors and factor weights that help explain the market pay levels of benchmark jobs. Once the model is developed, non-benchmark jobs can be evaluated using the model.

**Advantages of Job Component Method**

- Very objective and comprehensive
- Statistically accurate and results in a database of information
- Streamlined administration and ease of reporting.

**Disadvantages of Job Component Method**

- Very complex, time-consuming and expensive to develop
- Can initially be very difficult to communicate to employees, who may perceive the method as being developed by a computer.

6. **Point Factor Method**

This method uses defined factors and varying degrees to establish job value. Job descriptions are compared to the definitions of degrees to determine the most appropriate level. The corresponding points for that level are awarded to the job and combined for all factors to derive a total score.

**Advantages of Point Factor Method**

- Very objective and reliable
- Can be tailored to specific companies
- Easy to evaluate new jobs and recognize the difference between jobs in the company
- Because it evaluates jobs (not people), it is very responsive to pay equity laws.

**Disadvantages of Point Factor Method**

• Very expensive, time consuming and cumbersome to develop

• Typically creates an inflexible hierarchy.

Many companies look only at market pricing to evaluate and price jobs. Businesses also attempt to value internal job worth which is not always possible using market pricing unless the internal job worth hierarchy reflects the market entirely. In these cases, or when a company values internal jobs over market competitiveness, a business may use compensable factors combined with either the job component or point factor method.

## 7.5 CONCEPT OF COMPENSATION

Compensation refers basically to the total gross (pre-tax) wages paid by employers to employees for work done in an accounting period, such as a quarter or a year. Compensation of employees is accounted for on an accrual basis; i.e., it is measured by the value of the remuneration in cash or in kind which an employee *becomes entitled to receive* from an employer in respect of work done, during the relevant accounting period - whether paid in advance, simultaneously, or in arrears of the work itself. This contrasts with other inputs to production, which are to be valued at the point when they are actually used.

Compensation is defined as "the total remuneration, in cash or in kind, payable by an enterprise to an employee in return for work done by the latter during the accounting period". It represents effectively a total labour cost to an employer, paid from the gross revenues or the capital of an enterprise.

Compensation is payment to an employee in return for their contribution to the organization, that is, for doing their job. The most common forms of compensation are wages, salaries and tips.

Compensation is usually provided as base pay and/or variable pay. Base pay is based on the role in the organization and the market for the expertise required to conduct that role. Variable pay is based on the performance of the person in that role, for example, for how well that person achieved his or her goals for the year. Incentive plans, for example, bonus plans, are a form of variable pay. (Some people might consider bonuses as a benefit, rather than a form of compensation.) Some programs include a base pay and a variable pay.

Organizations usually associate compensation/pay ranges with job descriptions in the organization. The ranges include the minimum and the maximum amount of money that can be earned per year in that role.

## 7.6 OBJECTIVES OF COMPENSATION

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

1. To acquire qualified competent personnel
2. To retain the present employees
3. To secure internal and external equity
4. To ensured desired behaviour
5. To minimise labour and administrative costs
6. To create goodwill
7. To simplify collective bargaining

## 7.7 COMPENSATION FUNCTION, COMPENSATION POLICY AND OBJECTIVES

Compensation policy refers to the general statements on the methods, techniques and basis of wage payment in an organisation. It provides a broad framework within which all decisions relating to compensation are made.

The overall objectives compensation policies are to:

- attract and retain qualified, high-performing individuals who will contribute to our success;
- motivate executives to achieve our financial and business objectives; and
- align the long-term interests of our executives with those of our shareholders.

Each component of compensation (as discussed below) is designed to achieve particular objectives. In addition, the entire package is intended to align with our business strategy and to be competitive from a marketplace perspective

## 7.8 DETERMINATION OF COMPENSATION

A number of factors influence the remuneration payable to employees. They can be categorised into:

a) External factors

b) Internal factors

**EXTERNAL FACTORS**

Factors external to an organisation are labour market, cost of living, labour unions, government legislations, the society and the economy. In the labour market, factors such as demand for and supply of labour, going rate of pay, productivity of labour affect the remuneration payable to workers. Cost of living matters during periods of rising prices, and is forgotten when prices are stable or falling. A rise in the cost of living is sought to be compensated by payment of dearness allowance, basic pay to remain undisturbed. Labour unions and their bargaining power also affect payment of compensation. Employers in non-unionised factories enjoy the freedom to fix wages and salary as they please. Labour laws which have a bearing on employee remuneration are The Payment Of Wages Act, 1936, The Minimum Wages Act, 1948, The Payment Of Bonus Act, 1965, Equal Remuneration Act, 1976, And The Payment Of Gratuity Act, 1972. Every organisation need to design their pay structure in compliance with the provisions under these enactments. Society and economy are also affecting compensation paid to employees. The expectations of the society are expected to be met by the pay package. The economic conditions such as inflation, depression also affect compensation decision.

**INTERNAL FACTORS**

Among the internal factors which have an impact on pay structure are the company's strategy, job evaluation, performance appraisal and the worker himself. The overall business strategy which a company pursues should determine the remuneration to its employees. Where the strategy of the enterprise is to achieve rapid growth, remuneration should be higher than what competitors pay. Job evaluation helps establish satisfactory wage differentials among jobs. Performance appraisal helps award pay increase to employees who show improved performance. Several employee related factors interact to determine his or her remuneration. These include performance, seniority, experience, potential and even sheer luck.

## DETERMINING EMPLOYEE COMPENSATION

Employee compensation can be a sensitive subject, and people get very passionate when trying to determine the most appropriate compensation plan for any business. Many human resource-related concerns need to be addressed, but equally important in understanding the financial aspects of employee compensation. Employee compensation is much more than just the direct amount that you pay an employee. There are other costs that need to be incorporated in the overall payroll budget. Here are five areas to consider when figuring out how to compensate employees:

1. Incentives and bonus plans need to have clear guidelines to minimize any confusion. They should not be seen as a guaranteed payment, but instead should be measured by performance of the individual, team or company. If end-of-the-year bonuses are given every year regardless of performance, they no longer serve as a motivating factor; they are expected payments. Incentives and bonus payments should be reserved for employees who go above and beyond their everyday performance to help the company exceed its profitability goals.

2. Understand the costs of a benefit plan before you offer it. Offering benefits is a nice incentive for employees, but they can be a very costly burden to the company. So when assessing what benefits to add, consider not only today's direct costs, but also long-term expenses. Adding and removing benefits can be very demoralizing to your staff. So do not add anything you do not plan to continue in long term. Of course, unexpected situations can always arise that may affect your ability to continue offering a certain benefit, but employees will become disgruntled when benefits are added and removed frequently.

3. You also need to calculate employer payroll taxes into your overall payroll budget. Employers incur expenses, such as Social Security and Medicare tax, and workers' compensation insurance.

4. What type of position will the individual hold? Does it best correlate with direct payment on an hourly or salaried basis or is commission a better arrangement? Employees in sales-related positions should have commission as a part of their compensation package. Whether they are 100 percent commission or some other combination depends on the circumstances. These types of positions are most successful when their compensation is tied to their performance. It's a win-win for both the company and the employee.

5. Payroll budgeting is a necessity. There are many aspects to budgeting for a company, and a payroll budget is one component that should be done as well. Payroll budgets need to include direct wage and salary payments, commissions, bonuses, incentives, payroll taxes and insurance, along with any other directly related costs the business incurs in the payroll function. There will only be so much money that can be allocated to the complete compensation package and knowing that up front will help you in setting your commission, incentive, and bonus and raise strategies up front.

Compensating employees is a delicate balance between meeting the employees' expectations and the company's financial goals. Assessing these five areas when putting together or evaluating your compensation program will help you ensure you're proactively moving your company in the right direction.

## 7.9 COMPENSATION STRUCTURE

Pay structure in a company depends upon several factors. e.g. wage settlements, labour market situation, company's nature and size etc. Pay structure consists of certain grades, scale and range of pay in each scale. Each scale has a minimum and a maximum limit. Jobs places within a particular grade carry the same value though the actual pay in a grade depends upon length of service and or performance of the employee.

Pay structure in India generally consists of the following components:

1- Basic wage/salary

2-Dearness allowance (D.A.) and other allowances.

3- Bonus and other incentives.

4- Fringe benefits or perquisites.

**Hard variables**

- Salary
- Augmented pay- overtime, extra pay, one time stuff
- Indirect pay –things needed for work, uniform allowance, etc.
- Parks pay – discount on company's products, etc.

**Soft variables**

- Opportunity for advancement
- Opportunity for growth
- Psychic income – doing personally meaningful work
- Quality of life – workplace flexibility, work-life balance
- The X-factor- special individual variables like bringing a dog to work.

**1. Basic Wage**

The basic wage provides the foundation of pay pocket. It is a price for services rendered. It varies according to mental and physical requirements of the job as measured through job evaluation. In India, basic wage has been influences by statutory minimum wage, wage settlements, and awards of wage board's tribunals pay commissions, etc.

**(a) Minimum wage**

Minimum wage is that wage which is sufficient to cover the bare physical needs of a worker and his family. But the committee felt that the minimum wage should provide not merely for the base subsistence or sustenance of life but for the preservation of the health, efficiency and well- being of the worker by providing some measure of education, medical facilities and other amenities. Statutory minimum wage is fixed from this point of view. Minimum wage has got to b paid to every worker irrespective of the capacity of the industry to pay. If an enterprise is unable to pay its workers at least a bare minimum, it has no right to exist.

**(b) Fair wage**

A fair wage is something more than the minimum wage providing the bare necessities of life. While the lower limit of the fair wage is set by the minimum wage, the upper limit should be the capacity of the industry to pay. Between these two limits, fair wage should depend on several factors like-

- The productivity of labour.
- The prevailing rates of wages in the same or similar occupations in the same region or neighbouring regions,
- Level of national income and its distribution,
- The place of the industry in the economy of the country, and
- The employer's capacity to pay.

Thus, the fair wage should be determined on industry cum region basis. Fair wage is a step toward the ideal of living wage. The objective should be not merely to determine wages which are fair in abstract but also to ensure that employment and efficiency of the industry is maintained and if possible increased.

(**C**) **Living Wage**

It is the wage that provides, in addition to the necessities of life, certain amenities considered necessary for the well-being of the worker in a particular society. It should ensure a normal standard of life to the average employee regarded as human beings living in a civilized community. According to the fair wages committee, "the living wage should enable the male earner to provide for himself and his family not merely the bare essentials of food, clothing and shelter but also a measure of frugal comfort including education for children, protection against erasure of insurance against the more important misfortunes including old age."

The concept of living wage is dynamic related with the level of economic development in a country. There should be progressive improvement in the wage with improvements in the economic life of the nation. In and underdeveloped country like India living wage is the ideal or target that is to achieved through higher productivity.

**State regulation of wages**

- The Minimum Wages Act, 1948
- The Payment of Wages Act,1936
- The Equal Remuneration Act,1976
- The Industrial Dispute Act, 1947
- Wage Boards
- Pay Commissions

**(2)Dearness Allowance and Other Allowance**

This allowance is given to protect the real wages of workers during inflation .Under section 3 of the Minimum Wages Act, it is as cost of living allowance. Dearness allowance has now become an integral part of the wage system in India. The following methods are used to calculate dearness allowance:

**Flat Rate**

According to this method, D.A. is paid at a flat to all workers irrespective of their wage levels and regardless of change in the consumer price index. This method was used in jute, cotton and engineering industries in West Bengal in the early days of adjudication.

**Graduated Scale**

Under this method, D.A. increases with each slab of salary. Therefore, D.A. as a percentage of basic pay decreases steadily as shown in table:

| **Pay scale (Rs.)** | **Amount of D.A. (Rs.)** | **D.A. as percentage of maximum of the pay scale** |
|---|---|---|
| **0-500** | **100** | **20** |
| **500-1000** | **150** | **15** |
| **1000-1500** | **200** | **13** |
| **1500-2000** | **250** | **12.5** |

**Index Based D.A.**

In this method a flat rate per point of index is prescribed so that all workers determine the same amount of D.A. irrespective of their scale. For example, if Rs. 1.50 is the rate Rs.15 will be paid as D.A. whenever All India Consumer Price Index (AICPP) increases by 10 points. This method is in force in the cotton mills of Mumbai and Chennai and in many central Government undertakings.

**D.A. Linked to Index pay scale**.

Under this method, a higher rate of D.A. is prescribed for lower pay scales and a lower rate for higher pay scale. This method is used to pay D.A. to employees in Government offices and in many central public sector undertaking.

In addition to D.A. several types of allowances are in use, these are followings: City Compensatory Allowance, Bank Allowance, Education Allowance, House Rent Allowance, Conveyance/ Car Allowance, Medical Allowance, Tiffin Allowance

**3. Bonus**

Bonus began to be paid as an ex-gratia to workers of textile mills in Mumbai and Ahmadabad after the First World War. Some experts argue that bonus is a deferred wage aimed at birding the gap between actual wage and need based wages .It is also argue that bonus is a share of the workers in the prosperity of an enterprises. Bonus may also regard as an incentive to higher productivity. According to the Bonus Commission (1961), bonus is sharing by worker in the prosperity of the concern in which they are employed. In the case of low paid workers such sharing in the prosperity argument earnings and help to bridge the gap between the actual wages and need based wage. It has little direct incentive effect because it is usually paid to all workers at the same rate irrespective of their individual efficiency and long after the close of the financial years.

**4. Fringe benefit**

A broad range of benefit and services are provided by an employer to his employ in addition to wage and salary. These are based on critical job factors and performance. These represent indirect compensation. These are no longer fringe as these constitute a significant part of total compensation package and substantial labour cost for employer.

**Criteria**

(i) It should be computable in terms of money.

(ii)The amount of benefit is not generally predetermined.

(iii) There is no control as to when be benefits available.

**Need and Importance**

(a) Incentives motivation

(b) Improve employee's standard of living.

(c) Attract better talent.

(d) Reduce labour turnover,

(e) Reduce overtime costs

(f) Discourage labour cost

(g) Help labour in rising cost of living

(h) Labour legislation had made some of them compulsory e.g..PF/Pension

(i) Power of unions.

(j) Part of social responsibility and human relations,

(k) Sense of security and welfare – health safety, etc

## 7.10 INCENTIVES AND FRINGE BENEFITS

Fringe benefits are compensations made to an employee beyond the regular benefit of being paid for their work. Some fringe benefits are fairly standard, such as offering a few days of sick time or paid vacation time. Others can be significantly greater, and rarer. Key executives in large companies might also enjoy fringe benefits like use of time-share condominiums, paid continuing education, use of a company jet, use of a company credit card, discounted or free health club memberships, and a significant amount of paid vacation.

Most people who work full time in the US could probably not get along without fringe benefits. For example, offering health insurance to employees, where the employer pays part of the insurance is a typical example of fringe benefits. According to the laws in some states, companies of a certain size must offer health insurance with some sharing of payment at least to a full-time employee. Some companies avoid this by employing more part-time workers.

Most companies, however, realize that fringe benefits like health insurance contribute to the well being of their employees. Whenever possible, they try to offer at least partially discounted insurance to an employee, even if they are not legally required to do so. Fringe benefits like sick or vacation time tend to be fairly standard as well, even if an employee does not work full time. These paid days off do tend to have a cap on them. For example, a new employee might get a week's vacation time to start, and eight to ten days of sick time for year. Employees entering higher-level positions may be offered greater fringe benefits as incentive to join a company.

In fact, in fields where there is a high demand for workers, such as nursing and teaching, some unusual fringe benefits may be offered to attract employees. Small school districts have got quite creative in this respect, since teacher salaries are still relatively low. A few unusual fringe benefits offered by school districts have been paid housing or use of private lakes for fishing. More likely are paid incentives for joining a teaching staff such as hiring bonuses, offers to fund continuing education so teachers get higher degrees and thus higher pay, or offering mentor programs for new teachers.

Registered nurses are badly needed due to new requirements on nurse/patient ratio. This has led to uncommonly large hiring bonuses, agreements to pay off student loans for new nurses, and generous health insurance and time off packages. Other fields with high demands for workers and low worker supply are likely to offer the most attractive fringe benefits packages.

Sometimes the fringe benefits turn out to be greatly needed. For example, the rising cost of private health insurance often makes obtaining a job with a good health plan highly desirable. Programs like 401ks can help employees save money for the future. Where job compensation is not commensurate with money needed to live comfortably, housing allowances, or company housing can often make the difference between being able to take a job and looking elsewhere.

Some companies also pay fringe benefits for those who work night or swing shifts. These fringe benefits may be in the nature of a 10—30% increase of base pay for working a non-standard shift. This is called a shift differential and is quite common

## 7.11 SUMMARY

- Job evaluation is the output provided by job analysis. Job evaluation uses the information in job analysis to evaluate each job-valuing its components and ascertaining relative job worth
- The simplest method of job evaluation is the ranking method. According to this method, jobs are arranged from highest to lowest, in order of their value or merit to the organization. Jobs also can be arranged according to the relative difficulty in performing them.
- Compensation is payment to an employee in return for their contribution to the organization, that is, for doing their job. The most common forms of compensation are wages, salaries and tips.
- A number of factors influence the remuneration payable to employees. They can be categorised into: External factors and Internal factors
- Fringe benefits are compensations made to an employee beyond the regular benefit of being paid for their work. Some fringe benefits are fairly standard, such as offering a few days of sick time, paid vacation etc

## 7.12 KEY WORDS

- **Consumer Price Index (CPI)** -An index of prices used to measure the change in the cost of basic goods and services in comparison with a fixed base period. Also called cost-of-living index
- **Content validity** -The degree to which a test or other assessment instrument used during the selection process measures the skills, knowledge and abilities or other related job qualifications.
- **Cost of labour-** The total payments in the form of gross salary and wages, bonuses, and other cash allowances paid to employees and salaries, allowances, fees, bonuses and commissions paid to working

directors and fees paid to non-working directors for their attendance at the Board of Directors' meetings.

- **Fringe benefit** -Employment benefits granted to employees in addition to their current base salary or wages (i.e., cash, merchandise, services, health insurance, pension plans, holidays, paid vacations, etc.).
- **Full-time equivalent (FTE**)- A value assigned to signify the number of full-time employees that could have been employed if the reported number of hours worked by part-time employees had been worked by full-time employees instead
- **Incentive pay** -Additional compensation used to motivate and reward employees for exceeding performance or productivity goals.

## 7.13 REVIEW QUESTIONS

1. What is job evaluation? What are the differences between job evaluation and performance appraisal?
2. Bring out the methods of job evaluation.
3. What do you understand by employee remuneration? What is its significance?
4. What are the factors determining employee compensation?
5. Bring out the components for employee remuneration.

## 7.14 FURTHER READINGS


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## UNIT 8

## INDUSTRIAL RELATIONS, INDUSTRIAL DISPUTES, EMPLOYEE GRIEVANCES AND DISCIPLINE

**Structure**

8.1 Introduction
8.2 Meaning and Objectives of Industrial Relations
8.3 Objectives and Approaches to Industrial Relations
8.4 Essential Conditions for Sound Industrial Relations
8.5 Significance of Sound Industrial Relations
8.6 Meaning of Industrial Conflict
8.7 Forms of Industrial Relations and Causes of IR
8.8 Industrial Disputes: Preventive Machinery
8.9 Industrial Disputes: Settlement Machinery
8.10 Conciliation: Voluntary Arbitration, Adjudication
8.11 Model Grievance Procedure in Indian Industry
8.12 Concept of Discipline
8.13 Approaches to Discipline
8.14 Disciplinary Action
8.15 Punishment
8.16 Dismissal and Discharge
8.17 Summary
8.18 Keywords
8.19 Review Questions
8.20 Further Readings

**Learning Objectives**

After studying this unit, you will be able to:

- Explain the Objectives and Approaches to Industrial Relation.
- List out Essential Conditions for Sound Industrial Relations.
- Describe the Significance of Sound Industrial Relations.
- Define Industrial Conflict and discuss the Forms of Industrial Relations and Causes of IR.
- Explain model grievance procedure in Indian Companies.
- Describe the approaches to discipline and disciplinary action.
- Explain the concepts of punishment, dismissal and discharge.

## 8.1 INTRODUCTION

Industrial relations explain the relationship between employees and management which stem directly or indirectly from union-employer relationship. Industrial relations are the relationships between employees and employers within the organizational settings. The field of industrial relations looks at the relationship between management and workers, particularly groups of workers represented by a union. Industrial relations are basically the interactions between employers, employees and the Government, and the institutions and associations through which such interactions are mediated.

A grievance is a sign of employee's discontent with job and its nature. The employee has got certain aspirations and expectations which he thinks must be fulfilled by the organization where he is working. When the organization fails to satisfy the employee needs, he develops a feeling of discontent or dissatisfaction. For instance, the employee expects proper implementation of the Central and State Government's laws, collective agreements, company policies and management responsibilities, a violation of any one among these cause dissatisfaction on his part. Thus, grievance is caused due to the difference between the employee expectation and management practice.

## 8.2 MEANING AND OBJECTIVES OF INDUSTRIAL RELATIONS

The term ‘industrial relations’ has a broad as well as a narrow outlook. Originally, industrial relations was broadly defined to include the relationships and interactions between employers and employees. From this perspective, industrial relations cover all aspects of the employment relationship, including human resource management, employee relations, and union-management (or labour) relations. Now its meaning has become more specific and restricted. Accordingly, industrial relations pertains to the study and practice of collective bargaining, trade unionism, and labour-management relations, while human resource management is a separate, largely distinct field that deals with non-union employment relationships and the personnel practices and policies of employers.

The relationships which arise at and out of the workplace generally include the relationships between individual workers, the relationships between workers and their employer, the relationships between employers, the relationships employers and workers have with the organizations formed to promote their respective interests, and the relations between those organizations, at all levels. Industrial relations also includes the processes through which these relationships are expressed (such as, collective bargaining, workers’ participation in decision-making, and grievance and dispute settlement), and the management of conflict between employers, workers and trade unions, when it arises

According to Industrial Dispute Act, 1947, “Industrial Relation is a relation between employer and employees, employees and employees and employees and trade unions and the process by which people and their organizations interact at the place of work to establish the terms and conditions of employment."

## 8.3 OBJECTIVES AND APPROACHES TO INDUSTRIAL RELATION

The major objectives of industrial relations are:

a) To safeguard the interests of labour and of management by securing the highest level of mutual understanding and goodwill among all those sections in the industry which participate in the process of production.
b) To avoid industrial conflict or strife and develop harmonious relations, which are an essential factor in the productivity of workers and the industrial progress of the company.
c) To raise productivity to a higher level in an area of full employment by lessening the tendency to high turnover and frequent absenteeism.
d) To establish and nurse the growth of an industrial democracy based on labour partnership in the sharing of profits and the managerial decisions, so that an individual's personality may grow to its full stature for the benefit of the industry and of the country as well,
e) To eliminate, as far as possible and practicable, strikes, lockouts, and gheraos by providing reasonable wages, improved living and working conditions, and fringe benefits.

In fact, Industrial Relation encompasses all such factors that influence behavior of people at work. A few such important factors are details below:

**1. Process / Methods**: The collective bargaining between both the employer and employee. The participation of workers' in the Industrial Relation schemes in necessary. Others are disciplinary procedure, grievance readdress machinery, dispute settlements, union reorganization, revisions of existing rules, regulations, policies, procedures, hearing of labor courts, tribunals etc.

**2. Contents**: It may be two parts. Part one includes the matter pertaining to employment conditions like pay, hours of works, leave with wages, health, and safety, disciplinary actions, lay-off, dismissals retirements etc., and other part are laws relating to such activities, regulations welfare, social security, industrial relations, etc.

**3. Institution / Establishment**: The direct or indirect impact on the industrial relations systems is it includes government, employers, trade unions, unions' federations or associations, government bodies, labor courts, tribunals and other organizations.

## 8.4 ESSENTIAL CONDITIONS FOR SOUND INDUSTRIAL RELATIONS

A successful industrial relations programme reflects the personnel viewpoint, which is influenced by three main considerations:

a) **Individual thinking**: Individualized thinking makes it imperative for the administrator to consider the entire situation in which the affected individual is placed.

b) **Law and Policy awareness**: The Law and Policy awareness underscores the idea of the consistency of treatment and the precedent value which management takes decision. Other part, the union leader should know the implications of such laws and policy for the employees.

c) **Farsight of the expected reaction of group**: While expected group reaction balances what we know of human nature in groups against an individual's situation in the light of the policy that has been formulated and implemented.

In all these different circumstances, reality demands that all the three aspects of the personnel viewpoint should be considered at once in terms of the past, the present and the future. This viewpoint is held at all the levels of management from the top to the bottom, from the top executives and staff to the line and supervisory personnel.

## 8.5 SIGNIFICANCE OF SOUND INDUSTRIAL RELATIONS

A sound industrial relations system is not capable of precise definition. Every industrial relations system has to take into account, and reflect, cultural factors. Systems cannot change culture, but only behaviour within a cultural environment. As such, one can only describe some of the elements which have generally come to be recognized as contributing to a sound industrial relations system. These elements would constitute a sort of 'check-list'. A relatively sound industrial relations system will exhibit some of these elements.

A sound industrial relations system is one in which relationships between management and employees (and their representatives) on the one hand, and between them and the State on the other, are more harmonious and cooperative than conflictual and creates an environment conducive to economic efficiency and the motivation, productivity and development of the employee and generates employee loyalty and mutual trust. Industrial relations itself may again be described as being concerned with the rules, processes and mechanisms (and the results emanating therefrom) through which the relationship between employers and employees and their respective representatives, as well as between them on the one hand and the State and its agencies on the other, is regulated. Industrial relations seek to balance the economic efficiency of organizations with equity, justice and the development of the individual, to find ways of avoiding, minimizing and resolving disputes and conflict and to promote harmonious relations between and among the actors directly involved, and society as a whole. The rules, processes and mechanisms of an industrial relations system are found in sources such as laws (legislative, judicial, quasi-judicial), practices, customs, agreements and arrangements arrived at through a bipartite or tripartite process or through prescription by the State.

Industrial relations operate at different levels - at the national level, at the level of the industry and at the enterprise level. The elements which reflect a sound industrial relations system at all these levels are not necessarily the same. At the national level, industrial relations operates so as to formulate labour relations policy. In market economies, this is usually done through a tripartite process involving government, employers and workers and their representative organizations. At the industry level, industrial relations often take the form of collective bargaining between employers' organizations and unions. This process may result in determining wages and other terms and conditions of employment for an industry or sector. It may also result in arrangements on issues which are of mutual concern such as training, ways of avoiding or settling disputes, etc. At the enterprise level the relationship between employers and workers is more direct, but the interests of workers may be represented by unions. Employers' organizations, however, are not usually involved (though sometimes they are when negotiations take place between them and unions in respect of enterprise issues) at the enterprise level in representing the employers' interests with workers or their union, but this does not mean that they do not have an important promotional role at this level.

Sound industrial relations at the national level build trust and confidence between representatives of workers and employers. Sound relations at the enterprise level builds trust and confidence between workers and management, which is the point at which the system must ultimately be effective. Effectiveness at one level would naturally have some impact on the other.

A sound industrial relations system requires a labour management relations policy (LMRP). There are many specific objectives of such a policy, all of which go to make up the policy at the national level. The following are some of the objectives, the emphasis varying from country to country depending on the priorities and stage of development of each of them at any given point of time:

i. Employment and job security and increased employment opportunities.

ii. Raising living standards through improved terms and conditions of employment.

iii. Productivity improvement which enables employers to be more competitive and to increase their financial capacity to raise the living standards of the employees.

iv. Minimizing conflict, achieving harmonious relations, resolving conflicts through peaceful means and establishing stable social relationships. In Western industrialized societies "harmony" and "harmonious relations" are not explicitly referred to either as an objective or as a means, though basically it represents an important objective in such societies. However, this concept is explicitly referred to in many Asian societies. Development has an economic and social dimension on the one hand and a cultural dimension on the other. The economic and social aspects involve guiding or influencing economic and social change in a desirable direction. This means not only economic development measured in terms of growth rates and per capita incomes, but also equity in terms ofincome distribution and employment opportunities, life expectancy, population growth rates, literacy, poverty alleviation, etc. As aptly stated by John Kenneth Galbraith "It is one of the least advertised, and for the very affluent the least attractive, of economic truths that a reasonably equitable distribution of income throughout the society is highly functional.

## 8.6 MEANING OF INDUSTRIAL CONFLICT

Industrial Conflict is a term which refers to all expressions of dissatisfaction within the employment relationship, especially those pertaining to the employment contract, and the effort bargain. The many different kinds of industrial conflict may be divided into two broad classes: informal and formal.Informal industrial conflict is so labelled because it is not based on any systematic organization, results directly from a sense of grievance, and supposedly is wholly expressive in nature. Many forms of industrial sabotage which appear irrational would constitute industrial conflict in this sense, as would purely individualized and even unconscious forms of protest, including absenteeism, frequent job-changing, negligence, and even accidents at work. Industrial sociologists have also regarded spontaneous walk-outs and strikes as examples of informal industrial conflict, as well as the constant opposition to management expressed in workgroup norms regulating output, restrictive practices, secrecy, or other guarded treatment of superiors. The idea of informal industrial conflict thus draws attention to the roots of behaviour which may appear incomprehensible from the point of view of management. Used too widely, however, it loses its vigour.

Formal industrial conflict is reserved for organized expressions of conflict articulated through a trade-union or other worker representative. It is supposed purpose is strategic or instrumental rather than (or as well as) expressive and may often involve workers who, by themselves, have no feelings or personal involvement regarding the issues at stake in the dispute. Its characteristic form is the organized strike: that is, a withdrawal of labour such as to constitute a temporary breach of contract, using the collective strength of the workforce to avoid sanctions and achieve adjustments to pay or conditions of work. Strikes may be reinforced by other types of formal sanction such as the go-slow and work to rule. They may be confined to those directly affected or may take the form of sympathy strikes by workers in related jobs and industries. Strikes are deemed to be official if they have been called at the behest of the union leadership and in accordance with the law and with procedural collective-bargaining agreements. The term unofficial or 'wildcat' is applied to strikes waged through unrecognized leaders such as shop stewards, or by a non-recognized union, or in some other way which breaches established collective-bargaining laws and procedures. Obviously, there is not a clear distinction in practice between wildcat strikes and some of the more collective forms of unofficial conflict.At one time there was much debate in industrial sociology about the term strike-proneness epitomizing the search for structural causes of industrial conflict. Attempts were made to link patterns of strike activity with industry type, with the degree of isolation and class homogeneity of the work community, with the use of mass-production technologies, the bureaucratization of management, and the structuring of work groups. Though weak correlations have been found with some of these factors, the frequency and incidence of strikes and similar forms of unrest is so erratic that plenty of discrepant occurrences could be found. Economists have had some success linking long-term strike patterns to economic indicators but they, like other investigators in this mould, are hampered by the varying quality and scope of national and international strike statistics. The conclusion tend therefore to be pitched at a highly general level. A fundamental objection to such structural explanations is that the more overt forms of industrial conflict have to be socially organized as well as provoked. Hence, explanations of them have to bear in mind the strategic considerations perceived by workers and their leaders, as well as the meaning of industrial action, which can (and clearly does) vary greatly between industrial relations cultures. It is said, for example, that the wearing of red hats during work is as serious an expression of dissent in the Japanese context as a protracted strike is in the British.

## 8.7 FORMS OF INDUSTRIAL RELATIONS AND CAUSES OF IR

An industrial relations system consists of the whole gamut of relationships between employers and employees which are managed by the means of conflict and cooperation. A sound industrial relations system is one in which relationships between management and employees (and their representatives) on the one hand, and between them and the State on the other, are more harmonious and cooperative than conflictual and creates an environment conducive to economic efficiency and the motivation, productivity and development of the employee and generates employee loyalty and mutual trust.

### Actors in the IR system

Three main parties are directly involved in industrial relations:

**1. Employers**: Employers possess certain rights vis-à-vis labors. They have the right to hire and fire them. Management can also affect workers' interests by exercising their right to relocate, close or merge the factory or to introduce technological changes.

**2. Employees**: Workers seek to improve the terms and conditions of their employment. They exchange views with management and voice their grievances. They also want to share decision making powers of management. Workers generally unite to form unions against the management and get support from these unions.

**3. Government:** The Central and State Government influences and regulates industrial relations through laws, rules, agreements, awards of court ad the like. It also includes third parties and labour and tribunal courts.

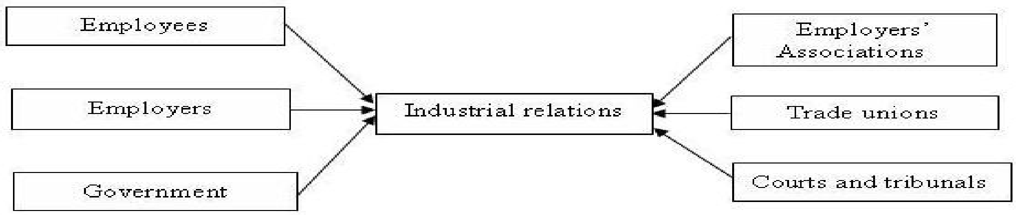



**Figure 8.1 Forms of Industrial Disputes**

**Scope of Industrial Relations**

The concept of industrial relations has a very wide meaning and connotation. In the narrow sense, it means that the employer employee relationship which confines itself to the relationship that emerges out of the day to day association of the management and the labour. In its wider sense, industrial relations include the relationship between an employee and an employer in the course of the running of an industry and may project it to spheres, which may transgress to the areas of quality control, marketing, price fixation and disposition of profits among others.

The scope of industrial relations is quite vast. The main issues involved here include the following:

1. Collective bargaining
2. Machinery for settlement of industrial dispute
3. Standing orders
4. Workers participation in management
5. Unfair labour practices

**Causes of Industrial Relations**

The main purposes of industrial relations are :

1. Development of healthy labour management relations
2. Maintenance of industrial peace and avoidance of industrial strife
3. Development and growth of industrial democracy.

## 8.8 INDUSTRIAL DISPUTES : PREVENTIVE MACHINERY

The following measures can be taken to avoid disputes in industry :

1. **Model standing orders:** The purpose of these orders is to prescribe guidelines for regulating relations between employers and employees under The Industrial Employment (Standing Orders) Act, 1946. Every factory employing 100 or more workers is required to frame standing orders in consultation with the workers. These orders must be certified and displayed properly by the employer for the information of workers.

**2. Code Of Industrial Discipline:** The Indian Labour Conference at its 15th session in 1957 involved a code of industrial discipline. The code voluntarily binds the employers and workers to settle all grievances and disputes by mutual negotiations, conciliation, and voluntary arbitration.

**3. Grievance procedure:** Every organisation requires a permanent procedure for handling employee grievances. Grievance handling procedure is a formal process of settling grievance and it usually consists of a number of steps arranged in a hierarchy. Grievance procedure helps to settle disputes as early as possible.

**4.Collective bargaining:** Collective bargaining is process in which the representatives of the employer and of employees meet and attempt to negotiate a contract governing the employer employee union relationship. It is called collective because both the employer and the employee act as a group rather than as individuals. Collective bargaining is a rational process which appeals to facts and to logic, reconciles conflicting interests in the light of common interests of both parties.

**5. Works committee:** In every factory where more than 10 workers are employees, a works committee is formed by equal number of representatives from employer and employee groups. Works committee deals with matters of day-to-day functioning at the shop floor level

**6. Joint Management Councils:** These councils were set up in 1958 consequent upon the acceptance of socialistic pattern of society. These consists of equal representatives of management and workers, not exceeding twelve, at the plant level in selected industrial units, the units shall employ at least five hundred workers.

**7. Suggestion schemes:** Under this system workers are invited and encouraged to offer suggestions for improving the working of the enterprise. A suggestion box is installed. A worker can write his suggestions and put it into the box. Periodically all the suggestions are scrutinised by the suggestions committee and good suggestions are accepted for implementation

**8.Joint consultative machinery:** Service conditions in the Government sector are dealt with at National Council (for Central Government Employees), Departmental councils and Regional or Office councils

**9. Tripartite bodies:** Several tripartite bodies have been constituted at central and state levels. The Indian Labour Conference, Standing Labour Committees, Wage Boards And Industrial Committees operate at the centre. At the state level, State Labour Advisory Boards have been set up. All these boards play an important role in reaching at agreements on various labour matters.

**10. Labour Welfare Officer:** The Factories Act, 1948 provides for the appointment of a labour welfare officer in every factory employing 50 or more workers. The officer looks after all facilities in the factory provided for the health, safety and welfare of workers. Labour welfare officer may contribute towards healthy industrial relations through proper administration of standing orders, grievance procedures etc.

## 8.9 INDUSTRIAL DISPUTES : SETTLEMENT MACHINERY

The following approaches and measures are used for the settlement of disputes in industry:

**1. Conciliation:** Conciliation is the process by which representatives of workers and employers are brought together before a third party with a view to persuade them to arrive at an agreement through mutual discussion between them. It involves friendly intervention of a neutral person or group of persons to help the parties to settle their disputes peacefully. Conciliation is in a way extension of collective bargaining with third party assistance.

**2. Arbitration:** Arbitration is a process in which a neutral third party listens to the disputing parties, gathers information and then takes a decision which is binding on both the parties. In comparison with conciliation which involves compromise arbitration is a quasi-judicial process. The conciliator simply assists the parties to come to a settlement whereas an arbitrator listens and help disputing parties to arrive at consensus. Arbitration can be voluntary or compulsory.

**3. Adjudication:** Adjudication is the ultimate legal remedy for the settlement of industrial disputes. Adjudication means intervention of a legal authority appointed by the Government to make a settlement which is binding on the parties.

**4. Courts of inquiry:** The appropriate government may by notification in the Official Gazette, constitute a court of inquiry for inquiring into any matter appearing to be connected with or relevant to an industrial dispute. A court of inquiry may consist of one independent person or of such number of independent persons as the appropriate government may think fit. Courts of inquiry have the same powers as are vested in civil court.

## 8.10 CONCILIATION: VOLUNTARY ARBITRATION, ADJUDICATION

Board of Conciliation is constituted as an ad hoc body by an appropriate government. Its purpose it “to mediate and to induce the pirates to come to a fair an amicable settlement.

The appropriate governance is not empowered to constitute a Board for the purpose of referring criminal proceedings. Board also cannot enforce an award. It also cannot thrust upon the contending parties its own terms and conditions of settlement. It can take action only when a dispute has been referred to it by the Government.

The Board may be constituted by the appropriate Government by notification in the official gazette. It consists of a chairman (who shall be an 'independent person' i.e. unconnected with the dispute or with any industry directly affected by such dispute) and two or four members, as the Government thinks fit, who shall be appointed to represent the party. If any party fails to recommend any name within the prescribed time, the appropriate Government shall appoint such persons as it think fit to represent the party

**Voluntary arbitration:** is a process in which the disputing parties show willingness to go to an arbitrator and submit to his decision voluntarily. Voluntary arbitration implies that the two contending parties, unable to compose their differences by themselves or with the help of the mediator or conciliator, agree to submit the conflict/dispute between them to be resolved by an impartial authority, whose decision they are ready to accept. In others words, under voluntary arbitration, the parties to the dispute can and do themselves refer voluntarily any dispute to arbitration before it is referred for adjudication. This type of reference is known as a “voluntary reference”, for the parities volunteer themselves to come to a settlement through arbitration machinery.

The essential element in voluntary arbitration isthe voluntary submission of dispute to an arbitrator;the subsequent attendance of witness and investigations; the enforcement an award may not be necessary and binding because there is no compulsion.

But generally, the acceptance of arbitration implies the acceptance of its award-be it favourable or unfavourable; and voluntary arbitration may be specially needed for disputes arising under agreements.

Compulsory arbitration, on the other hand, is one where the parties are required to arbitrate without any willingness on their part. When one of the parties to an industrial dispute feels aggrieved by an act of the other, it may apply to the appropriate government to refer the dispute to adjudication machinery. Such reference of a dispute is known as 'compulsory' or 'involuntary' reference, because reference in such circumstances does not depend on the sweet will of both the contending parties or any party to the dispute. It is entirely the discretion based substantially upon objective text of the appropriate Government on the question of existing or apprehending industrial dispute in a particular establishment.

Under compulsory arbitration, the parties are forced to arbitration by the State when: (i) the parties fail to arrive at a settlement by voluntary method; or (ii) when there is a national emergency which requires that wheels of production should not be obstructed by frequent work-stoppages; or (iii) the country is passing through grave economic crisis; or (iv) there is a grave public dissatisfaction with the existing industrial relations; or (v) when industries of strategic importance are involved, or (vi) parties are ill balanced, i.e, where the unions are weak, ill-organised, and powerless and the means of production are in the hands of the capitalists who are well-organised and more powerful; or (vii) where public interest and the working conditions are desired to be safeguarded that regulated by the state. Compulsory arbitration leaves no scope for strikes and lock-outs and thus deprives both the parties of their very important and fundamental rights.

Under the Industrial disputes Act, 1947, a dispute may be referred to arbitration, under following conditions:

**a)** an industrial dispute exists or is apprehended in an establishment;

**b)** the employer and the workmen of that establishment agree, in writing, to refer the dispute to arbitration;

**c)** Arbitration agreement is in the prescribed form and signed by the parties to it in the prescribed manner;

**d)** The agreement must be accompanied by the consent, in writing, of the arbitrator or arbitrators;

**e)** the dispute must be referred to arbitration at an time before it has been referred to a Labour Court or Tribunal or a National Tribunal;

**f)** The arbitration agreement set forth the issue/issues to be decided by the arbitration procedure and a copy of the agreements is forwarded to the Government and the Conciliation officer.

Where any industrial dispute exists or is apprehended and the employer and the workmen agreed to refer the dispute to arbitration, they may refer the dispute to arbitration and the reference is to such person or person (including presiding officer of a Labour Court or Tribunal or National Tribunal) as an arbitrator of arbitrators as may be specified in the arbitration agreement [Section 10 A of the Industrial Disputes Act, 1947]

Where 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's as "umpire" who shall enter upon the reference. 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 [Section 10-A]

Adjudication Procedure: Till the enactment of the Industrial Employment (standing orders) Act, 1946, the settlement of day-to-day grievances of workers, in India, did not receive much attention in the legislative framework. Clause 15 of the Model standing orders in the schedule of the Industrial Employment (standing orders) 1946 specified that:

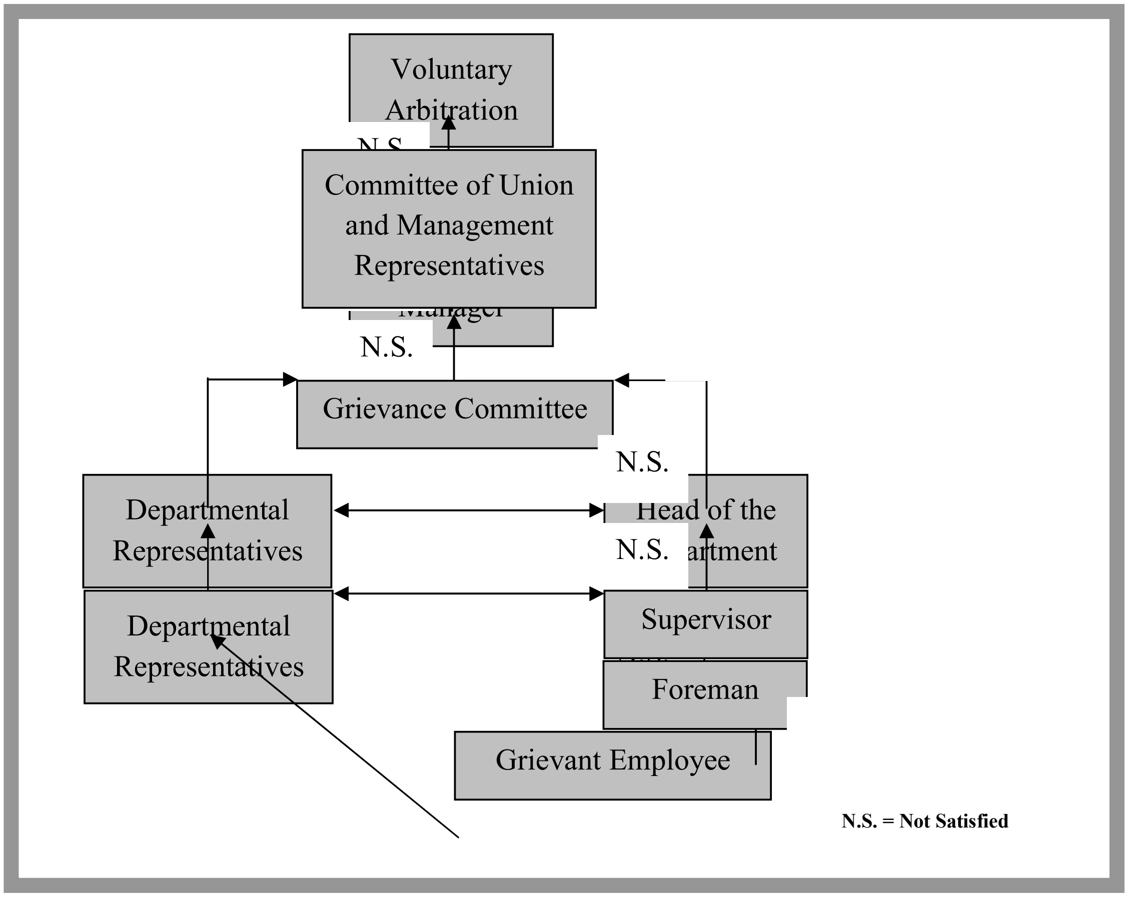
"All complaints arising out of the employment including those relating to unfair treatment or wrongful exaction on the part of the employer or his agent, shall be submitted to the manager or other person specified in his behalf with the right of appeal to the employer."

Under the Factories Act, 1948 the State Government had framed rules requiring labour welfare offices to ensure settlement of grievances but this provision did not prove substantially helpful because of the dual role of these officers.

The Industrial Disputes (Amendment) Act,1982 has provided for reference of certain individual disputes to grievances settlement authorities. Section 9 C of the Act stipulates that in very establishment in which one hundred or more workmen are employed or have been employed on any one day in the preceding twelve months; the employer shall set up a time-bound grievance redressal procedure.

## 8.11 MODEL GRIEVANCE PROCEDURE AND GRIEVANCE MANAGEMENT IN INDIAN INDUSTRY

**Grievance Management in Indian Industry**




At present, there are three legislations dealing with grievances of employees working in industries. The Industrial Employment (Standing Orders) Act, 1946, requires that every establishment employing 100 or more workers should frame standing orders. These should contain, among other things, a provision for redressal of grievances of workers against unfair treatment and wrongful exactions by the employer or his agents. The Factories Act, 1948 provides for the appointment of a Welfare Officer in every factory ordinarily employing 500 or more workers. These Welfare Officers also look after complaints and grievances of workers. They will look after proper implementation of the existing labour legislation. Besides, individual disputes relating to discharge, dismissal or retrenchment can be taken up for relief under the Industrial Disputes Act, 1947 amended in 1965.

However, the existing labour legislation is not being implemented properly by employers. There is lack of fairness on their part. Welfare Officers have also not been taken for protecting the interests of workers in the organized sector. In certain cases, they are playing a dual role. It is unfortunate that the public sector, which should set up an example for the private sector, has not been implementing the labour laws properly.

In India, there is a Model Grievance Procedure which was adopted by the Indian Labour Conference in its 16$^{th}$ session held in 1958. At present, Indian industries are adopting either the Model Grievance Procedure or procedures formulated by themselves with modifications in the Model Grievance Procedure. In other words, at present, the grievance procedures are voluntary in the Indian industry.

Views of Second National Commission on Labour, 1999 on Grievance Redressal: Every establishment shall have a grievance redressal committee consisting of equal number of employees and employers' representatives.

The Grievance Redressal Committee shall be the body to which all grievances of employees in respect of his / her employment including his/her non-employment will be referred for decision within a given framework.

**Checklist to Evaluate the Grievance Procedure:** Management should evaluate the grievance procedure to know its functioning through the following checklist.

1. Was the case handled in such a way that the parties involved in it were able to identify, and agree upon, what was at stake?

2. Was the incident closed with a sense of satisfaction on the part of everyone immediately involved in the original complaint?
3. Was the case handled in a way which strengthened the line authority, especially at the level immediately above that at which dissatisfaction was first expressed?
4. Did the solution result in a better understanding and a better adjustment between the supervisor and his subordinate?
5. As a result of this case, did this understanding spread among others in the management and in the trade union who were not directly involved in the original complaint?
6. Did the solution contribute to the operational efficiency of the organization?

**Grievance Handling Procedure**

The step-ladder procedure of grievance handling is a widely used technique. The stages are as follows:

1. The aggrieved employee approaches the immediate supervisor either in person or through a written application in a standard form within a week's time, i.e., from the period when he feels certain action of the management has resulted in a sense of grievance in him. The immediate supervisor (in accordance with the delegated authority and the type of grievance) discusses the grievance with the employee and gives his decision. A time-limit of two weeks can be given for this stage.
2. If the employee is not satisfied with the decision in the first stage, he may approach the departmental head with a written application in a standard form, for reconsideration of his case. The employee may be allowed to personally represent the case along with the co-worker. The departmental head should give his decision in 15 days' time.

3. The appeals at this stage would be handled by a joint committee consisting of an equal number of representatives of the union and management. A secretariat is provided to process the cases at this stage. This committee should also have a time-limit for appeals as well as for disposal of the grievance referred to it. This committee shall give its recommendation by consensus and agreement. Unanimous recommendations of the committee shall be accepted by the management who must issue orders accordingly. The union and management may also reverse the right not to accept the recommendations. Otherwise, it should be deemed to have been accepted by both. In the event of non-acceptance of the recommendations by either party or non-unanimity in the committee at this stage, the grievance may be forwarded by the committee to a high-level joint commitment.
4. At this stage the joint committee shall consist of top management and union representatives. Cases spilling over from the above stage as well as those brought up by either side will be considered and decisions taken will be considered for implementation. If disagreements still prevail, both the sides may refer it for arbitration.

With sincerity of purpose and an intention to resolve disagreements across the table a formalized procedure as above is bound to result in achievement of industrial harmony.

The above model of grievance handling procedure was adopted in the $16^{th}$ Session of the Indian Labour Conference in 1958 as part of the Code of Discipline in a voluntary measure. Many progressive organizations have adopted the system with suitable modifications.

## 8.12 THE CONCEPT OF DISCIPLINE

Discipline refers to a condition or attitude, prevailing among the employees, with respect to rules and regulations of an organization. Discipline in the broadcast sense means "orderliness, the opposite of confusion. It does mean a strict and technical observance of rigid rules and regulations. It simply means working, cooperating and behaving in a normal and orderly way, as any responsible person would expect an employee to do."

Webster's dictionary gives three meanings of the word 'Discipline', viz.,

1. It is training that corrects moulds, strengthens or perfects.
2. It is control gained by enforcing obedience, and
3. It is punishment or chastisement

## 8.13 APPROACHES TO DISCIPLINE

There are two ways of dealing with employees who do not obey rules, indulge in acts that are not permitted and tend to fly off the hook at the slightest provocation: i.e., positive approach and the progressive discipline approach. The best discipline is clearly self-discipline, when most people understand what is required at work.

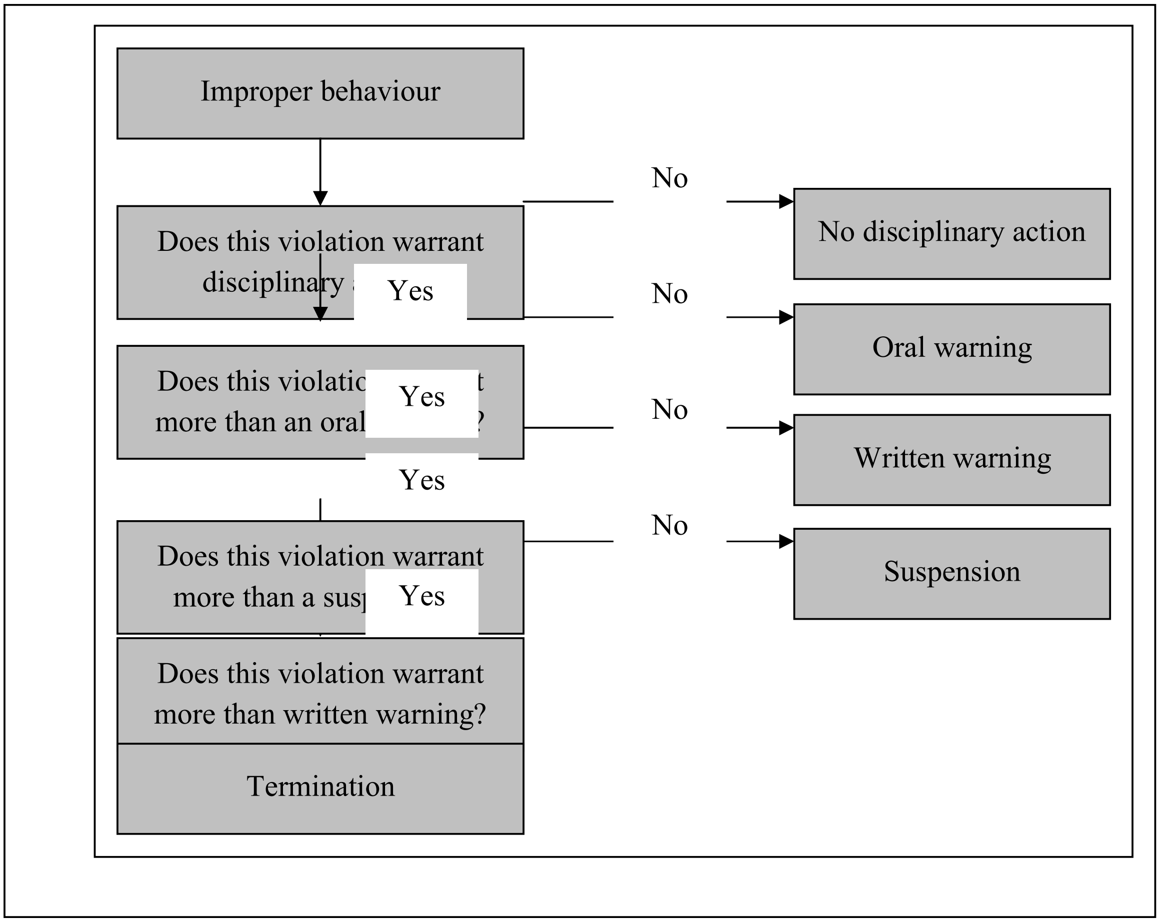
**Positive Discipline Approach**

This approach builds on the philosophy that violations are actions that usually can be corrected without penalty. In this approach, the focus is on fact-finding and guidance to encourage desirable behaviours instead of using penalties to discourage undesirable behaviours. There are three steps to positive discipline. The first is a conference between the employee and the supervisor. The purpose of this meeting is to arrive at a solution to the problem through discussion, with oral assurance by the employee to improve the performance. If improvement is not made after this first step, the supervisor holds a second conference with the employee to find why the solution agreed to in the first meeting did not produce results. At this stage, a written reminder is handed over to the employee. This document details an agreed solution with an affirmation that improvement is the responsibility of the employee and a condition of continued employment. When both meetings fail to produce the desired results, the employees is given a paid leave for one day to decide his future in the organization. The employee is expected to come back the next day with a decision to make a total commitment to improve performance or to quit the organization.  Positive discipline, thus, encourages employees to monitor their own behaviours and assume responsibility for their actions. Positive discipline is similar to progressive discipline in that it too uses a series of steps that increase in urgency and severity until the last step which is discharge. However, positive discipline is similar to progressive discipline in that it too uses a series of steps that increase in urgency and severity until the last step which is discharge. However, positive discipline replaces the punishment used in progressive discipline with counselling sessions between employee and supervisor. The role of a supervisor undergoes a dramatic change here. The threat of punishment is being replaced by counselling which helps the supervisor to put the employee on track. The counselling sessions focus on getting the employee to learn from past mistakes and initiate a plan to make a positive change in behaviour. Counselling skills are used by supervisors to motivate employees to change. The supervisor is no more playing the role of a strict disciplinarian; instead he is playing the role of a coach, trying to intervene early to correct a problem-with full cooperation from the employee. This, of course, paves the way for better quality working relationships with employee in the long run. Companies such as Union Carbide, General Electric, Procter and Gamble, Pennzoil have adopted the positive discipline procedure and have reported positive outcomes with it.

**Progressive Discipline Approach**

In this approach, discipline is imposed in a progressive manner, giving an opportunity to the employee to correct his or her misconduct voluntarily. The technique aims at nipping the problem in the bud, using only enough corrective action to remedy the shortcoming. Progressive discipline procedures are warning steps, each of which involves a punishment that increases in severity the longer the undesirable behaviours persist. If the employee does not mend his behaviours, the employer is justified in discharging the individual. Positive discipline is similar to progressive discipline in that it too employs a series of steps that increase in urgency and severity until the employee in question is discharged. However, positive discipline replaces the punishment used in progressive discipline with counselling sessions between employee and supervisor.

The concept of progressive discipline states that penalties must be appropriate to the violation. If inappropriate behaviour is minor in nature (absenteeism, dress code violation, smoking rule violation, incompetence, safety rule violation, sleeping on the job, tardiness etc.) and has not previously occurred, an oral warning may be sufficient. The employee is clearly warned that if the problem does not get solved within a timeframe, harsher punishment will follow. A written warning would hit the employee if the employee is found to be indulging in violation. The warning would go into the employee's record. The employee is again informed that failure to correct the violation within a certain time period would invite more severe punishment. If the employee still fails to respond to warnings and again violates the work rule, he is put under suspension for a specified period. The employee is also warned about the possible discharge if found violating the rule henceforward. Major violations such as hitting a supervisor, theft/dishonesty, sabotage of company operations, drug use at work may justify the termination of an employee immediately. In order to assist a manager to recognize the proper level of disciplinary action, some firms have formalized the procedure. One approach in the establishment of progressive disciplinary action is shown below.




A formal disciplinary action plan may include the following additional elements, namely:

- A statement of the policy, rule, or practice that was violated.
- The steps which the employee agrees to follow in order to correct the problem or meet the desired level of performance, attendance, or behaviour.
- Any commitments of assistance or support that the manger or supervisor has made.

- The time frame to be followed in achieving the goal of improved performance, attendance, or behaviour.
- The consequences that will occur if the performance, attendance, or behaviour is not improved within the specified time frame.

**Suspension:** This may range from one day to two weeks or more, depending upon the circumstances, and is almost always unpaid. In unusual circumstances, some employers will place employees on the day of paid "decision-making" leave, as a way of encouraging the employee to think about the future of his employment. Paid suspensions, however, can be perceived as a "reward" for poor behaviour, and may therefore have an adverse effect. For this reason, most employers prefer unpaid suspensions. Some employers will progress immediately from the first suspension to termination for the next offense, while others will attempt to correct the employee's performance or behaviour with multiple suspensions of increasing length (e.g., 1-day, 3-day, 5-day, 10-day, etc.). As a general rule, each suspension should be longer than the last, with termination as the final result.

**Termination:** Before terminating an employee, a manager should review the personnel file and all relevant documents in order to determine if the termination is appropriate – and defensible in a subsequent lawsuit – given the facts and circumstances. In addition, he should also ensure that automatic dismissal. These include those of:

- Violent behaviour or threats of violence
- Drug and alcohol use on duty
- Carrying a weapon on company property
- Disregarding safety rules and regulations
- Theft, destruction of company property, or falsifying documents
- Insubordination

- Abandonment of job (no call, no show for three consecutive days)

**Other forms of discipline:** In addition to the steps outlined above, it is worthwhile to explore other forms of discipline, such as demotion, transfer, and reduced raises or bonuses. Many employees can be very satisfactorily managed by economic concerns, such as bonuses and raises.

**Categorizing Performance and Disciplinary Problems**

Performance and disciplinary problems can be categorized into four distinct types:

**Type 1 Situations** where the employee's quality and / or quantity of work is unsatisfactory.

**Type 2 Situations** where personal problems, off the job, are influencing the employee's work performance, e.g., alcoholism, drug abuse, financial or family problems.

**Type 3 Situations** where there has been a deliberate violation of the law or established company rules or regulations, e.g., through theft, fighting, falsification of records, conflict of interest, harassment or safety infractions (for an example and an attempt to correct it).

**Type 4 Situations** where there have been repeated minor violations of company rules, regulations, or performance problems that have not responded to non-disciplinary correction action, e.g., minor safety infractions, incidental insubordination, uncorrected tardiness or continued poor quality workmanship.

A clear distinction has to be made between types 1 and 2 and types 3 and 4. The first two involve unsatisfactory work performance; the second two involve violations of rules, regulations, or the law, or behaviour that is organizationally unacceptable and known by the employee to be so.

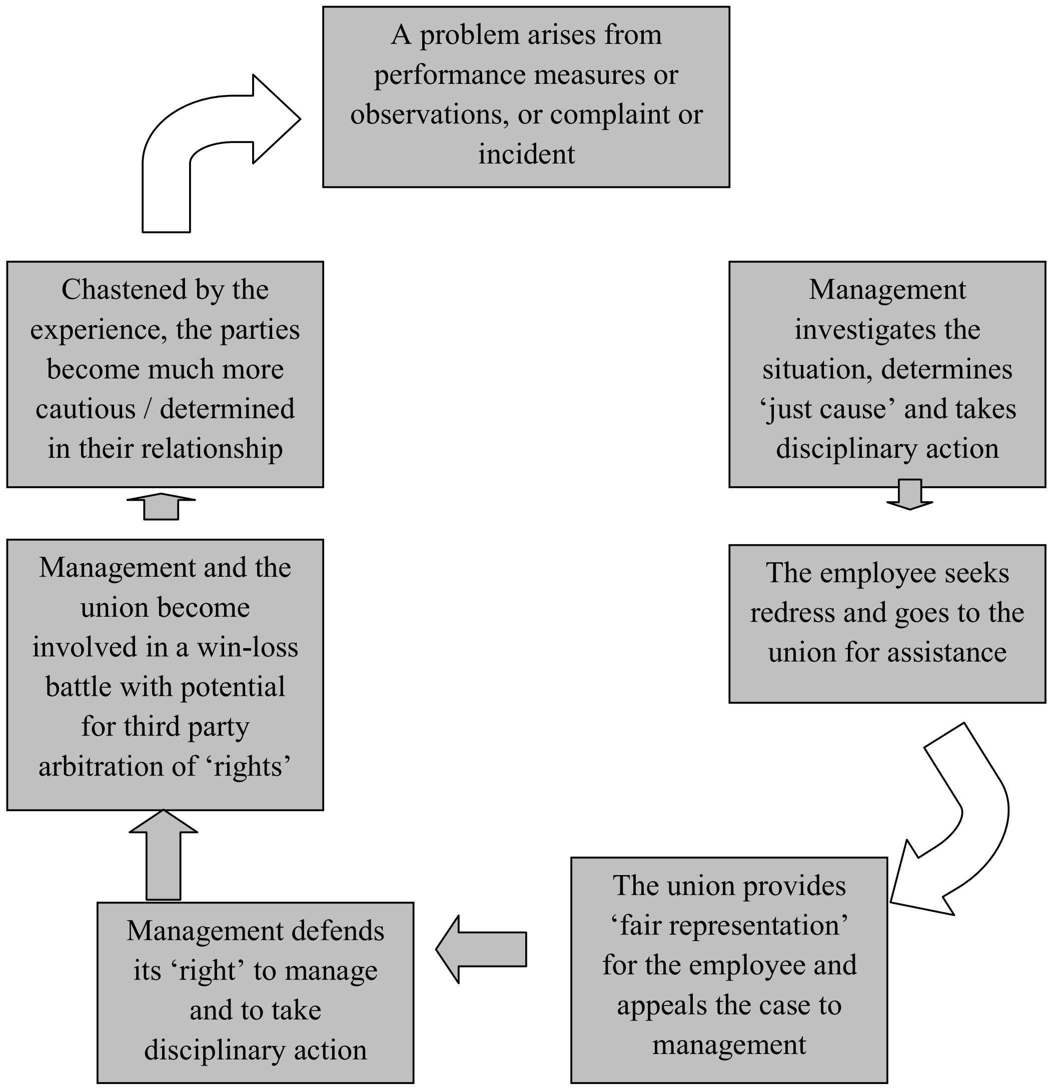



**Fig 8.3: The vicious cycle of discipline**

The above figure locates the four types of problems in the larger context of diagnosis and problem solving. Inputs – performance measurement, behavioural observation, complaints and incidents – provide a basis for determining the type of problem. Depending upon the input and the type of problem, a manager (ideally in concert with the union) would use very different strategies or corrective actions.

**Analyzing Type 1 Situations: Performance Problems**

Performance evaluation provides the primary source of information on Type 1 problems. Not only is valid and reliable performance information important for determining whether a problem actually exists, it is also essential for finding solutions that avoid the adversarial of traditional punitive measures. Behavioural observations, complaints, and incidents are other potential indicators of problems. Analysis of all of this information provides the basis for determining the cause of the problem. Once the cause is determined, potential solutions can then be developed. Poor performance originates either from management and organization-centered causes or from employee-centered causes.

**A. Managerial and Organizational Shortcomings**

1. **Lack of Effective Leadership:** Absence of effective leadership results in poor management in areas of direction, guidance, instructions etc. which in turn leads to employee indiscipline. Sometimes lack of interest of the top management also leads to this problem. In many cases the supervisors of the organization may not be even properly trained to understand and solve the problems of their subordinates in a proactive way, before problems actually creep up at the workplace.
2. **Lack of Understanding of Roles and Expectation:** In many instances management fails to tell subordinates what their roles are and what is expected to them. Performance problems arise when the performance expectations of individual employees differ from those of the organization, or when, in the absence of clearly defined standards and objectives, the employee simply does not perform to management's expectations, however poorly defined they might be.

3. **An Appropriate Job Assignment:** Poor performance may occur when the organization makes a poor job assignment. This is more likely to occur in growing organization, but it also occurs in more stable situations. The problem lies in promoting, transferring, or otherwise assigning an employee to a job to which he / she is not fitted because of a lack of training, personal skill, background, or experience.
4. **Job Design:** In many instances poor performance arises because of the design of the job. Employees will be motivated to perform well in jobs that offer variety, a challenge, responsibility, and an opportunity for personal growth. In the absence of these characteristics, less than optimum performance can be expected.
5. **Unfair Management Practices:** Management sometimes indulges in unfair practices like wage discrimination, non-compliance with promotional policies and transfer policies, discrimination in allotment of work, defective handling of grievances, payment of low wages, delay in payment of wages, creating low QWL etc.
6. **Communication Barriers:** Communication barriers along with absence of upward communication, lack of humane and understanding approach on the par of superiors result in frustration and leads to indiscipline.
7. **Non-Uniform Disciplinary Actions:** Management has to treat all cases of indiscipline in a fair and equitable way. But management may undertake disciplinary actions in a discriminating way, leading to violent protests from various quarters.
8. **Divide and Rule Policy:** Many managers may often divide the employees into employee groups, get the information from different groups about others and encourage the spying activity.
9. Inadequate attention to personal problems and delay in solving

personnel problems also creates frustration among individual workers.

**B. Employee-Centered Causes**

The most common employee-centered causes are the following:

1. **Lack of Interest:** Obviously, if an employee is to perform properly, he/she must be interested in the type of work that needs to be done.
2. **Personality:** An employee's personality may be a major cause of poor performance. Because personality traits are often very difficult to change, it may be necessary to assign the individual to a position more in keeping with his/her personality.
3. **Limited Capabilities:** All employees are limited in their capabilities to carry out certain organizationally required functions, and problems will arise when they are required to perform tasks that are beyond their capabilities.
4. **Victimization** and excessive pressures on the work also may lead to grievance and dissatisfaction at the workplace.

**Dealing with Type 2 Situations: Personal Problems**

Most personal problems arise for two reasons:

- **Health and stress problems:** The levels of stress associated with working in the modern organization can severely affect a person's health and lead to personal problems such as alcoholism and absenteeism.
- **Family and personal problems:** Family and personal problems are major outside sources of unsatisfactory performance. Almost everyone has family or personal troubles that affect their work performance at some time during their care. Employees have parents, children, or brothers and sisters who face various crises, such as sickness or death. Similarly, there are personal problems related to finances, life-style and relationships that will be significant enough to affect an

employee's commitment and motivation.

**Employee Assistance**

In many cases, the employee's problem can be corrected or alleviated only with professional help. Many companies and unions deal with personal problems using employee assistance programs (EAPs) that operate confidentially and refer employee to professional social workers, counsellors or trained coordinators.

**Taking Disciplinary Action in Type 3 Situations**

For dealing with performance and personal issues and collaboration between labour and management in type 1 and type 2 situations, management will be required to take some disciplinary action in some type 3 situations. The reasons will usually be similar to those that would lead to criminal or civil action in society. Some of the prominent causes are:

- Theft of property belonging to the company, fellow employees, suppliers or customers, falsification of documents essential to the company's operation,
- Sexual or other forms of harassment,
- Wilful violation of company rules and regulations concerning safety, operating methods, procedures and so on.
- Wilful and malicious destruction of property belonging to the company, fellow employees, suppliers or customers.

  In such of these type 3 situations, the test of whether discipline is justified is whether:
- the employee deliberately carried out the act,
- the employee knew or should have known that what he or she was doing was wrong,
- the rule or regulation was reasonable, and

- the discipline that is contemplated is appropriate to the seriousness of the offence.

**Taking Disciplinary Action in Type 4 Situations**

Type 4 problems are the most difficult to analyse and deal with, because they arise out of type 1, 2 and 3 problems. Type 4 problems are:

- Type 1 problem that has not responded to management taking all the appropriate and corrective action to try to solve the performance discrepancy. The employee has not been prepared to recognize his/her responsibility in solving the problem. Consequently, the quantity or quality of work is still unsatisfactory.
- Type 2 problems for which the employee has been provided with appropriate assistance and support to deal with a personal problem, but the personal problem still results in performance shortcomings.
- Type 3 problems in which continued minor violations and infractions have led to a culminating incident, and, as a consequence, management is required to discipline the employee.

## 8.15 PUNISHMENT

**Types of Punishment**

When a delinquent employee is going to be punished, the type of punishment should be commensurate with the severity of the omission or misconduct. Different types of punishments resulting from various types of omissions or misconduct are as follows:

1. **Oral Warnings:** Whenever an employee commits minor omissions he may be given an oral reprimand by the superior concerned. In such cases, the superior should enlighten the employee as to how to prevent their recurrence. Since repeated warnings may bring down drastically

the level of morale of the employee, oral warnings should be used sparingly.

2. **Written Warnings:** Whenever oral warnings fail to achieve the desired behaviour on the part of an employee, written warnings, which are the first formal state of progressive discipline, may be resorted to. Written warnings are also referred to as "pink slips" which indicates that certain rights would be withdrawn in case the employee continues his omission or misconduct.
3. **Loss of Privileges and Fines:** If an employee leaves the work, without taking the permission of the superior, he may not be allowed to select good tools and machine for himself and to move freely in the company. All these might have been the privileges enjoyed hitherto by the employee. Further, if the contract of employment provides for imposition of fines by the employer on the delinquent employee, the employer may resort to them.
4. **Punitive Suspension:** Under punitive suspension the employer prohibits the employee from performing the tasks assigned to him and the wages are withheld or withdrawn during the period of such prohibition.
5. **Withholding of Increments:** This is a major punishment. Under this method, the employer withholds the annual increments of the delinquent employee in a graded scale.
6. **Demotion:** Under this kind of punishment, an employee is reduced to a lower grade from the grade enjoyed by him earlier. Normally, this method is resorted to when an employee is promoted by mistake and he is not able to perform the job.
7. **Termination:** The employee's service can be terminated in the following forms:

1. Discharge simpliciter
2. Discharge
3. Dismissal

## 8.16 DISMISSAL AND DISCHARGE

When the conduct of an employee is deemed to be incompatible with the faithful discharge of his duties and undesirable or against the interest of the employer to continue him in employment, dismissal will be justified. This is an extreme kind of punishment. But in case of discharge, an employer terminates the employment of delinquent employee either by giving agreed advance notice or by paying money in lie of such notice. In other words, in discharge, the reciprocal promises and obligations are stated to be discharged. Termination of the service of an employee may not be on account of his misconduct but may be for certain other reasons which do not cast a slur on him. This is referred to as 'discharge simpliciter.' In such a case, if the employee challenges the employer's bona-fides, the employer must prove them. But discharge has acquired a meaning analogous to dismissal and an employee may be punished by way of discharge also. In such case, discharge should not be regarded as 'discharge simpliciter' but discharge in lieu of dismissal.

Thus, though both discharge and dismissal culminate in termination of employment, discharge is regarded as some kind of punishment less severe than that dismissal. Discharge requires either an advance notice or payment of money in lieu thereof, whereas there is no such requirement in case of dismissal. However, dismissal attaches some kind of stigma to the employee concerned or casts a slur on him.

## 8.11 SUMMARY


- Industrial relations explain the relationship between employees and management which stem directly or indirectly from union-employer relationship.
- A sound industrial relations system is one in which relationships between management and employees (and their representatives) on the one hand, and between them and the State on the other, are more harmonious and cooperative than conflictual and creates an environment conducive to economic efficiency and the motivation, productivity and development of the employee and generates employee loyalty and mutual trust.
- Industrial Conflict refers to all expressions of dissatisfaction within the employment relationship, especially those pertaining to the employment contract, and the effort bargain. Many different kinds of industrial conflict may be divided into two broad classes - informal and formal.
- A grievance refers to any form of discontent of dissatisfaction, arising out of employment, regarding certain organizational issues. A grievance may be factual, imaginary or disguised. If grievances are not identified and redressed properly, they may adversely affect the workers, managers and the organisation. Grievances may be uncovered through observation, gripe boxes, an open door policy, exit interviews and opinion surveys.
- Discipline refers to a procedure that corrects or punishes a subordinate because a rule or procedure has been violated. The common causes of indiscipline are absence of effective leadership, unfair management practices, communication barriers, divide and rule policies, victimization, etc. Most organisations today use two important concepts

in meting out disciplinary action: progressive discipline and positive discipline.

## 8.12 KEYWORDS

- **Conciliation agreement** -A binding written agreement between a contractor and conciliator that details specific contractor commitments to resolve major or substantive violations of employment rules
- **Condition of employment**: An organization's policies and work rules that employees are expected to abide by in order to remain continuously employed.
- **Counselling**- Actions or interactions in one or serial form which serve to provide direction, guidance or advice with respect to recommendations, decisions or courses of action
- **Demotion**- A permanent reassignment to a position with a lower pay grade, skill requirement or level of responsibility than the employee's current position
- **Discharge** -The termination of an employee based on previous disciplinary proceedings or for violating a major work rule or policy
- **Employee relations**- A broad term used to refer to the general management and planning of activities related to developing, maintaining and improving employee relationships by communicating with employees, processing grievances/disputes, etc.
- **Grievance:** Any discontent or dissatisfaction, whether expressed or not, whether valid or not, arising out of anything connected with the company which employee thinks, believes or even feels to be unfair.
- **Labour Legislation:** Laws enacted by legislative bodies with regards to the matters of employment.

- **Discipline:** In a restricted sense, it is the act of imposing penalties for wrong behaviour; broadly speaking orderliness, conformance to established rules and code of conduct.
- **Domestic Inquiry:** An opportunity provided to an accused person to defend himself by presenting his own witnesses and other evidence.
- **Dismissal:** Termination from employment for any of the misconducts.

## 8.13 REVIEW QUESTIONS

1. Define Industrial Relations. Explain the significance of good industrial relations
2. Why do industrial disputes arise? How can such disputes be settled?
3. Critically examine the institutional provisions for the resolution of industrial disputes within the legal framework in India.
4. “There are three actors in Industrial Relations” Comment.
5. Define the term ‘grievance’. How would you try to uncover grievances?
6. Discuss the model grievance procedure that is applicable in India?
7. Describe progressive and positive discipline noting the differences between these two approaches.
8. What types of disciplinary problems attract severe punishment generally? Why?

## 8.14 FURTHER READINGS


- Agarwal, R D, Dynamics of Industrial Relation In India, Tata Mc Graw Hill, New Delhi.
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# UNIT 9

# TRADE UNIONS

**Structure**

9.1 Meaning and Objectives of Trade Unions

9.2 Functions of Trade Unions

9.3 Union Structure and Growth of Trade Union Movement

9.4 Trade Union Act, 1926 and Legal Framework

9.5 Registration and Recognition of Trade Unions

9.6 Verification of Trade Union Membership and Check off System

9.7 Trade Union Problems

9.8 Summary

9.9 Keywords

9.10 Review Questions

9.11 Further Readings

**Learning Objectives**

After studying this unit, you will be able to:

- List out objectives and functions of Trade Unions.
- Explain the structure of Trade Unions.
- Describe the salient features of Trade Union Act, 1926.
- Explain the Registration and Recognition process of Trade Unions.
- Mention the Trade Union Problems.

## 9.1 MEANING AND OBJECTIVES OF TRADE UNIONS

A trade union is an organization of employees formed on a continuous basis for the purpose of securing diverse range of benefits. It is a

continuous association of wage earners for the purpose of maintaining and improving the conditions of their working lives.
The Trade Union Act, 1926 defines a trade union as a combination, whether temporary or permanent, formed primarily for the purpose of regulating the relations between workmen and employers or between workmen and workmen, or between employers and employers, or for imposing restrictive condition on the conduct of any trade or business, and includes any federation of two or more trade unions.

This definition is very exhaustive as it includes associations of both the workers and employers and the federations of their associations. Here, the relationship that have been talked about are both temporary and permanent. This means it applies to temporary workers (or contractual employees) as well. Then this definition, primarily, talks about three relationships. They are the relationships between the:

- Workmen and workmen,
- Workmen and employers, and
- Employers and employers.

Thus, a trade union can be seen as a group of employees in a particular sector, whose aim is to negotiate with employers over pay, job security, working hours, etc, using the collective power of its members. In general, a union is there to represent the interests of its members, and may even engage in political activity where legislation affects their members. Trade unions are voluntary associations formed for the pursuit of protecting the common interests of its members and also promote welfare. They protect the economic, political and social interests of their members.

**Features of trade unions**

1. It is an association either of employers or employees or of independent workers. They may consist of :-

- Employers' association (e.g., Employer's Federation of India, Indian Paper Mill Association, etc.)
- General labor unions
- Friendly societies
- Unions of intellectual labor (e.g., All India Teachers Association)

2. It is formed on a continuous basis. It is a permanent body and not a casual or temporary one. They persist throughout the year.
3. It is formed to protect and promote all kinds of interests –economic, political and social-of its members. The dominant interest with which a union is concerned is, however, economic.
4. It achieves its objectives through collective action and group effort. Negotiations and collective bargaining are the tools for accomplishing objectives.
5. Trade unions have shown remarkable progress since their inception; moreover, the character of trade unions has also been changing. In spite of only focusing on the economic benefits of workers, the trade unions are also working towards raising the status of labors as a part of industry.

**Objectives Of Trade Unions**

Trade unions are formed to protect and promote the interests of their members. Their primary function is to protect the interests of workers against discrimination and unfair labor practices. Trade unions are formed to achieve the following objectives:

**1. Representation**

Trade unions represent individual workers when they have a problem at work. If an employee feels he is being unfairly treated, he can ask the union representative to help sort out the difficulty with the manager or employer. Unions also offer their members legal representation. Normally this is to help people get financial compensation for work-related injuries or to assist people who have to take their employer to court.

**2. Negotiation**

Negotiation is where union representatives, discuss with management, the issues which affect people working in an organization. There may be a difference of opinion between management and union members. Trade unions negotiate with the employers to find out a solution to these differences. Pay, working hours, holidays and changes to working practices are the sorts of issues that are negotiated. In many workplaces there is a formal agreement between the union and the company which states that the union has the right to negotiate with the employer. In these organizations, unions are said to be recognized for collective bargaining purposes.

**3. Voice in decisions affecting workers.**

The economic security of employees is determined not only by the level of wages and duration of their employment, but also by the management's personal policies which include selection of employees for layoffs, retrenchment, promotion and transfer. These policies directly affect workers. The evaluation criteria for such decisions may not be fair. So, the intervention of unions in such decision making is a way through which workers can have their say in the decision making to safeguard their interests

**4. Member services**

During the last few years, trade unions have increased the range of services they offer their members. These include:

- Education and training - Most unions run training courses for their members on employment rights, health and safety and other issues.

Some unions also help members who have left school with little education by offering courses on basic skills and courses leading to professional qualifications.

- Legal assistance - As well as offering legal advice on employment issues, some unions give help with personal matters, like housing, wills and debt.
- Financial discounts - People can get discounts on mortgages, insurance and loans from unions.
- Welfare benefits - One of the earliest functions of trade unions was to look after members who had hard times. Some of the older unions offer financial help to their members when they are sick or unemployed.

## 9.2 FUNCTIONS OF TRADE UNIONS

Trade unions perform a number of functions in order to achieve the objectives. These functions can be broadly classified into two categories:(i) Militant functions, (ii)Fraternal functions

1. **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 labors against victimization and injustice

2. **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

## 9.3 UNION STRUCTURE AND GROWTH OF TRADE UNION MOVEMENT

Trade unions may, for the purpose of analysis, be divided into a number of categories, as follows:

**1. Craft union**: The earliest form of trade union, one whose membership is restricted to a particular category of skilled or craft workers, for instance, printers, carpenters and so on. Membership of craft unions is usually restricted to those who have completed the recognized qualification for the craft or skill in question, frequently an apprenticeship. Being closed union, craft unions may be quite small: for example, the National Union of Sheet Metal Workers of Ireland has 720 members as of January 1992, and the Cork Operative Butchers' Society 149 members at the same date.

**2. General union**: A trade union which has no form of restriction on categories of worker who may join. There are no limits on the industrial or occupational area of recruitment. As such, general unions are open unions, and tend to be fairly large. The largest general union in Ireland, the Services, Industrial, Professional and Technical Union (SIPTU), has 190,500 members in the Republic of Ireland as of December 1992 and amounts to 43 per cent of the Republic's total ICTU affiliated trade union membership. As some trade unions move away from their original areas of recruitment, so they may become more like general unions; for example, the British-based union EETPU (now amalgamated with the engineering union AEU to become AEEU) which was originally a craft union, has now moved into a number of other sectors and recruited many semiskilled workers, thus having become closer to a general union than a craft union. Similarly, the retail and distributive union IDATU has widened its areas of recruitment.

**3. Industry union** : A union which confines its recruitment to one particular industry or industrial sector, and aims to recruit all workers at all grades in that area. There are very few "pure" industrial unions in Ireland, but the

Communications Workers' Union is the most prominent union in the postal and telecommunications sector, and the non-ICTU National Busworkers' Union competes with SIPTU in recruiting workers in the two CIE bus companies. In attempting to recruit all grades of workers in the industry, industry unions are therefore vertical unions; however, the existence of the Communication Managers' Union blocks the CWU's attempts to recruit managerial staff.

**4. Occupational union**: A union which confines its recruitment to particular occupational areas, many of which may require the holding of certain qualifications in the same way as craft unions. Occupational unions mainly exist in the white-collar area: for teachers, civil servants, police, bank employees and so on. Many Irish occupational unions are structured along the lines of grade or type of staff: for example, membership of civil service unions is highly structured according to grade, and the four teaching unions respectively represent primary, secondary, vocational and university teachers. Occupational unions also exist for workers in the health services, but these are more commonly referred to as professional unions.

**5. Professional unions**: Unions whose membership is restricted to members of the same or similar professional areas. Professional unions are thus another form of craft union, but members of these unions would regard themselves as being of a higher status. Examples of professional unions are the National Union of Journalists and unions representing health professionals, such as those for doctors or nurses, and teaching unions.

6. **Vertical union**: A union which recruits vertically through grades; in other words, workers from the lowest shop-floor grade up to management are recruited. Many professional unions are vertical: for example, those representing nurses and teachers, among others. The difficulty with vertical unions is the potential they contain for conflict between the grades, which may

be manifested in different views on what union policy should be in a particular area, or even in cases where the management structure means that the workers in dispute and the managers against whom the dispute is taken are in the same union.

**7. White-collar union:** A union which recruits primarily white collar workers, in other words, non-manual workers. White collar unions represent general clerical workers and workers from the services sector, including financial services. The main expansion in trade union membership since the 1960s has been in this area. The largest white-collar union is the MSF, although the general unions have a large proportion of white-collar workers in membership, and trade unions representing clerical grades in the civil service and local government may also be classed as white collar.

Many writers feel that the approach to union structure using the categories listed above now has limited usefulness, since many unions may come under more than one category and in any case, the boundaries between the categories are vague. A simpler classification is the distinction between open and closed unions. An open union is one which imposes no restrictions on its area of organization and will recruit all workers in the occupations where the employers operate. A closed union, on the other hand, restricts its membership to particular categories: members of a particular trade or profession, or employees of a particular employer or in a particular industry. The aims of the two categories of union are very different: an open union is interested in increasing recruitment simply to increase its numerical strength, while a closed union aims to control the supply of labour to a particular industry or occupation, and other than this has no interest in increasing numbers as such. These categories of trade union are not fixed: closed unions may become open as the industries in which they operate change, or as their policy changes.

**Growth of Trade Union Movement**

The growth of trade unions in India started way back in 1850 when the economic conditions of labor was poor, the industry was dominated by the Capitalism, and the industrialists were more concerned about the productivity. Long working hours, low wages, poor living conditions and exploitation by the management was common in the industry. Slowly in many parts of the country the workforces united and Factories Act 1881 was incorporated with a ban on child labor, and conditions in working hours and improved working conditions.

In next phase many trade unions were incorporated in the country under the leadership of Mahatma Gandhi in other parts of the country like West Bengal, Ahmadabad, and Punjab.All India Trade Union Federation was formed. After independence this took the shape of Indian Factory Act 1948 with regulation on working conditions, working hours, and other facilities at workplace.

**Membership**

The central trade unions have shown a massive increase in their membership as per the latest verification report prepared by the Central Labour Commissioner. Three new bodies have been graded central unions as their membership has crossed the mandatory 5 lakh.

While the biggest gainer is the Rashtriya Swayamsevak Sangh-backed Bharatiya Mazdoor Sangh (BMS), which that has added almost 33 lakh members to its 1996 strength of 27 lakh, the CPI-affiliated All-India Trade Union Congress has moved to the third position with 33 lakh members from the fifth slot in 1996 when its membership was nine lakh.

**INTUC ranks second**

The Congress-supported Indian National Trade Union Congress ranks second in the list of 10 central unions with 38 lakh members as against 24 lakh in the previous survey. The Hind Mazdoor Sabha, ranked fourth, has added about 18 lakh new members, taking its enrolment to 32 lakh.

The CPI (M)-supported Centre of Indian Trade Unions now has 26 lakh members, up from 17 lakh.

The unions added this time are the Self-Employed Women's Association, the DMK-affiliated Labour Progressive Front and the CPI (ML)-supported All-India Central Council of Trade Unions.

**Unorganized sector**

The increase in membership is largely from the unorganized sector such as plantation, agricultural and beedi workers, and cart-pullers. It is believed that the BMS has gained primarily on RSS `ideology' without being a militant organization. The mobilization is basically on Hindu `chauvinism.'

That the National Democratic Alliance was in power when the notification was issued would also have helped the BMS, it is being said.

**CITU consolidation**

The CITU has consolidated its position only in West Bengal, Kerala and Tripura and has not made much gain in the other States. It is believed that the CPI (M)'s different stands on policies in West Bengal and at the Centre have left its cadres confused.

For the AITUC, it has been a spectacular gain across the board, particularly in Bihar, Rajasthan, Jammu and Kashmir, West Bengal and Andhra Pradesh.

## 9.4 TRADE UNION ACT, 1926

The details of the Trade Union Act are given as under:

I **OBJECT:** To provide for the registration of trade unions and to define law relating to
registered trade unions.

II **APPLICABILITY:** It extends to the whole of India.

III **TRADE UNIONS:** means any combination whether temporary or permanent formed primarily for the purpose of regulating the relations between workmen and employers or between workmen and workmen, or between employees and employers imposing restrictive conditions on the conduct of any trade or business, and includes any federation of two or more trade unions.

IV**MODE OF REGISTRATION:** Any seven or more members of a trade union may apply for registration of a trade union in Form - A to the Registrar appointed for the area. The application shall be accompanied by Schedule I, Schedule II and a byelaw and a resolution authorizing seven ordinary members of the union to make an application for registration of the union, and a treasury challan of Rs.500/- remitted as registration fee. (Section 4 and 5 read with Regulation: 3 & 5)

V **REGISTRATION CERTIFICATE:** On receipt of the application for registration, the Registrar, after making reasonable enquiry issue a Registration Certificate in Form - B (Section 8 and read with Regulation 6)

VI **CANCELLATION OF REGISTRATION:**

A certificate of Registration may be withdrawn or cancelled by the Registrar:

1. On an application of a Trade Union in Form-D, or
2. If the Registrar is satisfied that the certificate is obtained by fraud of mistake or that the trade union had ceased to exist or willfully and after notice from the Registrar contravent any provisions of the Act or rules etc. (Section 10 read with Regulations 8 to 12)

VII **APPEAL:** Any person aggrieved by any order of the Registrar may appeal within two months to the Civil Court not inferior to the court of an Additional or Assistant Principal Civil Court. (Section 11 read with Regulation 13)

VIII **CHANGE OF NAME:** Any registered trade union may with the consent of not less than

2/3 of its total members may make application in Form-H, for the change of its name (Section -23 read with Regulation - 16).

XI **ANNUAL RETURNS:** Every trade union shall send annual returns to the Registrar in triplicate on or before the 1st day of June of the year succeeding the calendar year in Form-L in the case of individual trade unions and in Form-LL in the case of federation of trade unions (Section 28 read with Regulation 21).

XII **PENALTIES:** Offences punishable for the failure to submit returns may extend to Rs.5/- and in the case of continuing default with an additional fine which may extend to Rs.5/- for each week and shall not exceed Rs.50.00. Any person who willfully makes, or causes to be made any false entry or any omission from the general statement required by Section 28 etc. shall be punishable which may extend to Rs.500/-. Registered trade unions, furnishing false information, shall be punishable with fine which may extend to Rs.200/- (Section 31).

XIII **WHO CAN FILE PROSECUTIONS**

1. Registrar
2. Persons with the previous sanction of the Registrar.
3. Aggrieved person under Section 32.

The complaint shall be filed within six months of the date on which the offence is alleged to have been committed. No court inferior to that of a Presidency Magistrate or a Magistrate of First Class shall try any offence under the Act.

XIV **AUTHORITIES UNDER THE ACT**

1. **Registrar of Trade Unions (under Section - 3)**

Labour Commissioner

2. **Additional Registrar of Trade Unions**

Additional Labour Commissioner (IR & E)

3. **Deputy Registrar of Trade Unions**

Joint Labour Commissioner (P)

## 9.5 REGISTRATION AND RECOGNITION OF TRADE UNIONS

Important points to be noted in respect of registration of a Trade Union are:

1. Any group of seven or more persons can form a Trade Union.

2. No Trade Union of the workmen shall be registered unless at least 10% or 100, whichever is less, persons engaged or employed in the establishment or industry with which it is connected are the members of such trade union on the date of making of application for registration.

3. A registered Trade Union of workmen shall at all times continue to have not less than ten per cent, or one hundred of the workmen, whichever is less, subject to a minimum of seven, engaged or employed in an establishment or industry with which it is connected, as its members

4. The minimum age limit for membership of a Trade Union is 18 years unless the rules of a particular trade union provide for higher age limit.

5. For being an office bearer the person has to be above 18 years of age.

6. Every application for registration of a Trade union shall be made in (Form A) appended to the Trade Unions Act 1926 before the Registrar of Trade Unions and shall be accompanied by a copy of Rules of the trade union and a statement giving following particulars

(a) Names, occupations and address of the members making application.

(b) The name of the Trade union and the address of its head office.

(c) The titles, names, ages addresses and occupations of the (office bearers) of the trade union as per format given in Form A appended to the Trade Unions Act 1926.

In addition, the following documents are required to be submitted along with the application form:

• Photocopy of Membership Forms
• Photocopy of Minutes Book
• Photocopy of Membership Register
• Specimen of Cash Receipt

• Specimen of Cash Expenditure Voucher

• Photocopy of Cash Book

• Two Copies of constitution incorporating all items as prescribed in (Scheduled II) of the Trade Union Act, 1926 (Annexure A)

• Photocopy of Service/Employment Proof of all members of union

• Affidavit from General Secretary of Union in prescribed format (Annexure – B)

• N.O.C. from the owner for Union office.

• Duly paid Treasurary Challan

• Schedule III(Where a trade union is in existence for more than a year bfore making an application to the Registrar the application should be accompanied by a general statement of assets and liabilities of the trade union as Form A appended to the Trade Union Act, 1926)

## 9.6 VERIFICATION OF TRADE UNION MEMBERSHIP AND CHECK OFF SYSTEM

The procedure for verification of membership was evolved in the year 1957 when code of discipline was adopted by the Indian Labour Conference. The AITUC criticised that procedure as improper and demanded secret ballot which would ensure correctly the strength of the union among the workers. The AITUC and CITU even boycotted verification of membership during eighties of the last century objecting to the procedure.

The main reason for objection to the verification of membership was as follows:

1. The verification of membership is done on the assessment of membership on the basis of spot membership checkup. It can be manipulated by tackling the verifying officer.

2. It gives scope for inflation of membership since the check up of records can be done by the officers who can be manipulated for showing a higher membership. Noting higher membership of INTUC and BMS, New Age Weekly has already noted that these two organizations could show a higher membership by inflating membership in records.

3. In the spot verification the affiliation of a membership is recorded by the official and not by the worker which gives scope to the bias of the official or to unfair means adopted by him.

In the past the CITU has complained to the Government of India about the gifts demanded by the government officials. In case of seamen's union in Mumbai when CITU union objected to the dubious methods of Regional Labour Commissioner, Mumbai the CITU affiliated union was given nil membership though it had majority support among the offshore vessels workers in Mumbai. The same union opposed secret ballot conducted by Indian Ship-owners Association and obtain court order not to open the ballot boxes.

In a note of dissent to the report of the bipartite committee on New Industrial Relation Law (Ramanujam Committee 1990) Homi Daji (AITUC), M. K. Pandhe (CITU), Pritish Chanda (UTUC-LC), Jatin Chakraborty (UTUC) and Prasanta Das Gupta (TUCC) stated:

"We advocate secret ballot because membership verification does not give the actual strength of the union. It is only an assessment of union membership. A workers' affiliation is recorded not by the worker but by an officer of the Government. The Government in power can always influence the verifying officer and there are innumerable cases of this type in the history of verification in our country. Manipulation of record is always possible but secret ballot, if properly conducted, can give the actual strength of the union."

The dissent note therefore asserted, “The secret ballot is the only democratic mechanism wherein the workers determine their own bargaining agent.”

The fallacy of verification machinery was clearly seen when the results of the secret ballot of railway unions has been announced. The verified membership of all the railway union stood at 25 lakhs while the numbers of workers are only 13 lakhs. Though some margin can be understood for due membership, the figures clearly indicate the inflation of membership which could not be detected in verification procedure.

The verified membership of HMS in railways was over 10 lakhs but the secret ballot showed its strength at 4.5 lakhs. Similarly INTUC’s verified membership was seven and a half lakhs but in secret ballot it got only 3 lakh votes. The verified membership of BMS in railways was nearly six and half lakhs but in secret ballot it got less than 2 lakh votes.

If the claimed membership of these organizations is taken into consideration it comes to more than double the employment in railways.

In Steel Industry the verified membership of HMS and BMS is more than CITU but these two organizations have not a single recognized union in steel industry while CITU has recognized union in 4 establishments. BMS is not even a member of the National joint Committee for Steel Industry due to its low membership.

In Coal Industry the total employment in only 5 and a half lakhs but the verified membership of INTUC, HMS and AITUC is more than 8 lakhs.

The situation in other industries is not materially different. However, this example clearly shows the overestimated membership claimed by trade unions which can stand verification procedure without detection.

The Government of India is not applying the same norm for verifying the agricultural union membership as applied to industrial workers since there is no common employer and the work is also of migratory character. The Chief

Labour Commissioner (Central) had admitted that the membership cannot be verified according to normal procedure. There was no spot verification and mainly on the basis of record submitted by the unions the verification was conducted by the government.

This has given rise to the tendency of claiming more membership of the agricultural workers. Hence, we see that during the latest verification the claim of agricultural membership of trade unions has reached about one crore

Strengthening the membership of agricultural unions should no doubt be a priority for the trade unions since this is most neglected strata of the working class. However the membership claim clearly shows an exaggerated figure.

Out of total verified membership of two and a half crore over 76 lakhs is the membership of agricultural workers i.e. 30% of the total membership. In case of some organizations the agricultural workers membership is above 50% of their total membership while one organization has shown 79% of their membership is of agricultural workers. Any research worker may draw the conclusion that the agricultural workers are the most organized lot in the country

In case of CITU, there is a separate organization of agricultural workers namely- All India Agricultural Workers Union which has a membership of 30 lakhs. It is a separate organization since the problem of this sector is totally different than industrial workers. They do not get properly covered by any Labour legislation and there is total absence of any dispute settlement mechanism. Since CITU has not claimed membership of agricultural workers due to this aspect, the Press is clamouring that the CITU's membership has gone down. As a matter of fact CITU's claimed membership increased from 24 lakhs to 34 lakhs while verified membership has gone up from 18 lakhs to 26 lakhs.

In the National Committee on verification convened by the CLC (C), the CITU representative pointed out the shortcoming of the present verification procedure but the CITU's views were ignored and final verified membership was announced by the Government.

It should be noted that the officials of the labour Ministry leaked out the information regarding preliminary verification results without giving prior information to trade unions. The Labour Industry refused to hold enquiry into this leakage. The leakage only created confusion among the workers.

The CITU will carry forward the struggle for introducing secret ballot for assessing the strength of the union. It will highlight the irregularities involved in the verification mechanism, despite the trade unions that were supporting secret ballot but are not pressing it today for obvious reasons

## 9.7 TRADE UNION PROBLEMS

Problems faced by Indian trade unions includes

1. **Uneven growth**

Industry-wise and Area-wise: Trade unions have not grown in all types of industries. The only industries that have seen growth of trade unions are in the area of plantations, coal mines, food, textiles, printing press, chemicals, utility services, transport, communications and commerce. Furthermore, trade union activities are limited to large scale industry sector and manual labour, and trade unions are unevenly distributed in different states. Trade unions donot exist for a variety of small-scale businesses.

2. **Small size of unions**

The size of trade unions have not been sufficient enough to have adequate funds and provide legal help to members. The sizes of trade unions in India have been increasing since 1930-31, but the overall membership size has been decreasing recently. Various factors contribute toward the small size of trade unions; the average size of a trade union in India is about 800. Furthermore, the percentage of women members is only 6-8%. This small size of trade unions weakens their collective bargaining power, and makes legal help inaccessible.

3. **Financial Weakness**

Workers do not adequately contribute toward to their trade union membership fees, except when necessary. Many workers feel the services of their trade unions are not worth paying for. The lack of necessary funds prevent trade unions from offering support for welfare activities for labour, support strikes, and hire paid staff. One reason for financial weakness in trade unions is due to the presence of rival trade unions.

4. **Multiplicity of Trade Unions and rivalries**

Multiple trade unions are a necessary evil. Powerful political parties have established their own trade unions with the intention of spreading their political power. This causes an inadequate and unhealthy growth of trade unions. Most trade unions have developed inter-union rivalries and groups that are in constant competition against each other. Members' energy has been wasted on deconstructive activities, and unions have become more political.

5. **Leadership issues**

Some unions are managed by the educated class: doctors, lawyers, politicians, etc., who have no experience or work history with the corresponding union. This type of foreign leadership creates barriers between lower-end workers and upper management, and is disadvantageous to the proper development and management of the union. Leadership of a union must only arise from within the labour class.

6. **Political involvement in unions**

Most unions today are run by rival political parties. These political parties have nothing constructive to offer, instead, use unions to spread their political agenda. Furthermore, decisions related to unions are made by politicians. For example, the Indian National Congress as formed the Swadeshi Movement, the Khilafat Movement, the Civil Disobedience Movement, and the Non-corporation movement.

7. **Problems with recognition of trade unions**

The process that leads to recognition of unions is a lengthy one. In the initial stages, union recognition is very difficult, and even discourage. There is a long list of criteria that a union must meet in order to become certified and recognized by the industry.

## 9.8 SUMMARY

- A trade union is an organization of employees formed on a continuous basis for the purpose of securing diverse range of benefits. It is a continuous association of wage earners for the purpose of maintaining and improving the conditions of their working lives
- Trade unions represent individual workers when they have a problem at work. If an employee feels he is being unfairly treated, he can ask the union representative to help sort out the difficulty with the manager or employer. Unions also offer their members legal representation.
- The central trade unions have shown a massive increase in their membership as per the latest verification report prepared by the Central Labour Commissioner. Three new bodies have been graded central unions as their membership has crossed the mandatory 5 lakh.

## 9.9 KEYWORDS

- **Trade Union- A** formal organization registered under Trade Unions Act, and authorized to act on behalf of employees regarding wages, benefits, working conditions, conditions of employment and job security.
- **Unsafe conditions**- Hazards, such as faulty equipment or tools, improper safety procedures, failure to improperly guard equipment, etc., that result or have the potential to result in an accident or injury to another.
- **Layoff**- A temporary termination of employees, or the elimination of jobs, during periods of economic downturn or organizational restructuring.
- **Lump-sum payment**- A fixed negotiated payment that is not typically included in an employee's annual salary; often times given in lieu of pay increases.
- **Unskilled worker** -Someone who is not required to use reasoning in their work: Examples: packager, assembler, laborer, hand, apprentice
- **Welfare plan** -A plan designed to provide employees with coverage for medical or hospital care and surgical procedures. May also include other benefits, such as vacation or scholarship programs.

## 9.10 REVIEW QUESTIONS

1. What is a Trade Union? Explain the objectives and functions of Trade Unions
2. Explain in detail the Trade Union movement in India.
3. Describe the structure of Trade Unions in India.
4. What are the weaknesses of Trade Unions in India? Suggest measures to improve trade union movement in the country.
5. Write notes on :

a. Employer's associations
**b.** Recognition of trade unions
**c.** Inter-union rivalry

## 9.11 FURTHER READINGS


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# UNIT 10

# EMPLOYEE WELFARE AND EMPLOYEE EMPOWERMENT

**Structure**

10.1 Introduction
10.2 Importance and Agencies for Welfare Work in India
10.3 Types of Welfare Facilities
10.4 Statutory Provisions regarding employee welfare
10.5 Introduction to Empowerment
10.6 Objectives and Forms of Participation
10.7 Alternative Approaches to Participation
10.8 Summary
10.9 Keywords
10.10 Review Questions
10.11 Further Readings

**Learning Objectives**

After studying this unit, you will be able to:

- Explain the importance of employee welfare and discuss the agencies involved in ti.
- Describe the need for different types of welfare activities.
- Discuss the statutory provisions regarding employee welfare.
- Describe the objectives and forms of Participation.

## 10.1 INTRODUCTION

Labour welfare is to promote the welfare of workers in a variety of ways. Any kind of service will come under the purview of labour welfare, if it aims at helping the workers to work better in a more meaningful manner, physically, socially, morally, economically and intellectually.

A significant definition describes labour welfare as “the voluntary effort of the employer to improve the living and working conditions of his employees”. The first essential to the welfare of the employee are steady work, a fair wage and reasonable hours of work. Besides employees pay regard for the comfort, health, safety and well-being of employees.

Labour welfare is an important facet of industrial relations. It gives satisfaction to the worker in a way which even a good wage cannot. With the growth of industrialization and mechanization, it has acquired added importance. Labour welfare, contributes to efficiency in production, but is expensive. Each employer depending on his priorities gives varying degrees of importance to labour welfare. It is because the Government is not sure that all the employers will provide basic welfare measures that it introduces statutory legislation from time to time to bring about some measure of uniformity in the basic amenities available to industrial workers. Today, welfare has been generally accepted by employers.

## 10.2 IMPORTANCE AND AGENCIES FOR WELFARE WORK IN INDIA

The significance of welfare measures was accepted as early as 1931, when the Royal Commission on Labour stated that the benefits are of great importance to the worker which he is unable to secure by himself. The schemes of labour welfare may be regarded as a wise investment because these would bring a profitable return in the form of greater efficiency.

The working environment in a factory adversely affects the health of employees because of excessive heat or cold, noise, fumes, dust and lack of sanitation and pure air. Such oppressive conditions create health problems for workers. These have to be contained through preventive steps aimed at improving the lot of workers.

A second reason in favour of welfare work is called the 'social invasion of the factory'. Workers face lots of adjustment problems when they take up factory work. The congested environs, noisy machines, slum areas, monotonous jobs impact the psyche of ruralities who come to cities in search of jobs. To escape from such trying conditions, the worker absents himself, becomes irregular and shows signs of indiscipline. Such changes – known as the social invasion of the factory – call for extra inducements in the workplace in addition to normal wages, so that the worker begins to enjoy a fuller and richer life.

Another social reason pointed out by the Labour Investigation Committee reads thus: "The provision of canteens improves the physique; entertainment reduces the incidence of vices; medical aid, maternity and child welfare services improve the health of the workers and bring down the rates of general, maternal and infantile mortality; and educational facilities increase their mental efficiency and economic productivity".

Labour welfare work, thus, serves the following purposes:

- *Enables* workers to have a richer and more satisfying life.
- *Raises* the standard of living of the workers by indirectly reducing the burden on their pocket. Welfare measures will improve the physical and psychological health of employees, which in turn, will enhance their efficiency and productivity.
- *Absorbs* the shocks injected by industrialization and urbanization on workers.
- *Promotes* a sense of belongingness among workers, preventing them from resorting to unhealthy practices like absenteeism, labour turnover,

strike, etc. Welfare work makes the service in mills more attractive to workers. It improves the relations between employers and employees. It promotes a real change of heart and a change of outlook on the part of both the employers and employees.

- *Prevents* social evils like drinking, gambling, prostitution, etc., by improving the material, social and cultural conditions of work. Congenial environment as a result of welfare measures will act as a deterrent against such social evils.

Labour welfare work may be statutory, voluntary or mutual. It is statutory when such activities have to be undertaken in furtherance of the legislation adopted by the government. It is voluntary when the activities are undertaken at their own accord by the employers or some philanthropic bodies or when a labour organization undertakes such activities for the welfare of their members. It is mutual, when all parties join hands to bring about the social and economic uplift of the workers. There are, therefore, several agencies involved in labour welfare work. Besides central and state governments, employers, unions and social organizations work as agencies for extending welfare facilities to the workers.

- **Central Government**

  The Central Government tries to extend its helping hand through various Acts covering the safety, health and welfare of workers. The Factories Act, 1948, Mines Act, 1952, Shipping Act, 1948, Plantation Labour Act, 1951, Motor Transport Workers Act, 1961, Employees State Insurance Act, 1948, etc., provide for canteens, crèches, restrooms, washing facilities, etc. Labour welfare officers oversee the welfare activities closely and ensure justice to workers. Statutory welfare funds are created to provide housing, educational, recreational and medical facilities to workers.

- **State Governments**

  Governments in different states and union territories offer welfare facilities to workers. In Assam, a statutory welfare fund is created for offering medical, educational, recreational and other facilities to plantation workers. In Gujarat, Maharashtra, Punjab, and Karnataka, Labour Welfare Centres are administered by welfare boards. However, the number of these welfare centres is not inadequate to serve the growing needs of workers at various places. These centres do not have adequate funds and dedicated staff to carry out welfare work.

- **Employers**

  Enlightened employers like TISCO, Hindustan Lever, Godrej, L & T, Seimens, Voltas, Bajaj, Birlas, Sandoz, Philips, HMT, LIC, BHEL, Air India, Hindustan Zinc, Hndustan Copper, RCF etc. have undertaken welfare activities in the interest of workers. The management of TISCO runs a well equipped hospital in Jamshedpur, supported by health centres and dispensaries in different residential localities. Families planning clinics, credit societies, gymnasiums, clubs, crèches, canteens, schools are also set up by TISCO for the benefit of workers. Employees Associations have also joined hands with employers in doing some welfare work for their workers. The Indian Jute Mill Association, The Bombay Mill Owners Association are worth mentioning here. Medical, educational, recreational facilities are also extended in paper, sugar, steel cement, engineering industries also, by the employees and employees' associations.

- **Trade Unions**

  The contribution of trade unions in India towards labour welfare activities is not significant. Poor finances, multiple unionism, often come in the way of undertaking labour welfare work enthusiastically. There are certain exceptions to this – like the Ahmedabad Textile Labour Association, Mazdoor Sabha of Kanpur, Railwaymen's Union and the Indian Federation of Labour. These labour organizations have provided welfare facilities to workers such as running schools, libraries, sports centres, cooperative stores, recreation and cultural centres, legal cells, labour journals, etc. Running Bal Kanya and Mahila Mandals, organizing music and dance festivals, social gatherings, prohibition campaigns – also come under welfare work undertaken by unions. Though we cannot expect much from the trade unions in the field of welfare, they can at least identify the minimum facilities needed by workers and bring the same to the notice of Government and the employers. They can act as a representative of the workers and secure the implementation of statutory measures. In the interest of workers, they can carry out educational campaigns covering pressing issues such as family planning, prohibition, cleanliness, etc.

- **Other Agencies**

  In addition to the above social service organizations such as The Bombay Social Service League, Seva Sadan Societies of Bombay Women's Institute in West Bengal, Assam Seva Samity, Y.M.C.A. etc., also provide services to the working class on a voluntary basis.

The overall picture regarding labour welfare work in India is somewhat distressing. Welfare amenities have not been properly provided, except in units managed by progressive employers or in modern units where the latest technology demands maintenance of adequate standards. The letter of the law has also not been strictly observed in most units, owing to poor supervision. Employers, however, argue that welfare work would eat into the finances of the organization and where the facilities have been provided these have either remained unutilized or improperly used by the workers. The need of the hour, to sum up, is to extend the coverage of statutory welfare amenities to all units employing a minimum number of employees and create a proper administrative network to oversee the implementation strictly.

## 10.3 TYPES OF WELFARE FACILITIES

The need for different types of Labour Welfare facilities can be evaluated from the below perspectives:

1. *From the point of view of workers:* Welfare measures must eliminate risk and insecurity. The organization besides providing fair wages must also provide facilities like medical aid, crèches, subsidized food and transport required by workers.
2. *From employer's point o view:* Employers provide amenities to discharge their social responsibility, raise the employee's morale, use the work force more effectively and reduce turnover and absenteeism. Welfare helps build a positive image of the organization and makes it easier for them to attract and hire competent personnel.
3. *From union's point of view:* Trade union's role in labour welfare stems from workers' need for welfare services. Unions feel that welfare services ought to be provided either by the Government or the employers. However, much depends on the initiative of the unions, their bargaining strength and the priority given by them to the rights of the workers.

The following principles should be borne in mind while setting up different types of labour welfare service:

1. First determine the employees' real needs. The welfare service should satisfy the real needs of the workers.

2. Due to differences in sex, age, income levels of employees, a mix of benefits is suggested so that the choice is left to each individual employee.
3. The cost of the service should be calculated and its financing established on a sound basis.

The ILO classifies labour welfare services under two heads:

**1. Intra-Mural**

Intra-mural services are those which are provided within the factory. They include

1. Drinking water
2. Toilets
3. Creche
4. Washing facilities
5. Occupational safety
6. Uniforms and protective clothing
7. Shift allowance
8. Canteen

**2. Extra-Mural**

Extra-mural services are those which are provided outside the factory. They include:

1. Health and medical facilities
2. Education facilities
3. Recreation facilities
4. Leave travel facilities
5. Transport to and from place of work
6. Maternity benefits
7. Benevolent fund

## 10.4 STATUTORY PROVISIONS REGARDING EMPLOYEE WELFARE

**Statutory Welfare Matters**

Provisions relating to health, welfare, safety, working hours, annual leave with wages and conditions on employment of women and children have made in various labour laws:

1. The Factories Act, 1948
2. The Shops and Establishment Act
3. The Plantations Labour Act, 1951 and
4. The Mines Act, 1952

**Statutory Provisions**

There are four types of initiatives through the Plan for the Labour and Labour Welfare Sector. They are:

1. Training for skills development
2. Services to job seekers
3. Welfare of Labour
4. Administration of Labour regulations

Many initiatives are taken for the benefit of workers through the plans. Employers are required to offer welfare facilities to workers under different labour laws. These are discussed below

- **The Factories Act, 1948**

The Act provides the following services to workers:

- Washing facilities to male and female workers separately.
- Facilities for storing and drying clothes.
- Facilities for occasional rest for workers who work in a standing position for long hours.
- First aid boxes or cupboards – one for every 150 workers and the ambulance facility if there are more than 500 workers.
- Canteens, where there are more than 250 workers.

- Shelters, restrooms and lunch rooms where over 150 workers are employed.
- Creche, if 30 or more workers are employed.
- Welfare officer, if 500 or more workers are employed.

**The Plantation Labour Act, 1951**

The Act provides for the following:

- A canteen if 150 or more workers are employed.
- Creche if 50 or more women workers are employed.
- Recreational facilities for workers and their children.
- Educational arrangements in the estate if there are 25 or more children of workers, between the age of 6 and 12.
- Housing facilities for every worker and his family residing in the estate.
- Medical aid to workers and their families, sickness and maternity allowance.
- Providing umbrellas, blankets, raincoats to workers as a protection against rain or cold – as prescribed by the State Government.
- Welfare officer, if 300 or more workers are employed.

**The Mines Act, 1951**

The Act provides for the following:

- Shelters for taking food and rest if 50 or more workers are employed.
- First aid boxes and first-aid rooms if 150 or more workers are employed.
- A canteen if employing 250 or more workers.
- A crèche if employing 50 or more females.
- Pit-head baths equipped with showers, sanitary latrines.
- Welfare officer if 500 or more workers are employed.

**The Contract Labour (Regulation and Abolition) Act, 1970**

The Act requires the contractor to extend the following benefits to workers:

- Canteen, if employing 100 or more workers.
- Rest rooms or other suitable alternative accommodation where contract labour is required to halt at night in connection with the work of an establishment.
- Washing facilities.
- First aid boxes equipped with prescribed contents.

## 10.5 INTRODUCTION TO EMPOWERMENT

Employee participation in management is nothing new. It is as old as the institution of owners and workers. But its importance has increased and has been brought into sharp focus with the industrial revolution and the advent of large enterprises.

In its narrow sense, participative management refers to the constitution of consultative councils and committees comprising representatives of employees and employers, to recommend steps for improving productivity, machine utilization, job loading; for effecting savings in power, light, for identifying lazy workers, safety, so on and so forth.

In its real sense participative management exists when employees are involved in decision making process, not in mere job related activities, but at all levels of management.

Workers' participative management is synonymous with co-determination – a term popularly used in former East Germany to describe this participation. Participative management is also called employee empowerment.

## 10.6 OBJECTIVES AND FORMS OF PARTICIPATION

The major objectives of the scheme of workers' participation are:

- To improve the quality of working life by allowing the workers greater influence and involvement in work and the satisfaction obtained from work; and
- To secure the mutual cooperation of employees and employers in achieving, industrial peace; greater efficiency and productivity in the interest of the enterprise, the workers, the consumers and the nation.

Participation has a *tonic effect* on the psychology of a worker. He develops a sense of belongingness, a feeling of togetherness, a feeling of being a member of a large family. It gives him a sense of importance, pride and accomplishment. He begins to express his thoughts, opinions and feelings openly without any fear. He gets an opportunity to mingle and exchange notes with others on various on the job and off the job related matters. He gets a platform for meaningful interaction and democratic exchange of notes. When he begins to think that he has a stake in the company and all other co-workers have a common purpose to achieve, his devotion to work would improve and he will commit himself to the task on hand with greater motivation and commitment.

Workers' participation should, however, be distinguished from collective bargaining, Collective bargaining is essentially based on power-play, pressure tactics and to a certain extent non-sharing of information whereas participative management is based on mutual trust, joint sharing of information and mutual problem-solving.

The word 'participation' is a glamorous term. Workers welcome it because it enhances their status in the company. Employers use it to exhibit how 'progressive' they are. Unions want it because it brings about a new power equation between labour and management. Irrespective of these interpretations, participation is welcomed at all levels, because it has a 'tonic effect' on the psychology of an individual. The term 'workers' participation' in management, is generally interpreted in four different ways:

1. It is a way of sharing information with workers. Management keeps the workers informed about what is going on within the organization. The final decisions are taken by the management. Workers are allowed to express their opinions regarding various organizational matters.
2. It is a joint consultation prior to decision-making. Workers are taken into confidence, invited to share the information, participate in discussions, suggest alternatives to solve an issue and enjoy a greater say in the decision-making process.
3. Mere sharing of information and influencing decisions through discussions in a limited way will not enhance the status of workers. To be meaningful, participation should mean active involvement of workers, where they are treated as members of a decision-making team with equal voting rights. It is a kind of joint decision-making where workers are formally involved in resolving work-related issues.
4. In the final analysis, workers' participation may involve workers in all strategic, policy and operational issues, treating them as active members or even partners with equal voting rights. Workers' participation here implies self-management or self-control.

## 10.7 ALTERNATIVE APPROACHES TO PARTICIPATION

### 1. Participation at the Board Level

The Board of Directors is the apex body in the administration of a corporate establishment. A representation of workers on the Board would, it is believed, usher in industrial democracy, ensure improved employer-employee relations, and guarantee better productivity. The workers' representative on the Board can play a useful role in safeguarding the interests of workers. He or she can serve as a control element and guide to the management in its exercise of personnel and social functions. He or she can prevail upon the top management not to take measures that would be unpopular with the employees. He or she can guide the Board members on matters of investment in employee benefit schemes like housing, and so forth.

**2. Participation through Ownership**

Workers may become more involved in industries by making them shareholders of the company. This may be done by inducing them to buy equity shares. The management may promote the scheme by allowing the workers to make payments in instalments. It may also advance loans or even give financial assistance to such workers to enable them to buy equity shares.

Instances of workers holding shares in their companies are many. Sixty-one per cent of the shares of Otto India, Kolkata, are held by its employees. Forty per cent of the shares of Sehgal Sanitary Fittings, near Jullundur, have been allotted to workers. A similar experiment has also been made in the Rajasthan Spinning and Weaving Mills. Recently, another private firm in Rourkela, manufacturing heavy machinery, has introduced a scheme known as the Employees' Share Participation Loan Scheme. Hughes Software Systems too has a stock option scheme for its employees, called the 'Phantom Stock Option Scheme'. The method involves offering shares to employees. Every year, the shares are revalued and prices are announced. Employees are given an option to redeem their shares at quoted prices.

Participation through ownership has the distinct advantage of making the worker committed to the job and to the organization. But its effect on participation is limited because ownership is different from management in the company form of ownership.

Participation through ownership was extended to its logical end when the Supreme Court, in its judgement in Navneet R. Kamani vs R.R. Kamani (1984), allowed workers to take over a sick unit. Kamani Tubes, New Central

Jute Mills, Kamani Metals and Alloys, Powder Metals and Alloys and HCS Ltd., are the companies that have been taken over by their respective workers' co-operatives.

**3. Participation through Complete Control**

Workers acquire complete control of the management through elected boards. The system of self-management in Yugoslavia is based on this concept. It (self-management) gives complete control to workers to manage directly all aspects of industries through their representatives.

The system of complete control ensures the identification of the workers with their organization. Industrial disputes disappear when workers develop loyalty to the organization. Trade unions welcome this type of participation. But complete control by workers is not an answer to the problem of participation because the workers do not evince interest in management decisions.

**4. Participation through Staff or Works Councils**

Staff councils or works councils are bodies on which the representation is entirely of the employees. There may be one council for the entire organization or a hierarchy of works councils, from the shop-floor to the Board level. The members of the councils are elected by the employees of the respective sections.

The councils have different functions in the management of an enterprise, ranging from eliciting information on the management's intention to a full share in decision making. They are a right step in the direction of industrial democracy. But they are not successful because of the fear expressed by trade union leaders that, being mainly workers' bodies, staff councils may erode their power and prestige.

**5. Participation through Joint Councils and Committees**

Joint councils are bodies comprising representatives of employers and employees. The functions of these bodies may range from decision-making on some issues, to merely advising the management as consultative bodies.

Being mostly consultative bodies, the joint councils indicate a loose type of participation because their suggestions are not binding on the management. These councils serve no useful purpose. They only provide a platform to employers and employees from which they may give free vent to their complaints and grievances without making any attempt to find remedies and solutions.

Works committees have been constituted in industrial establishments employing 100 or more workers, and these comprise representatives of employers and employees. The constitution of a works committee is a legal requirement under the provisions of the Industrial Disputes Act, 1947. The committees discuss a wide range of topics connected with the workers' welfare. Certain voluntary committees, like the welfare committee, the safety committee, the canteen committee, the incentives committee, have also been constituted in most manufacturing establishments. There is no need for so many committees and subcommittees, and the effectiveness of their role in promoting industrial democracy, increased productivity and reduced labour unrest is doubtful. The opinion of most of the managers about the committees is that they have only a nuisance value.

**6. Participation through Collective Bargaining**

The principle of collective bargaining confers on the management and the workers the right, through collective agreements, to lay down certain rules for the formulation and termination of the contract of employment, as well as the conditions of service in an establishment. Such agreements are normally binding on parties and have the force of the law. Collective bargaining can really work well if the bargaining parties, namely, the employers and the workers' representatives, make use of the opportunity for bargaining in the right spirit and for a positive purpose. But, in practice, whenever the parties get together for the purpose of bargaining, each tries to take advantage of the other, often using strikes, lockouts and other strong-arm tactics. Collective bargaining is no-substitute for workers' participation in management. Participation brings both the parties together and develops appropriate mutual understanding, and brings about a mature and responsible relationship. Collective bargaining, on the contrary, is based on the crude concept of power and its exercise for sectional bargaining which may end up in mistrust, withholding of information and use of pressure tactics.

**7. Participation through Job Enlargement and Job Enrichment**

Job enlargement means expanding the job content – adding task elements horizontally. Job enrichment means that additional motivators are added to the job so that it is more rewarding. The purpose of job enlargement and job enrichment is to relieve the boredom of the worker which flows from excessive specialization in mass-production industries so that the job itself may be source of self-satisfaction. Job enlargement and job enrichment do provide for workers' participation because they offer freedom and scope to them to use their judgment.

However, this form of participation provides only limited freedom to a worker concerning the method of performing his / her job. It will not give him or her any say in some of the vital questions he or she may be interested in, such as job and income security, welfare schemes and other policy decisions of the company which affect him/her directly.

**8. Participation through Suggestion Schemes**

Employees' views on such matters as machine utilization, waste management energy conservation and safety measures are invited, and reward is given for the best suggestion. This procedure enables the management to arouse and maintain the employees' interests in the problem of their concern and its management.

**9. Participation through Quality Circles**

A quality circle (QC) consists of seven to ten people from the same work area who meet regularly to define, analyse, and solve quality and related problems in their area. Membership is strictly voluntary, and meetings are usually held once a week, for an hour. During the groups' initial meetings, members are trained in problem-solving techniques borrowed from group dynamics, industrial engineering and quality control. These techniques include brainstorming, Pareto analysis, cause-and effect analysis, histograms, control charts, satisfaction and scatter diagrams.

Quality circles are credited with producing quick, concrete and impressive results when correctly implemented. Their advantages includes the following:

1. Employees are involved in decision making. This privilege makes them acquire communication and analytical skills and improve the efficiency at the workplace.
2. Savings-to-costs ratios generally are higher than those achieved with other productivity-improvement programmes.
3. Because the programme is voluntary, employees and unions generally do not view them as another cost-control effort.
4. Circle members enhance their chances of promotion to supervisory positions.

**10. Total Quality Management**

Total Quality Management (TQM) refers to the deep commitment of an organization to quality. Quality of products and services is an obsession, and every step in the company's processes is subjected to intense and regular scrutiny for ways to improve it. Almost every issue is subject to exploration and the process is a continuing one. Employees are provided with extensive training in problem solving, group-decision-making and statistical methods.

**11. Financial Participation**

Financial participation differs from other forms of employee involvement in that it is less likely to involve employee in consultational or decisional processes. The general purpose of financial participation is to enhance employee commitment to the organisation by linking the performance of the firm to that of the employee. Thus, it is argued that the employee is more likely to be positively motivated and involved if he or she has a financial stake in the company by having a share of profits or by being a shareholder.

**12. Quality Circles (QCs)**

Perhaps, the most widely discussed and undertaken intervention of employee involvement is the quality circle (QC). The concept of QC originally began in the United States and was exported to Japan in the 1950s. It is mentioned that it is the concept of QC that enabled Japanese firms to make high quality products at low costs.

What is quality circle? It is a work group of employees who meet regularly to discuss their quality problems, investigate causes, recommend solutions, and take correction action. Generally, QC is a small group of employees belonging to the same similar work area. This is so because the employees doing the similar type of work are well familiar to problems faced by them. The size of the QC should not be too big so as to prevent some members from participating meaningfully in its meetings. Generally, six to eight members are considered the ideal size of the QC.

QC is formed to achieve the following objectives:

1. Improvement in quality of product manufactured by the organization.
2. Improvement in methods of production.
3. Development of employees participation in QC.

4. Promoting morale of employees.
5. Respect humanity and create a happy work place worthwhile to work.

The main features of QC can be listed as follows:

1. **Voluntary Groups:** QC is a voluntary group of employees generally coming from the same work area. There is no pressure from any where on employees to join QC.
2. **Small Size:** The size of the QC is generally small consisting of six to eight members.
3. **Regular Meeting:** QC meetings are held once a week for about an hour on regular basis. The members meet during working hours usually at the end of the working day in consultation with the manager. The time of the meetings is usually fixed in advance in consultation with the manager and members.
4. **Independent Agenda:** Each QC has its own agenda with its own terms of reference. Accordingly, each QC discusses its own problems and takes corrective actions.
5. **Quality Focused:** As per the very nature and intent of QC, it focuses exclusively on quality issues. This is because the ultimate purpose of QC is improvement in quality of product and working life.

**Developing Quality Circles in Organisations**

Like any other organizational change, QC being a new concept may be opposed by the employees. Therefore, QC should be developed and introduced with great concern and precaution as discussed below:

1. **Publicizing the Idea:** Introduction of QC is just like an organizational change programme. Hence, like an organizational change programme, the workers need to be convinced about the need for and significance of QC from the points of view of the workers and the organization. Moreover, participation in QC being voluntary, its publicity among the

workers is necessary. To begin with, management can also arrange for initial training to those workers who want to form a quality circle.

2. **Constitution of QC:** Workers doing the same or similar type of work are drawn voluntarily to form quality circle. The membership of a QC is generally restricted to eight to ten. Once a QC is formed, they remain as permanent members of the circle unless they leave that work area.
3. **Initial Problem Solving:** The members of QC should discuss the problem at threadbare and then, prepare a list of alternative solutions. Thereafter, each alternative solution should be evaluated and the final solution should be arrived at on the basis of consensus.
4. **Presentation and Approval of Suggestions:** The final solution arrived at should be presented to the management either in oral or in written form. The management may evaluate the solution by constituting a committee for this purpose. The committee may also meet the members of the quality circle for clarifications, if required. Presentation of solutions to the management helps improve the communication between management and workers and reflects management's interest to the members of QC.
5. **Implementation:** Once the suggestion or solution is approved by the management, the same is being put into practice in a particular workplace. Quality circles may be organized gradually for other workplaces or departments also. In this way, following above outlined process, the entire organization can have quality circles.

**Quality Circles in India**

The concept of quality circle which was originated in the United States and actually proliferated in Japan, is of recent origin in India. In India, by now several companies have implemented QC programmes. However, it has not come up to expectations due to certain reasons which are discussed little later in the chapter. Companies where the QC programmes have been working successfully include BHEL, Kirloskar Oil Engines, Mahindra and Mahindra, Bajaj Auto, HMT, Maruti, Modi Xerox, SBI, Hindustan Aluminum, Modi Rubber, TELCO, LUCAS-TVS, etc. In an attempt to make the QCs as movement, the successful cases of QC implementation are published by the Quality Forum of India through its journal, namely, ‘Quality Circle India’. Following this, an increasing number of companies in India have also been publishing QC cases in their in-house magazines and newsletters to disseminate their quality circle experience across the country. As such, QC as a campaign has gained momentum and more and more companies are coming forward to implement QC programmes to improve the quality of their products and working life conditions as well.

**Problems of Quality Circles and Their Solutions**

Though QC concept has many positive points, it has failed miserably in many organizations due to certain problems and pitfalls. Following are some important problems of QC implementation in India and remedies to overcome or solve them.

1. **Negative Attitude:** Both employees and managers having negative attitude toward QC often resist its implementation. Managers feel that QC dilutes their authority and importance in the organization. This negative attitude can be dispelled by imparting appropriate training to employees as well managers about the real concept and contribution of QC.
2. **Lack of Ability:** The Indian workers are characterized by their low level of education and also lack of leadership qualities. This problem can be overcome by initiating workers’ education programme.

3. **Lack of Management Commitment:** Lack of management toward QC is demonstrated by not permitting the members to hold QC meetings during the working hours. Therefore, the top management should permit the members to hold QC meetings periodically during working hours preferably at the end of the day. Management should also extend all required and timely assistance for the smooth functioning of QC.

4. **Non-implementation of Suggestions**: The members of the QC feel disheartened in case their suggestions are not accepted and implemented by the management without giving convincing reasons for not doing so. Instead, the suggestions rendered by QC should be given due consideration and weightage and should be implemented honestly. This will, as a result, further enthuse the members of QC to improve quality of their goods and services. In this way, QC may benefit both workers and organization. In other words, QC is symbiotic for workers and organization, if used honestly.

## 10.8 SUMMARY

Labour Welfare is an important aspect of factory life, the added incentive that enables the workers to lead a decent life in the midst of urban congestion, rising inflation and poor living conditions. Labour welfare is a wise investment that helps a firm attract, motivate and retain people both in times of prosperity and adversity. Labour Welfare may also be looked at from a different angle. Statutory welfare work comprising legally mandated benefits extended to workers and voluntary welfare work including those activities undertaken by employees voluntarily.

Empowerment implies granting employee's power to initiate change, thereby encouraging them to take charge of what they do. Empowerment allows employees to take initiative, try new ideas, use resources freely and work toward predetermined goals independently. Quality Circles is a small group of employees who monitor productivity and quality and suggest solutions to problems. Quality Circles efforts are systematic attempts by organisations to give employees a greater opportunity to affect the way they do their jobs and the contributions they make to the organisation they make to the organization's overall effectiveness.

## 10.9 KEYWORDS

**Labour Welfare:** Services, facilities and amenities extended for the intellectual, physical, moral and economic betterment of workers.

**Trade Union:** A voluntary organisation of workers formed to promote and protect their interest by collective action.

**Industrial Relation:** It generally refers to the collective relations between employers and employees as a group

**Participation:** Sharing the decision-making power with the lower ranks of the organisation in an appropriate way.

**Quality Circles:** A small group of employees who meet periodically to identify, analyse and solve quality and other work-related problems in their areas.

## 10.10 REVIEW QUESTIONS

1. What do you mean by labour welfare? Discuss the various types of labour welfare facilities.
2. Explain the legal provisions relating to labour welfare in India.
3. What is empowerment? What are its facilitators and barriers?
4. Discuss in detail the different approaches to participation.

## 10.11 FURTHER READINGS

- M. Sharma, “Aspects of Labour Welfare and Social Security”, Himalaya, Bombay.
- B. Mamoria et al, “Dynamics of Industrial Relations”, New Delhi, Himalaya.
- S. D. Punekar et al, “ Labour Welfare, Trade Union, Industrial Relations”, Himalaya, Bombay.
- Arun Monappa, “Industrial Relations”, Tata McGraw Hill, New Delhi.
- Bhabotosh Sahu, “Dynamics of Participation Management”, Himalaya, Mumbai.
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# UNIT 11
# HUMAN RESOURCE MANAGEMENT AT GLOBAL LEVEL AND CONTEMPORARY ISSUES IN HRM

**Structure**


11.1 Introduction
11.2 Definition of Global HRM (GHRM)
11.3 Cultural Differences and HRM
11.4 Global Organization and HRM
11.5 Economic Factors and HR Policies
11.6 Global Recruitment Policy and Selection Criteria
11.7 Global Training and Development
11.8 Global Compensation
11.9 Repatriation
11.10 HRM and Information Technology
11.11 Emerging Issues in HRM
11.12 Summary
11.13 Keywords
11.14 Review Question
11.15 Further Readings


**Learning Objectives**

After studying this unit, you will be able

- Define of Global HRM and explain the dimensions to examine cultural difference between countries.

- Explain the Global Recruitment Policy and Selection Criteria.
- Describe the Global Training and Development.
- Explain the process and problems of Repatriation.
- Explain the relevance of HRM in Information Technology
- Describe the Emerging Issues in HRM

## 11.1 INTRODUCTION

The roots of globalization of industry date back to the industrial revolution which first took place in Great Britain in the eighteen century. By the mid-nineteenth century Great Britain was predominant in world manufacturing and trade, but by the early twentieth century, British supremacy was challenged by Germany, USA, and France, and later Japan. In the 1940s the United States economy was held up as the prime example of effective capitalism production. These ideas of production were emulated by companies in the industrialized world as “best practices” in running modern industry. The implications of these factors in political, military and social terms were considerable and the two world wars have been interpreted as being part of a process of economic rivalry (competition). In addition, capitalism has been challenged by alternative systems in the erstwhile Soviet Union, Eastern Europe and China. The cold war which lasted from the late 1940s to 1989 was in many respects a process of rivalry between opposing systems of the ownership of production. In the 1960s and 1970s, US predominance was increasingly challenged by Germany and also by Japan. Ironically both these countries had been heavily influenced by American practice but they adapted them to their own national conditions. The tremendous growth of the Japanese economy over the last twenty years has led to its close examination by the rest of the world. Now, even in the West, different systems of capitalism have developed with varying degrees of state intervention. For example, the US system has much less regulation than Sweden. It has, therefore, become imperative to understand these developments in a world with increased and intensified competition.

According to Porter, "All advanced industrial economies are coming to an awareness of the importance of developing human resources in order to maintain competitive advantage". Considerable and increasing investment is being made in training and development. The 'scientific' techniques of selection have been developed to choose people and to construct effective teams. Motivational theories have been developed with the hope that they will result in greater efficiency and productivity. Organisations are being restructured to help them cope with an ever-changing world.

## 11.2 DEFINITION OF GLOBAL HRM (GHRM)

Generally speaking, there are three sources of employees for an international assignment. The organization might choose to hire:

- ***Host country nationals (HCNs):*** Also called local nationals, they are the employees from the local population. A worker from Bihar employed by an American firm operating in India would be considered a host country national.
- ***Parent or home country nationals (PCNs):*** Also called expatriates, they are the people from the country in which the organization is headquartered. An American manager on assignment in India is an expatriate.
- ***Third country nationals (TCNs):*** TCNs are from a country other than where the parent organisations' headquarters or operations are located. If the American firm employs a manager from Great Britain at facilities in India, he would be considered a third country national.

According to P.V. Morgan, Global HRM is the result of interplay among the three dimensions – human resource activities, types of employees and countries of operation. The complexities of operating in various countries and employing different national categories of workers are an important variable that differentiates domestic and Global HRM, rather than any major differences between HRM activities performed. Broadly stated, GHRM is "the process of procuring, allocating and effectively utilizing human resources in a multinational corporation". When compared to domestic human resources management, the scope of GHRM is very wide. For example, while compensating people in India, the American MNC must keep in mind the expectations of locals, the competitor's compensation structure, taxation problems of repatriates, TCN's aspirations and a host of other issues that have a bearing on the psyche of employees possessing different skills and having different cultural backgrounds (both within and outside the country). GHRM, thus, requires a much broader perspective, encompasses a greater scope of activities and is subject to much greater challenges than is domestic HRM.

## 11.3 CULTURAL DIFFERENCES AND HRM

The important global pressures impacting HR practices in MNCs have grown in number, variety and complexity in recent times – thanks to the changes in information technology, dismantling of tariffs, differentiated labour laws, cultural and language barriers, bargaining practices etc. Getting the right people with requisite skills, motivating them to accept the challenges in a foreign locale and extending family support through cultural orientation, language training and education assistance have become truly demanding.

### Need for Cultural Training

One of the important challenges for organizations is preparing people to the expatriate employees working in a nation other than their home country.

Without this preparation, such employees may not be able to take on and successfully complete an overseas assignment. As an example, let us see how people behave in the Arab world. Arabs talk with their hands and with profuse expressions. When talking, Arabs stand much closer together; kissing on the checks is the common way for men to greet each other; they use right hand always for public matters (the left hand, considered the 'toilet hand', should not be used for giving or accepting anything from the other person) and they always insist on a personal, one-to-one meeting for concluding deals. In such meetings, foreigners should be careful to present their business cards, printed in both Arabic and English, with the Arabic side face up. Westerners should accept offers of hospitality to visit an Arab's home and the invitation must be returned. No alcohol should be offered to Arab guests, or consumed in their presence. Arabs are habitually late for appointments (like Indians) as they believe that such things are in the hands of Allah (they call it insha Allah). Contrast this with another example from China. Chinese, generally, do not lie to be touched, even to shake hands, Westerners should know that Chinese do not like loud, boisterous, or aggressive behavior. Chinese prefer to meet others in groups. They are more retiring, reticent and shy. They prefer to conclude deals through a third party. Appointments with Chinese take a lot of time. They do not like to conclude anything a hurry. Patience and persistence are required to strike deals with the Chinese. They are punctual and expect others to arrive promptly for each meeting. Cultural differences such as these make executive like in a foreign country much more difficult. Sometimes, a small mistake may cost a huge fortune. In their own self-interest, organizations must take every precaution to offer requisite training and consultancy assistance to executives to be sent abroad.

To survive, cope and succeed, managers generally require training in three areas: the culture, the language and practical day-to-day matters. Research studies show a high rate of expatriate failures, ranging from 25 to 50 percent mainly due to the culture shock that usually occurs 4 to 6 months after arrival in the foreign country. According to Harris and Moran the cultural differences between countries could be examined (areas where training is to be offered to expatriate managers) along the following dimensions:

1. ***Sense of self and space:*** People, in a number of cultures, prefer to stand close when conversing. Both Arabs (as indicated previously) and Asians fall into this group. An interpersonal distance of only six inches is very disturbing to a Northern European or an American who is used to conversing at arm's length. Cross-cultural gatherings in the Middle East often involve, for example, an awkward dance as Arab hosts try to get closer while their American and European guests shuffle backwards around the room to maintain what they consider to be a proper distance. Japanese and Chinese emphasis group cooperation, whereas Americans and Canadians value independence and creativity. In Japan, bosses often sit together with their employees in the same room. The heads of some of the biggest Japanese firms ride the public subways to work in the morning so that they can be with their workers. In contrast, North Americans prefer private space. In India, usually one finds the boss occupying a large territory in any Public Sector or Private Sector organization.
2. ***Language:*** Foreign language skills are the gateway to the cross-cultural understanding. Words and gestures mean different things to different people. Consider the following example. Ford introduced a low cost truck 'Fiera' into some Spanish speaking countries. Unfortunately, the name meant 'ugly old woman' in Spanish. Needless to print out, this name did nothing to boost sales. Ford also experienced slow sales when it introduced a top-of-the-line automobile 'Comet' in Mexico under

the name ‘Caliente’. The puzzling low sales were finally understood when Ford discovered that ‘saliente’ is slang for a ‘street walker’! Such ethnocentric actions (applying home-country procedures and evaluation criteria without any variation) inevitably fail to deliver the goods because of the cultural mismatch. Proctor & Gamble, too, failed to do its cultural homework when it ran a series of advertisements for pampers in Japan. Japanese customers were bewildered by the ads, in which a stork carried a baby, because storks have no cultural connection to birth in Japan.

3. ***Dress and appearance:*** Garments and body decorations vary by culture. Anyone disrespecting the turban in India may be roughed up badly. Formal dress for business meetings may be essential in some cultures but not in others.

4. ***Food, eating habits and perceptual problems:*** Different cultures may have different ways of preparing and eating food. Beef, a favorite of many Americans, may be a prohibitive term (leave alone eating the same) in the Hindu culture. Some may eat with their hands; others prefer to use chopsticks or a full set of cutlery. A US manager who sees the wife of a Latin American host enter the door of the kitchen assumes that the woman is putting the finishing touches on the meal. Unknown to the manager perhaps is the fact that the woman actually is supervising the cooking of the food and is checking to see that everything is in order.

5. ***Time and time consciousness:*** The sense of time varies across cultures. To Americans, time is money. They are obsessed with making and keeping appointments. They live by schedules, deadlines and agendas. In other cultures (Latin American, Mediterranean, Arabs, Indians etc.) such as Mexico, people have no problem with loosely

scheduled meetings and late coming. Consider the following example. An American company eager to do business in Saudi Arabia sent over a sales manager to 'to get something going'. The sales officer began calling contracts soon after his arrival on a particular Monday. After many disappointing appointments, the salesman ran into an old friend who gave him an introduction to some basic rules of Saudi etiquette and how to do business with the Arabs. The officer learned that he had repeatedly insulted his contacts by his impatience, refusal of coffee, the 'all business-like talk' attitudes and aggressive selling. Even individual acts such as handing papers with his left hand and exposing the sole of his shoe sitting on the floor were offensive to Saudi Sensibilities.

***6.*** ***Relationships:*** Cultures specify human and organizational interactions by age, gender, status and family relationship, as well as by wealth, power and wisdom. In Hindu culture all family members generally live under one roof (self, spouse, children, parents, etc.). Here monogamy (one wife) is the rule but in other cultures polygamy (one husband, several wives) or polyandry (one wife, several husbands) might well be accepted. In some cultures, elderly people are respected and their advice is accepted without question. Other cultures might dismiss them as unwanted. In some countries, women must wear veils and remain without identity but in others they are treated with respect even when their faces are exposed to view. Women drives, for example, are an ordinary sight in most parts of the world, but not in conservative Islamic Saudi Arabia. In late 1990, when fifty Saudi women broke with cultural tradition and drove automobiles through the capital city of Riyadh, religious leaders went on the offensive and the Government cracked down hard. All the women involved who had Government jobs, were fired, and they all lost their passports for two years, as did their husbands.

7. ***Values and norms:*** Material wealth might be the dominant value in some cultures. People are ready to do anything in order to acquire wealth. In other cultures, people may value means as important as ends. Sharing wealth with others may be a way of life in some cultures. Customs gift giving, birth, death, marriage, treating elders with respect, showing exemplary manners also differ from culture to culture.

8. ***Beliefs and attitudes:*** Religious beliefs and attitudes vary among cultures. Hindus let things happen. Most North Americans try to control events by taking charge of things all by themselves (Internals). Some religions teach reincarnation whereas others believe they pass this way only once and, hence, want to achieve and enjoy as much as they can. Some religious teach sacrifice and caring for others. Other religions emphasize individual success leading to overall community welfare. In some cultures, work is valued as an act of service to God; in others, it is not valued properly and hence, employees working therein do not recognize the importance of quality and commitment.

9. ***Mental processes and learning:*** Across cultures, one can always find profound differences in the ways people think and learn. Some people emphasize logical thinking and proceed cautiously, weighing pros and cons from various angles. In other cultures, people may go after ideas, take risks, face innumerable difficulties that some in the way with courage and finally emerge victorious. Some cultures emphasize abstract thinking and conceptualizing, whereas others favour rote memorization. The Japanese, Korean and Chinese languages emphasize learning through word pictures whereas the English prefer to do the same through words.

10. ***Work habits and practices:*** The attitude toward work may vary greatly across various cultures. In some there is a strong focus on work values and ethics, whereas in others it is missing. You may be praised profusely for turning out good work in some cultures; in others, you may be pulled down at every stage for not meeting expectations (called management by objections). Europeans favour power and status; Americans prefer to be informal and value initiative and achievement greatly; Japanese emphasize consensus and teamwork in workplace more than anything else. These orientations and preferences greatly affect the manner in which expatriates are supposed to react to different events and situations in various countries. Any mistakes on their part would attract punitive action from 'upstairs' and they may be fired not because they lack technical competence but because they have not been able to get along with people understanding the peculiarities in human behaviour in various settings. Careless defiance or accidentally overstepping of cultural norms, traditions or taboos by outsiders (in this case expatriates) could lead to grave personal insult and jeopardizes important business dealings. Fortunately cultural sensitivity can be learned through various techniques.

## 11.4 GLOBAL ORGANIZATION AND HRM

It would appear that, despite the impact that international growth has on a firm's HR activities, the precise nature and extent of that impact on corporate performance is not well understood. The reasons are:

1. HR managers only become involved in strategic decisions when there is a critical mass of expatriates to be managed.
2. Senior management is more likely to recognize HR issues when staff transfers become significant to achieving international business objective.

3. HR constraints on international expansion come to the attention of senior corporate management.

However, this is going to change as companies are increasingly doing business abroad. Huge corporate enterprises have extensive overseas operations. Even small firms are finding that success depends on their ability to market and manage overseas. This confronts firms with some interesting management challenges.

1. Market, product and production plans must be coordinated on a worldwide basis.
2. Organisation structures capable of balancing centralized home-office control with adequate local autonomy must be created. These are global pressures affecting key human resource management practices.

Karen Robberts, Ellen Kossek and Cynthia Ozeki have identified three issues:

1. **Deployment:** Easily getting the right skills to where we need them, regardless of geographic location.
2. **Knowledge and Innovation Dissemination**: Spreading state-of-the-art knowledge and practices throughout the organization regardless of where they originate.
3. **Identifying and Developing Talent on a Global Basis:** Identifying who can function effectively in a global organization and developing his or her abilities.

Dealing with global HR perspective requires understanding different cultures, what motivates people from different societies and how that is reflected in the structure of international assignment.

## 11.5 ECONOMIC FACTORS AND HR POLICIES

Managers in the twenty-first century are being challenged to operate in an increasingly complex, interdependent, and dynamic global environment. Those involved in global business have to adjust their strategies and management styles to those regions of the world in which they want to operate, whether directly or through some form of alliance. To compete aggressively, firms must make considerable investments overseas – not only capital investment but also investment in well-trained managers with the skills essential to working effectively in a multicultural environment. In any foreign environment, managers need to handle a set of dynamic and fast – changing variables including the all-pervasive variable of culture that affects every facet of daily management. Global management then is the process of developing strategies, designing and operating systems and working with people around the world to ensure sustained competitive advantage.

A more firms move outside their domestic borders into the dynamic world of international business, the globalization of world markets appears to be gaining momentum. This globalization of business is forcing managers to grapple with complex issues as they seek to gain or sustain a competitive advantage. Effective human resource management (HRM) is essentially, especially where international expansion places additional stress on limited resources. To operate in an international environment, a human resource department must engage in a number of activities that would not be necessary in a domestic environment. These activities are explained follows:

1. **International Taxation:** Expatriates are subject to international taxation, and often have both domestic and host-country tax liabilities. Therefore, tax equalization policies must be designed to ensure that there is no tax incentive or disincentive associated with any particular intentional assignment.
2. **International Relocation and Orientation:** Involves arranging for pre-departure training; providing immigration and travel details; providing housing, shopping, medical care, recreation and schooling information. Many of these factors may be a source of anxiety for the expatriate and

considerable time and attention is required to resolve potential problems successfully.

3. **Administrative Services:** A multinational firm also needs to provide administrative services for expatriates in the host countries in which it operates. Providing administrative services can often be a time-consuming and complex activity because policies and procedures are not always clear cut and may-conflict with local conditions. Ethical questions can arise when a practice that is legal and accepted in the host country may be at best unethical and at worst illegal in the home country.

4. **Host-Government Relations:** Represent an important activity for an HR department, particularly in developing countries where work permits and other important certificates are often obtained more easily when a personal relationship exists between the relevant Government officials and multinational managers. Maintaining such relationships helps resolve potential problems that can be caused by ambiguous eligibility and / or compliance criteria for documentation such as work permits.

5. **Provision of Language Translation Services:** Though English is a well established international language yet, provision of language translation service for internet and external correspondence is necessary especially if the organization has branches in non-English speaking countries.

## 11.6 GLOBAL RECRUITMENT POLICY AND SELECTION CRITERIA

Companies operating outside their home countries, essentially, follow three ways of hiring executives:

1. **Ethnocentrism:** It is a cultural attitude marked by the tendency to regard one's own culture as superior to others. Sending home country executives abroad – thinking that they will be able to deliver the goods – may be an appropriate strategy in the initial stages of expanding company operations worldwide as these officials know what to do immediately. At Royal Dutch Shell, for instance, virtually all financial controllers around the world are Dutch nationals. Often the other reasons advanced for ethnocentric staffing policies include: lack of qualified host country managerial talent, a desire to have a unified corporate culture, tight control and the keenness to transfer the parent company's core competencies (say, a specialized design skill) to a foreign subsidiary more expeditiously. However, a policy of ethnocentrism is too narrow in its focus and may evoke strong negative reactions from local executives whose upward mobility is blocked. There is also no guarantee that the expats will win over the hearts of local employees and offer positive contributions. In fact, failures of US expats range from 10% to 15%. European and Japanese expat failures are equally alarming, the costs of each such failure running to several thousands of dollars.

   Too often expats are selected on the strength of their domestic track record. They are posted aboard without requisite cross-cultural training. The family factors stand completely discounted in the selection process. The rate of failures could be drastically reduced if these issues are properly addressed.

2. **Polycentrism:** In the polycentric corporation, there is a conscious belief that only host country managers can ever really understand the culture and behavior of the host country market; therefore, the foreign subsidiary should be managed by local people. The home-office

headquarters, of course, is satisfied by parent-country nationals. Hiring nationals has many advantages. It eliminates language barriers, expensive training periods, cross-cultural adjustment problems of managers and their families. It also permits the firms to attract talented locals by offering an attractive compensation package. Many western MNCs have found that the key to success on foreign soil is to employ local people. Analog Devices Inc., has achieved global success in a highly technical field by picking up local managers, training them extensively and then empowering them to hire and mange more local talent. Likewise, global sales of Bausch and Lomb improved dramatically after putting the local managerial talent to good use.

3. **Geo-centrism:** Geo-centrism assumes that management candidates must be searched on a global basis, without favoring anyone. The best manager for any specific position anywhere on the globe may be found in any of the countries in which the firm operates. Such a staffing policy seeks the best people for important jobs throughout the organization, regardless of nationality. It helps to build a stronger and more consistent culture and set of values among the entire global management team. 'Team members here are always interacting, networking and building bonds with each other, as they move from assignment to assignment, around the globe and participate in global development activities'. Colgate-Palmolive is an example of a company that hires the best person for the job regardless of nationality. It has been operating globally for more than 55 years, and its products are household names in more than 175 countries. Fully 60 percent of the company's expatriates are from countries other than the United States and two of its last four CEOs were not US nationals. Moreover, all the

top executives speak at least two languages and important meetings routinely take place all over the globe.

**International Selection Criteria**

International postings are complex and carry a lot of in-built pressures along with them. It would be erroneous to assume that the job requires the same set of skills in different locations. The local dynamics might be different; the cultural and social pressures might be too complex. If the spouse and children join the expatriate, there are additional issues to be resolved – from learning a new language, to shopping in new environs, to children finding new friends and attending new schools. For an expat to succeed, therefore, the selection process must be rigorous and must invariably include criteria such as:

- **General and technical criteria:** Research findings consistently indicate that MNCs place heavy reliance on relevant technical skills during the expatriate selection process. In addition, the expatriate manager should be a good communicator, and possess management talent, maturity, emotional stability in ample measure.
- **Language skills:** Most researchers argue that knowledge of the host-country's language is an important factor affecting the performance of an expatriate. Where the expatriate is expected to communicate with host country subjects frequently, language skills come to occupy the centre-stage. Tung and Anderson's study indicated that the respondents (mostly Americans) greatly valued the ability to speak local language, regardless of how different the culture was from their home country.
- **Cross-cultural suitability:** Expatriate managers must be able to adapt to change. They must have the ability to translate their technical or managerial skills into meaningful action plans in a foreign environment.

They should get along with local people easily without upsetting host country customs, traditions and other cultural niceties. The expatriate managers should as a rule, have good interpersonal skills and extra-cultural openness – including a variety of outside interests, tolerance for ambiguity and non-judgemental behaviors.

- **Motivation for a foreign assignment:** The candidate for foreign assignment must believe in the importance of the job and possess a certain amount of idealism or a sense of mission. Applicants, who are not happy with their current situation at home and are looking to get away, rarely succeed as overseas managers.
- **Family situation:** Several items including the adaptability of spouse and family spouse's positive opinion, willingness of spouse to live abroad, stable marriage comprises this factor. This factor was found to be the most important of the above list, contributing to the expat's success or failure on a foreign locale.

The selection process varies widely from country to country. Asian companies sue extensive testing procedures and screening techniques. European does not test as much as Asians but considerably more than Americans. Testing in the US is not favored because of its negative impact on equal employment and affirmative action efforts. In most global corporations, however, adaptability screening is usually followed. The screening, carried out by a professional psychologist or psychiatrist, tries to assess the family's probable success in handling the foreign transfer, and to alert the couple to personal problems (impact on children's education etc.) the foreign move may involve. Many companies more or less have realized the importance of preparing managers to work in foreign cultures. In fact, several companies try to give future managers exposure to foreign cultures early in their careers. American Express Company's Travel related services unit gives American business-school students summer jobs in which they work outside the United States for up to 10 weeks. Colgate Palmolive selects 15 recent graduates each year and then offers up to 24 months of training prior to multiple overseas job stints. The overall US selection and training practices, however, continue to lag behind those of Japan and Germany. In Japan, for example, expatriates are selected a year or more prior to their posting so that they and their families receive extensive cultural and language training. Not surprisingly, the overseas success rate for the Japanese is significantly higher than that for Americans.

## 11.7 GLOBAL TRAINING AND DEVELOPMENT

Careful selection is only the first step in ensuring the foreign assignee's success. The expatriate may then require proper orientation, cross-cultural training, assistance in career planning and development, etc., in order to handle the assigned jobs in a competent way.

1. **Orientation:** International positions require an extensive orientation to familiarize the employee with culture, language and other unique aspects of the assignment. Familiarization trips could also be arranged for the prospective expatriates so that they can actually visit the country of their posting and live like natives there for a while. The orientation programmes, generally cover areas such as:

**(a) Pre-arrival orientation**

1. Cultural briefing: Explaining the traditions, customs, living conditions, clothing and housing requirements, health stipulations, etc.
2. Assignment briefing: Throwing light on length of assignment, vacations, compensation package, tax implications, repatriation policy etc.
3. Shipping requirements: Shipping, packaging, storage, housing facility in the new location etc.

**(b) Post-arrival orientation**

Once global employees arrive in the host country, they will require further assistance in 'settling in'. Someone should receive them and help them in obtaining housing accommodation, establishing bank accounts, getting driving licenses, arranging admissions to school for dependent children etc.

1. Cross-cultural training: Differences in culture, language and laws may make it difficult for the global employees to be on track quickly. In order to lead a normal life, they need cross-cultural as well as language training. The failure to provide such training may create adjustment problems for the expatriate manager and the resultant culture shock (the inability to adjust to a different cultural setting) may compel the expatriate to quit the field altogether. Firms can help employees avoid culture shock, of course, by using selection tools to choose the employees with the highest degree of cultural sensitivity. An important part of an expatriate manager's training, further, should be an overview of the legal and ethical issues that are likely to be encountered on the overseas assignment.
2. Career development: The expatriate's motivation to do well on an international assignment is primarily dependent on the following things:

- Whether the present assignment would help the expatriate to learn new things, expand his knowledge, create a unique position for himself in the organization ladder, and grow vertically within the firm – once the job is successfully completed.
- Whether the expatriate is enjoying continued support from the headquarters or not.

One of the important deterrents to accepting foreign assignments is the expatriate's concern that they will be 'out of sight, out of mind'. If they do not have direct and regular contact with their bosses and colleagues at headquarters, they feel isolated and thrown out of the system. To reduce their anxiety levels, therefore, global companies must project foreign assignments as stimulating growth opportunities leading to continued career progression. A monitoring system would certainly solve such issues. In this system, an expatriate is guided by a senior executive in the headquarters. This executive talks with the expatriate regularly, ensures that the expatriate's name is submitted during promotion and development discussions at headquarters and resolves any headquarters-related problems faced by the expatriate. Another approach has the expatriate coming back to the home office occasionally to foster a sense of belonging to the organization. Alternatively, mini-sabbaticals could be offered to the expatriate and his family so that he or she can be in touch with current happenings in the headquarters.

## 11.8 GLOBAL COMPENSATION

Due to differences in tax and cost of living as well as often difficult living conditions, pay and benefits for employees living abroad must be decided carefully paying attention to three things:

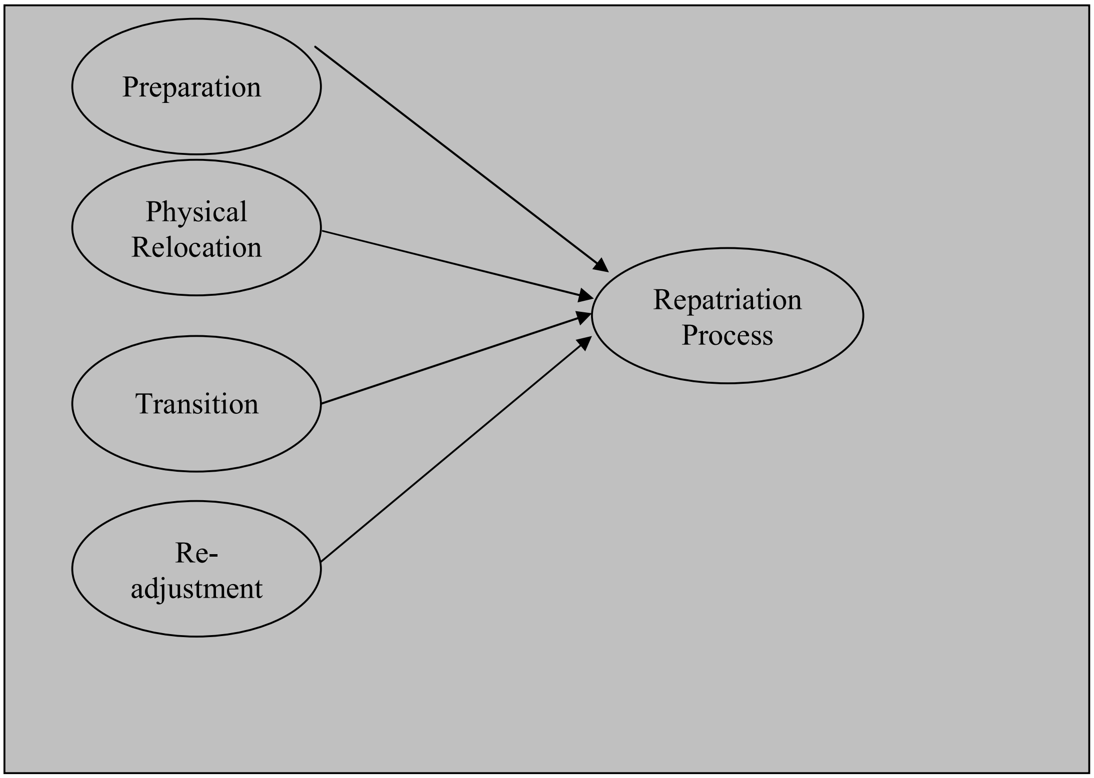
- The expatriate's income should at least be equivalent to what he or she is getting at home.
- Additional incentives must be offered for accepting the international assignment (eg. Sign-on bonus, percentage increase in base salary, lump-sum payment on successful completion of assignment etc.).
- It is better to avoid having expatriates fill the same jobs held by locals or lower-ranking jobs. In such cases, talented local employees may resent the higher pay and allowances given to expatriates, complain about inequity in pay and may even quit in protest.

Most MNCs use what is popularly known as the balance sheet approach which tries to equalize purchasing power across countries. The employer using this approach estimates expenses for income taxes, housing accommodation, goods and services, and reserve and pays supplements to the expatriate in such a way as to maintain the same standard of living he or she would have had at home.

## 11.9 REPATRIATION

Repatriation is the process of returning a person back to one's place of origin or citizenship. On completion of the overseas assignment, the MNC brings the expatriate back to the home country, although not all foreign assignments end with a transfer to home – rather the expatriate is re-assigned to another international assignment. Some employees are made to travel around the globe frequently in which case they form part of the MNC's international cadre of managers. Even with such managers, repatriation is essential, particularly at retirement.

**Fig 11.1: The Repatriation Process**




**Source:** *Peter J. Dowling, et. Al., op cit., p. 206.*

1. *Preparation* involves developing plans for the future and gathering information about the new position. The firm may provide a checklist of items to be considered before the return to home (e.g. closure of bank accounts and settling bills) or a thorough preparation of the employee and his or her family for the transfer to home.
2. *Physical relocation* refers to saying good bye to colleagues and friends, and traveling to the next posting, usually the home country. Personalized relocation assistance reduces the amount of uncertainty, stress, and disruptions experienced by the repatriate and the family.

3. *Transition* means settling into temporary accommodation, where necessary, making arrangements for housing and schooling, and carrying out other administrative tasks such as renewing driving licence and opening bank account.
4. *Readjustment* involves coping with reverse culture shock and career demands. Of all the steps in the repatriation process, re-adjustment is the most difficult one. The re-entry adjustment is a tough task because of multiple factors. First, there is anxiety experienced by the expatriate when he or she returns home, the apprehension being accentuated by the uncertainty about the placement in the firm, career prospects, and a sense of isolation; feeling of 'devaluing' the international experience; coping with new role demands; and probable loss of status and pay.

MNCs respond to the repatriation problem in several ways. Many firms have formal repatriation programmes. Some companies assign the expatriate to a mentor, popularly called as the 'godfather'. The mentor is usually in a more senior position than the expatriate and knows him or her personally. The purpose behind the use of a mentor is to remove the sense of alienation through the provision of information (e.g. workplace changes) on a regular basis, so that the expatriate is better prepared for the conditions he or she is likely to face upon re-entry. The mentor should also ensure that the expatriate is not sidelined when important decisions are made regarding positions and promotions.

**Challenges of Re-entry**

Repatriation poses certain problems more intense than those encountered at expatriation. In fact, assignee views expatriation as sort of reward for impressed performance but repatriation is perceived as the end of a 'honeymoon' in his or her career. Challenges of re-entry relate to the individual assignee as well as the MNC.

**Individual Perspectives**

Challenges from the assignee perspective include personal and professional. From a personal perspective, the assignee experiences ‘reverse culture shock.’ The returnee expects that the home country would remain the same when he or she had left. But after repatriation the assignee finds that things are not the same. Political, economic, social and cultural climate has changed. Moreover, the returnees themselves are not the same old individuals. The ‘stay abroad’ has brought changes in their perception, attitudes, habits and practices. These changes have created high expectations about the home country, but the hopes do not match with reality. They exhibit fussiness about everything and his separates expatriates from home country citizens. It is not the assignee alone facing the adjustment problem. Even the spouse has the same problem. Children too find re-entry difficult. Coming back to school, attempting to regain acceptance into peer groups and being out-of-touch with current slang, sports and fashion do cause problems.

Lowered social status, depleted spendable income, housing problem, problem of children’s school, difficulty of club membership and the like add to the reentrant’s problems.

Professional disappointments add to the returnee’s woes. The repartee feels that his or her skills acquire while on Foreign Service are no more in use. The repatriate is of the opinion that job at home is lacking in autonomy, authority and significance, compared to his or her global assignment. He or she feels that the organization is unfairly ignoring the global competence acquired by the returnee. Worst, organizations may not guarantee jobs to the returnees. Often, due to poor career planning, repatriates are placed in a ‘holding pattern’ – being assigned jobs that are available, without regard to the individual’s abilities, capabilities and needs. Many returnees complain that, upon return, they are offered a limited number of career choices and are rarely considered for promotions -which make them feel that they have bee removed from the main stream of corporate advancement.

**Challenges from Organization Perspective**

As is too well known, majority of the returnees consider quitting the organization. Considering the investment made on training, posting, and maintaining the assignee while on assignment, his or her quitting will adversely affect the MNC's bottom line. Often, loss of the multinational becomes gain for a rival. When an experienced assignee quits and joins a rival organization, company's ability to hire bright individual in future.

## 11.10 HRM AND INFORMATION TECHNOLOGY

At the beginning of the 21$^{st}$ century, humanity finds itself at the threshold of a great adventure\ which is not related to the conquest of space and time. It is the discovery of the "human resource management process" and the realization that this single variable of human resource management (HRM) can account for all other developmental processes. While HRM has been known throughout the ages, its rediscovery as an essential element in development is given sanction by the deteriorating social conditions. The march of sciences and technology makes it even more essential to take the best advantage of human resource management and attempt to reverse the detrimental trend we see now. Due to the capabilities of "mind" – the single inexhaustible resource of mankind, we hope that solutions will be found for social and physical problems.

The world in which human resource managers exist and with which they interact is continually changing, generating new issues and conundrums to consider. While in most cases managers have a fair degree of choice about how to deal with new ideas and new sets of circumstances, the choices themselves are often difficult. The most significant general issue facing HR managers in the current environment concerns the appropriate response to intensified competition in product markets. For many, the gut reaction is to respond by simply maintaining a continual downward pressure on costs. This may mean fewer people, in which case the HR function is faced with the need to cut jobs and develop new means of intensifying work. It may also mean keeping pay levels down at or below market rates.

Cost cutting is not, however, the only approach available. The alternative involves seeking to compete on grounds other than cost, accepting that prices charged to customers will be higher than those of some competitors, but providing greater overall value.

Whatever approach is taken, there is a clear need to develop a greater capacity for flexibility and agility, than has previously been the case. Whether the "low cost" or "high value-added" strategy is adopted, there has to be fundamental change in the expectations of employees about the role they play and what the organization is able to give to them in return.

These new trends that have taken place in the field of HRM are changing the outlook and approaches towards management of human resources.

**The Concept of HRIS**

Human Resource Information System (HRIS) is a system designed to supply information required for effective management of the organization, i.e., for decision-making relating to human resources.

A computerized Human Resource Information System is designed to monitor, control and influence the movement of people from the time they join the organization till the time they leave the organization.

**The Scope of HRIS**

The scope of HRIS is very vast and includes information about the following sub-systems:

1. *Recruitment sub-system* information for advertisement, applicants profile, appointment and placement data.
2. *Human resource planning sub-system* to assist in assessment of demand and supply, mobilization, and inputs for skill development.
3. *Personnel administration sub-system*. It is to keep personal records of employees, e.g., leaves, transfers, increments, promotions, etc.
4. *Training sub-system.* It is for determining training needs assessment, course designs, and evaluation of training programmes.
5. *Maintenance sub-system.* It maintains data on health, safety and welfare of employees.
6. *Performance appraisal sub-system.* It keeps record of ratings which serve input for transfer, promotion, career planning and succession planning.
7. *Pay roll sub-system.* This relates to information concerning, salaries, wage incentives, fringe benefits, deductions, etc.
8. *Personnel research sub-system.* Data relating to employee attitude surveys, absenteeism, turnover (attrition) rates are maintained for appropriate analysis and action.
9. Job analysis, job design and job-redesign information system.

The computerized HRIS integrates the information-relating various sub-systems of HRM, as mentioned above. It serves a common database of information on:

1. Jobs
2. Employees
3. Organization


**Fig 11.4: Integrated Data about Jobs, Employees and Organization**

HRIS is a linking mechanism which connects all decision-making centres in an organization. HRIS is embedded in overall management control system. HRIS gives regular feed-back and is kept update with changed environments. Objective of HRIS is to make desired information available at right time, cost, provide security and secrecy of confidential information particularly keeps information up-to-date.

**Applications (Benefits / Contributions) of HRIS**

Benefits and contribution which HRIS provides are:

1. Keep job descriptions up-to-date.

2. HR Planning – forecasts demand of manpower and manpower inventory, turnover as well as mobility data.
3. Staffing – recruitment, selection and placement functions with following modules:
    a. Information on job applicants
    b. Job posting – matching – jobs and individuals, and
    c. Job requirements analysis (duties and responsibilities) to predict job performance.
4. Succession planning – identifying candidates for key positions and development needs.
5. Training and development for skills, course schedules, trainee evaluation and for career planning.
6. Performance appraisal – ratings, competencies assessment, linking compensation benefits for effective motivation.
7. Job evaluation for classification of jobs and job hierarchies.
8. Organizational climate analysis – for data on attitudes survey, morale, styles of leadership for taking appropriate action.

Thus, HRIS system is capable of giving efficient service in various fields of human resource management decision-making. HRIS is data collection and data management for planning, feedback and decision-making of HR activities.

## 11.11 EMERGING ISSUES IN HRM

### Outsourcing HR Activities

Increasingly many large firms are getting their HR activities done by outside suppliers and contractors. Employee hiring, training and development and maintenance of statutory records are the usual functions contracted out to outsiders. P & G has signed a 10-year, $400 million deal with IBM to handle employee services. IBM will support almost 98,000 of P & G employees in nearly 80 countries with services such as payroll processing, benefits administration, compensation, panning, expatriate and relocation services, and travel and expense management.

At Nokia, except mentoring, assimilation, and culture building, all other activities are outsourced.

The trend towards outsourcing has been caused by several strategic and operational motives. From a strategic perspective, HR departments are divesting themselves from mundane activities to focus more on strategic role. Outsourcing has also been used to help reduce bureaucracy and to encourage a more responsive culture by introducing external market forces into the firm through the bidding process.

At the operational level, outsourcing helps save money. National Highway Authority of India is handling projects worth Rs. 45,000 crore with a human resource strength of just 570 people, working out to a ratio of one person per Rs. 100 crore – thanks to outsourcing. Another reason for pursuing outsourcing is to gain increased efficiency and better service in the performance of functions. In addition, outsourcing has been used to obtain specialized expertise that is not available in-house.

Outsourcing has its negative side. The relevance of HR departments is at stake. If outsourcing is carried to the logical end, a firm can do without an HR department. Does it mean that a function so dearly held and cherished for decades, suddenly becomes irrelevant? Then, of what use are the specialized bodies advocating HR functions? Why then B schools run courses on HR specialization? Why then is the present book on HRM? Sad to imagine answers to these questions.

In addition, apprehensions are expressed about the lost jobs in HR functions. Firms which outsource HR activities do not maintain or have only skeleton HR departments. Days when HR departments occupied huge space in factories and portrayed structures of the magnitude shown in are gone. Obviously, HR departments are no more job givers.

It is a big challenge before the HR manager to prove that his / her department is as important as any other function in the organization.

**BPO and Call Centres**

Business Process Outsourcing (BPO): Several MNCs are increasingly unbundling or vertical deintegrating their activities. Put in simple language, they have begun outsourcing (also called business process outsourcing, or BPO) activities formerly performed in-house and concentrating their energies on a few functions. Outsourcing involves withdrawing from certain stages / activities and relying on outside vendors to supply the needed products, support services, or functional activities.

Indian firms benefiting from outsourcing are many. At one time 250 engineers of Infosys were developing IT applications for BOFA (Bank of America). Infosians also process home loans for Green point Mortgage of Novato, California. At WIPRO, five radiologists interpret 30CT scans a day for Massachusetts General Hospital. 2500 Colleges educated men and women are buzzing at midnight at WIPRO Spectra mind at Delhi. They are busy processing claims for a major US insurance company and providing help-desk support for a big US Internet Service Provider – all at a cost upto 60 per cent lower than in the US. Seven WIPRO Spectra mind staff with Ph.Ds in molecular biology sift through scientific research for western pharmaceutical companies. ICICI Infotech Services, TCS, Trans-work, e-Service, Daksh, MsourcE, eFunds, and EXL Service are the other active Indian players in the outsourcing industry.

The outsourcing industry is growing from strength. Though technical support and financial services have dominated India's outsourcing industry, newer fields are emerging which are expected to boost the industry many times over. Outsourcing of human resource services or HRBPO is emerging as big opportunity for Indian BPOs with the global market in this segment estimated at $40-60 billion per annum. HRBPO comes to about 33 per cent of the outsourcing revenue and India has immense potential as more than 80 per cent of Fortune 1000 companies are contemplating offshore BPO as a way to cut costs and increase productivity.

Another potential area is ITES/BPO industry. According to a NASSCOM survey, the global ITES/BPO industry was valued at around $773 billion during 2002 and it is expected to grow at a compound annual growth rate of nine per cent during the period 2002-06. Legal outsourcing is another attractive area in BPO.

**How to Balance Work with Life?**

Balancing work and life assumes relevance when both husband and wife are employed. Travails of a working housewife are more than a working husband. Work-life balance is becoming a major challenge to HR manager as more women are taking up jobs to add to finances of their families or to become careerists. In India, working women now account for 15 per cent of the total urban female population of 150 million. It is a delightful sight to see hundreds of women, in their early 20s, walking on the roads of an industrial estate early in the mornings to reach places of their work. They are cleanly dressed, with flowers tucked to their shoulders. They are confident, smiling and healthy too. These women may be poorly paid and hopelessly exploited but are employed and earning. The number is likely to increase as more number of girls are coming out of colleges and universities with degrees in their hands.

**Table 11.1: Women Employees in IT Firms**

| Company | Employees | Proportion of Women (%) |
|---|---|---|
| Wipro | 43,880 | 24 |
| TCS | 43,681 | 21 |
| Infosys | 31,000 | 22 |
| HCL Technologies | 20,249 | 22 |
| Satyam | 20,000 | 20 |
| Cognizant | 13,000 | 28 |
| Accenture | 11,000 | 25 |
| Patni | 10,299 | 21 |
| Polaris | 5,980 | 19 |
| i-flex | 4,688 | 20 |

**Source:** *Business Today*

**Making HR Activities Ethical**

The HR manager's role in building an ethical climate in the organization is significant. The HR manager needs to carefully screen applications for jobs, weed out those who are prone to indulge in misademeanours and hire those who can build a value driven organization.

Hiring ethically strong employees is only the beginning. The HR manager needs to institute mechanisms to ensure ethical conduct of employees. As stated whistle blowing, ethics hotline and ethics committee are some of the ways of ensuring ethical conduct by employees. Having established these, the HR manager needs to create an environment for effective functioning of such mechanisms.

The HR manager by himself/herself should set an example for ethical behaviour. Regrettably, HR managers are accused of being dishonest as they are known to accept bribe from hiring firms, caterers, transport operators and real estate developers. Dishonest people can only make others dishonest.

**Managing Diversity**

Employees of organizations are becoming increasingly heterogeneous. As days go by, diversity is going to be an important issue for the HR manager for the following reasons:

- The number of young workers in the workforce is increasing.
- More women are joining the workforce.
- The proportion of ethnic minorities in the total workforce is increasing.
- Workforce mobility is increasing.
- International careers and expatriates are becoming common.
- International experience is becoming a pre-requisite for career progression to many top-level managerial positions.

Diversity, if managed effectively, offers competitive advantage to a firm in several ways. It can increase an organization's productivity through several avenues, one of which is increased problem-solving ability. Such productivity may result from increase in creativity. Bilingualism and biculturalism result in divergent thinking which in turn leads to creativity.

In addition to diversity-related creativity and problem-solving advantages, organizations may also be able to tap gender and racially diverse markets better with a more diverse workforce. Firms having good records in managing diversity may also be able to attract better employees. Organisations that can manage diversity better tend to be more flexible because they have broadened their policies, are more open-minded, have less standardized operating methods and have developed skills in dealing with resistance to change.

**Globalization**

How to face competition from MNCs is a worry for Indian firms. As globalization spreads, more foreign firms are entering Indian market and the challenge before domestic firms is going to be much more severe in the years to come. Many Indian firms are compelled to think globally, something which is difficult for managers who were accustomed to operate in vast sheltered markets with minimal or no competition either from domestic or foreign firms. The Internet is adding fuel to globalization and most large MNCs are setting up green field projects in India or entering joint-ventures with local companies. Some issues from global sector are:

- World class HR practices have found their application in Indian businesses. Hiring practices, motivational approaches, compensation packages, training and development methods and techniques, appraisal systems and capability development now being practiced by HR managers include ideas and practices followed in US or Japanese firms. If company prayers, common uniform and shared canteens have come from Japanese firms, US corporations have helped Indian HR managers professionalise their activities.
- Indian firms have large number of foreign nationals working here or Indians are being sent as expatriates to other countries to work in home countries of MNC. Either way, the task of HR manager becomes more challenging. Expatriates (home country nationals working in India or Indians sent abroad) need to be attracted, trained, compensated, promoted and motivated differently.

- As stated earlier, MNCs scout around for local firms to form strategic alliances. Joint ventures benefit MNCs no doubt, but local firms also stand to gain in terms of increased sales, expanded markets, sharing of technology and professionalization of management. What is necessary is that the domestic company should become a potentially fit candidate to enter an alliance. No MNC ventures to have a partnership agreement with a local firm which is not known for competence. It is the task of every manager, more so of HR manager, to make the company competent so that it gains attraction of MNCs which are searching for prospective alliance partners.
- Indian firms need to move from one end of each continuum to the other end as shown below:

| | | |
|---|---|---|
| Rigid, hierarchical and tall structures | → | Flexible, flat and team based structures |
| Family centric, closed minded and secretive environment | → | Dispersed ownership, open minded and transparent environment |
| Caste ridden, superstitious, laid-back styles of management | → | Rational thinking and vibrant styles of management |

It is the HR manager who can be catalyst to move his / her organization from the left side of each continuum to its right side.

- The HR professional needs to be aware of the fact that his or her own practices have undergone a change as indicated in the below table:

**Table 11.2: Paradigm Shift in Key HR Practices**

| Past Characteristics | Future Characteristics |
|---|---|
| Local practices | Global practices |
| Hierarchical organizations | Flattened organizations |
| Jobs / positions | Self-directed teams |
| Points | Broadband |
| Skills | Core competencies |
| Salary | Total compensation |
| Tactical | Strategic |
| Data / Information | Knowledge/intelligence |
| Data collection / reporting | Reporting / forecasting |

Source: Hal G. Gueutal and Dianna L. Stone, the Brave New World of e-HR, Wiley India,

**HRM in Mergers and Acquisitions**

Firms seek growth through any or both of two routes: (a) organic and (b) inorganic, or mergers and acquisitions (M & As). Organic growth is sought to be achieved through green field projects – setting up operations newly. Organic growth is fraught with uncertainties. Investment involved is heavy, gestation period is long and business fortunes are not known. Merger or acquisition route involves combining with or taking over an existing business. Obviously, M & A route is relatively easy as a unit, already functioning, is being merged with or being bought over.

Indian businesses are on an acquisition spree – not just local companies but of foreign firms as well. Tata Steel bought over Corus, the European steel maker. Hindalco bought over Novelis, an US-based aluminum manufacturer. Similarly, Videocon acquired Daewoo Electronics. So also ONGC Videsh took over Petrobras's BC – 10 blocks in offshore Brazil and Energy Brands (US), acquired by Tata Tea. Wal-Mart and Bharti are coming together so also Vodafone and Essar. The classic example of a merger at the international level is the coming together of aimler – Benz and Chrysler.

Although M & As are easy routes for business growth, certain problems associated with them need to be taken note of. M & As will lessen competition and consequently oligopoly markets come into being. The combined firm may resort to job cuts and price hikes. There may also be skeletons in the cupboards of the target company – hidden liabilities. Besides, cultural integration becomes difficult.

What is the role of HR manager in M & As? Following are the typical tasks of the HR professional:

- Composition of new board
- Deciding who will occupy which job?
- Assessing culture
- Undertaking human capital audit
- Effective communication
- Retaining talent
- Aligning performance evaluation and reward systems
- Managing the transition

**New Board Composition:** The post merger or acquisition business needs a board for decision making and the board shall comprise members representing both the firms. Members of the new Board should be change agents so that they can carry out the change process dictated by the merger or acquisition. Often such top level change is both symbolic and a signal of the change is to be made at lower levels. Board level changes could also be inspirational for the rest of the organization. This is particularly true where the merging partners had experienced performance problems, which triggered the merger.

**Who will occupy which job:** In any merger, there will be rival claims for senior executive positions such as CEO, VP, CFO, COO, heads of divisions and heads of departments. The choice of the right person for the right job is crucial as otherwise, the success of the merger will be jeopardized. Besides, the choice shall be a signal about the style, culture and intent of the new management. Such choices based on predictions of the acquirer or on non-transparent processes will lead to perceptions of biases and lack of good faith. The disappointed managers may linger, nurturing resentment and grievance and slackening their commitment to the merged firms or may even leave. Accent on merit is as important as the integrity of the process of managerial appointments.

**Assessing Culture:** The purpose of cultural assessment is to evaluate the factors that may influence the organizational compatibility to understand the future cultural dynamics as the deal take place, and to prepare plans of how the cultural issues should be addressed if the merger or acquisition goes through.

Cultural assessment is crucial as many partnerships failed because of the absence of cultural compatibility. Approximately 70 per cent of the mergers across the globe are said to have failed to produce the expected result. It is also observed that most often these combinations fail because of cultural problems rather than faulty business logic. Obviously, the cultural side of the business needs to be managed effectively.

**Human Capital Audit:** Human capital audit needs to be focused on two dimensions. One dimension is preventive, focused on liabilities such as obligations, employee litigations and outstanding grievances. It also includes comparing the compensation policies, benefits and labour contracts of both the firms. The second dimension of human capital audit refers to the talent audit which, in the long-run would be critical for the success of a merger or acquisition deal. In most M & A deals talent audit is often ignored.

**Effective Communication:** In M & As, communication plays a critical role in several ways. First, it seeks to alleviate tensions among employees, particularly of the acquired company. 'Merger syndromes' do occur among employees. Fears such as layoffs, relocations, big fish vs. small fish attitudes, superiority vs. inferiority complexes and victory – vanquished perceptions do cause stress to the employees. Communication should help acquire coping strategies to deal with the stress arising out of extraordinary organizational changes. Second, communication feeds the top management about the integration that should take place between the two marrying partners. Finally, senior management should communicate a vision throughout the company.

**Retaining Talent:** Retention of talent assumes relevance as competent employees, particularly of the target company, tend to leave before or after the deal. It is the more crucial if the deal is struck with a view to acquire unique knowledge of the employees of the target company.

The uncertainty during a merger or takeover often makes senior managers to leave. Others might leave because they regard the future envisaged by the merger or acquisition, in terms of culture, business model and compensation system with suspicion. A merger is also the time when competitors attempt to capitalize on uncertainty and wean away the 'stars'. After the merger between Smith Kline Beecham and Glaxo Welcome, for example, many leading scientists left the merged GSK to join rival firms.

What should HR manager do to retain talent? First, identify those employees with gifted skills and capabilities. Second, try interventions which would help hold back those talented individuals. Finally, all said and done, what melts any individual is one to one and heart communication.

**Aligning Performance Appraisal and Reward Systems:** Aligning performance measurement and reward systems is a challenging task particularly when the two firms have different policies and one of the parties is adversely affected by the change. When Daimler-Benz merged with Chrysler in 1998, there were glaring differences in the compensation arrangement between the American managers and the German counterparts. But parity between compensation systems needs to be brought out as that would help build united culture.

**Managing transition:** Transition occurs immediately after the deal and before a new team of managers is in place. Integration managers (formed for the purpose) are expected to manage the transition. Following are the tasks cut out for the integration managers:

First, the integration manager is expected to guide the integration process, making sure that critical decisions are made and activities are put in place according to an agreed schedule. He or she should also champion norms and behaviors consistent with new norms, communicate key messages across the new organization, and identify new value adding opportunities.

Second, the integration manager needs to educate the bought-out company to understand how the new management operates. He or she can also help forge social connections among the people of both the partners, enable acquired company's employees to understand the language of the parent and its way of doing things.

Third, the integration manager needs to act as an arbiter between the two companies and thwart the tendency of the parent to act big and enact 'big fish-eat-small-fish' syndrome. Often, alliances fail because of the tendency of the acquirer to act as a winner and treat the acquired as vanquished.

Finally, the integration manager and the transition team need to serve as a role model as to how the new organization should function. They should disseminate the shared vision and make sure that the practices are appropriately aligned with the vision.

**New Organizational Forms**

The practice of HRM is shaped by the organizational forms in which people are employed. Elsewhere, economies have been undergoing fundamental changes and the structures of organizations and the relationships between them have been transformed. Big organizations have grown bigger in the sense that the world economy is dominated by transnational organization. Between a quarter and one-fifth of the total GNP of the world is, thus, accounted for by just 600 companies.

But the employment potential of these giant corporations is declining. Large production units have become increasingly a thing of the past, and large companies now tend to consist of business units managed relatively independently. ‘Business process re-engineering’, with its philosophy of hiving of ancillary and expensive tasks to suppliers and automating the remaining functions, is the latest contributor to this trend.

The consequence has been a higher profile of medium sized and small sized firms as employers. A majority of the population are employed in units with fewer than 200 employees.

This trend affects HRM functions in various ways:

1. Smaller firms and establishments mean a more personalized style – not necessarily more progressive, but more face-to-face.
2. Smaller units may require less complex and sophisticated systems of HR management, but may also be less able to sustain them in areas like management development.
3. Smaller units are less able to sustain a specialist HR management function.

4. On the other hand, the business and human challenges of operating in this kind of environment are becoming greater. The contribution of HRM will then be in facilitating the processes which support the development of the enterprise, rather than, as traditional personnel management has done, in administering systems for controlling people.

The basic challenge to HRM and enterprise management comes from the changing character of competition. The issue is not large firms or small firms but large firms, and small firms. Competition in many sectors is no longer between individual firms, large or small, but between constellations of firms. In the international sphere, for instance, major companies operate through a complex web of strategic alliances of varying degrees of permanence.

## 11.12 SUMMARY

The world is shrinking in all major respects. People, goods, capital and information are moving around the globe like never before. With faster communication, transportation and financial flows the barriers between nations have disappeared and the world is becoming a borderless market. There are three sources of employees for an international firm: parent country nationals, host country nationals and third country nationals. International HRM is the process of procuring, allocating and effectively utilizing human resources in a multinational company. While hiring executives, global companies are guided by three things: ethnocentrism, polycentrism and geo-centrism. Repatriations problems are quite common to international companies and these can be handled successfully by using repatriation agreements, appointing experienced mentors, offering career counseling, keeping the expatriate plugged in to home-office business and offering reorientation programmes are the expatriate and his or her family.

The world in which human resource managers exist and with which they interact is continually changing, generating new issues and conundrums to consider. While in most cases managers have a fair degree of choice about how to deal with new ideas and new sets of circumstances, the choices themselves are often difficult. HRIS is a linking mechanism which connects all decision-making centres in an organization. HRIS is embedded in overall management control system. HRIS gives regular feed-back and is kept update with changed environments. Objective of HRIS is to make desired information available at right time, cost, provide security and secrecy of confidential information particularly keep information up-to-date. HRM is continually challenged by emerging issues in relation to Outsourcing, New organizational forms, Retaining the best talent, Mergers / Acquisitions, etc., in the competitive business environment of today.

## 11.11 KEYWORDS

**Globalization:** The production and distribution of products and services of homogeneous type and quality on a worldwide.

**Culture:** A population's taken-for-granted assumptions, values, beliefs and symbols that foster patterned behavior.

**Economics:** The branch of social science that deals with the production and distribution and consumption of goods and services and their management.

**Environment:** It refers to the aggregate of conditions, events and influences that surround and affect it.

**Training and Development:** A planned programme designed to improve performance and bring out measurable changes in knowledge, skill, attitude and social behaviour of employees.

**Expatriate:** Move away from one's native country and adopt a new residence abroad for work.

**Repatriation:** The act of returning to the country of origin.

**Human Resource Information System (HRIS):** Computerized system that offers current and accurate data for the purposes of control and decision-making.

**Outsourcing:** When companies contract their work to other companies and individuals to save money.

**Diversity:** The situation that arises when employees differ to each other in terms of age, gender, ethnicity, education, etc.

**Globalization:** The tendency of the organisations to extend their sales, ownership and/or manufacturing to new markets.

## 11.12 REVIEW QUESTIONS

1. Define and differentiate the terms: PCN, HCN and TCN.
2. What challenges are faced in training expatriate managers?
3. Discuss the impact of Globalization on HRM?
4. Cultural differences are the major hindrances to effective IHRM policies. Discuss.
5. As an HR Manager, what programme would you establish to reduce repatriation problems of returning expatriates and their families?
8. Identify and discuss the major issues influencing HRM in future.

## 11.13 FURTHER READINGS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# UNIT 12

# ORGANIZATIONAL CHANGES AND ORGANIZATIONAL DEVELOPMENT

## Structure

12.1 Introduction

12.2 Goals and Objectives of OC and OD

12.3 OD Process

12.4 OD Competencies and OD Skills

12.5 OD Interventions

12.6 Evaluation of OD

12.7 Internal and External Consultant

12.8 Excellence of Management by Chief Executives

12.9 Ethics of OD

12.10 Future of OD

12.11 Summary

12.12 Keywords

12.13 Review Questions

12.14 Further Readings

## Learning Objectives

After studying this unit, you will be able to:

- List out the goals and objectives of OC And OD
- Explain the process of organizational development
- Describe the OD Competencies, OD Skills and OD Interventions
- Mention the Ethics of OD

## 12.1 INTRODUCTION

The emergence of Organisation Development (OD) has been one of the more significant developments of the $20^{th}$ century. OD marked the movement of the social and behavioural sciences out of the confines of academia, and into the forefront of the task of dealing with the human aspects of social collectivities, particularly organizations and other formal groups. As behavioral scientists worked to resolve the increasingly complex problems of modern societies and organizations, they developed concepts and techniques that were found to help enhance individual as well as organizational effectiveness. What began in the 1940s in the US and UK as a set of isolated attempts to resolve social problems with behavioural science knowledge, rapidly took on the contours of an identifiable body of theories and techniques specifically aimed at action, problem solving, and continuous improvement. Today OD has vastly widened its reach in terms of the types of issues it attempts to grapple with, as well as the international spread of its knowledge and applications.

Organisation Development comprises the long-range efforts and programs aimed at improving an organization's ability to survive by changing its problem-solving and renewal processes. OD involves moving toward an adaptive organization and achieving corporate excellence by integrating the desires of individuals for growth and development with organizational goals. According to a leading authority on OD, Richard Beckhard, "organization development is an effort: (a) planned, (b) organization-wide, (c) managed from the top, (d) to increase organization effectiveness and health, through (e) Planned interventions in the organization's processes using behavioral science knowledge".

## 12.2 GOALS AND OBJECTIVES OF OC AND OD

Organization Change (OC) is a set of processes employed to ensure that significant changes are implemented in a controlled and systematic manner.

**Goals and Characteristics of OC**

One of the goals of OC is the alignment of people and culture with strategic shifts in the organisation, to overcome resistance to change in order to increase engagement and the achievement of the organization's goal for effective transformation. Achieving sustainable change begins with a clear understanding of the current state of the organisation, followed by the implementation of appropriate and targeted strategies. The focus of change management is on the outcome the change will produce – the NEW arrangements that must be understood. Change processes usually apply to a task and/or structural change, and can be either: Incremental or Transformational and Situational

A comprehensive change management strategy should lead to the desired objectives and create a sense of ownership, enable sustained and measurable improvement and build capability to respond to future change. Organisation development is an emerging discipline aimed at improving the effectiveness of the organization and its members by means of a systematic change program. Chester Barnard and Chris Argyris, among other management theorists, have noted that the truly effective organization is one in which both the organization and the individual can grow and develop. An organization with such an environment is a "healthy" organization. The goal of organization development is to make organizations healthier and more effective. These concepts apply to organizations of all types, including schools, churches, military forces, governments, and businesses.

Change is a way of life in today's organization, but organization are also faced with maintaining a stable identity and operations in order to accomplish their primary goals. Consequently, organizations involved in managing change have found that the way they handle change is critical. There is a need for a systematic approach, discriminating between features that are healthy and effective and those that are not. Erratic, short-term, unplanned, or haphazard changes may introduce problems that did not exist before or allow side-effects of the change that may be worse than the original problem. Managers should also be aware that stability or equilibrium can contribute to a healthy state. Change inevitably involves the disruption of that steady state. Change just for the sake of change is not necessarily effective; in fact, it may be dysfunctional.

**The characteristics of Organization Development**

To enlarge upon the definition of OD, let us examine some of the basic characteristics of OD programs:

***Change.*** OD is a planned strategy to bring about organizational change. The change effort aims at specific objectives and is based on a diagnosis of problem areas.

***Collaborative.*** OD typically involves a collaborative approach to change that includes the involvement and participation of the organization members most affected by the changes.

***Performance.*** OD programs include an emphasis on ways to improve and enhance performance and quality.

***Humanistic.*** OD relies on a set of humanistic values about people and organizations that aims at making organizations more effective by opening up new opportunities for increased use of human potential.

***Systems.*** OD represents a systems approach concerned with the interrelationship of divisions, departments, groups, and individuals as interdependent subsystems of the total organization.

***Scientific.*** OD is based upon scientific approaches to increase organization effectiveness.

**Table 12.1: Major Characteristics of the Field of OD**

| Characteristics | Focal Areas |
|---|---|
| 1. Change | Change is planned |
| 2. Collaborative Approach | Involves collaborative approach and involvement |
| 3. Performance Orientation | Emphasis on ways to improve and enhance performance |
| 4. Humanistic Orientation | Emphasis upon increased opportunity and use of human potential |
| 5. Systems Approach | Relationship among elements and excellence |
| 6. Scientific Method | Scientific approaches supplement practical experience |

In more general terms, organization development is based on the notion that for an organization to be effective (i.e., accomplish its goal), it must be more than merely efficient. It must adapt to change.

A **change leader** is a person in an organization responsible for changing existing patterns to obtain more effective organizational performance. People using organization development have come to realize that conventional training techniques are no longer sufficient for affecting the type of behavioural changes needed to create adaptive organizations. Going to a company's management class and listening to someone lecture about the need to change or the importance of effective organizations may be a good beginning but speeches will not produce exceptional organizations may be a good beginning but speeches will not produce exceptional organizational performance. New techniques have been developed to provide organization members with the competence and motivation to alter ineffective patterns of behaviour.

**Objectives of Organizational Development**

The organizational development is a modern approach to the management change and human resource development. The objectives of OD are listed below:

1. To stimulate people to express freely without fear.
2. To increase interpersonal communication.
3. Decision through collective efforts.
4. To have self-control.
5. To have self-direction and self-motivation.
6. To encourage employees' participation in analyzing the problems and decision making.
7. To develop solutions to the problem.

**Characteristics of Organization Development**

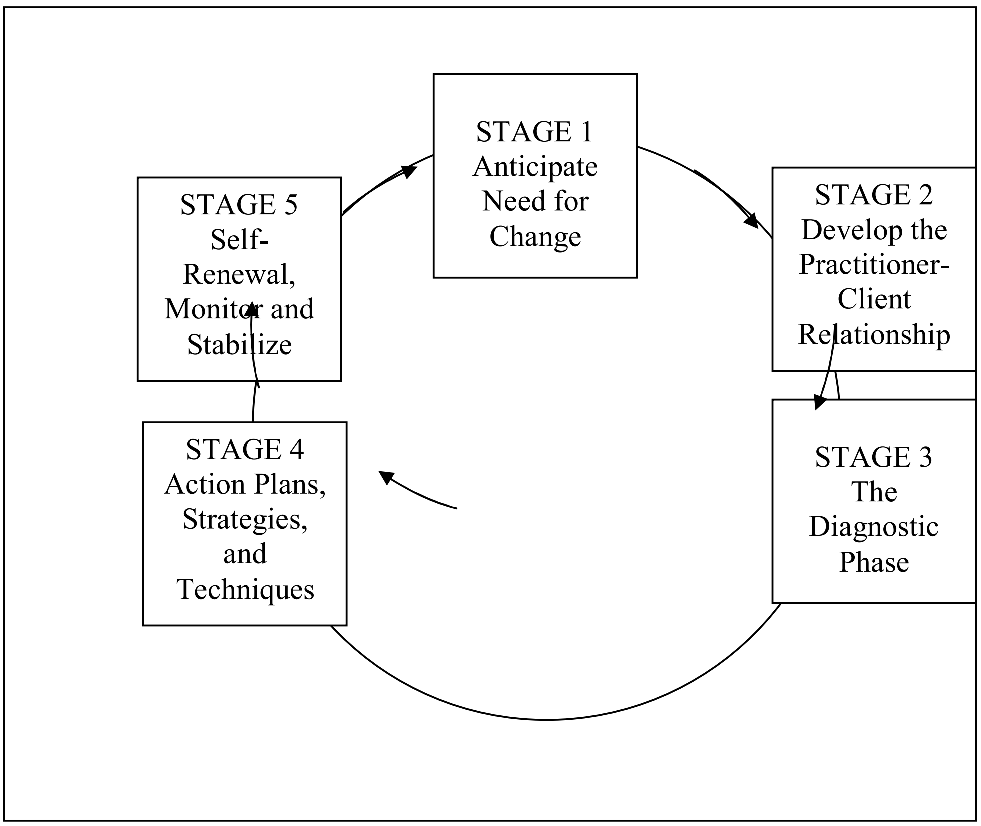
Organisation development has the following characteristics:

1. Programme is planned involving all the departments and subsystems seeking their coordination.
2. The top management is committed to the programmes for organization development.
3. It is related to organizational objectives.
4. OD is based on research. Continuous research goes on because interventions are based on findings.
5. It utilizes change agents to motivate the group of people to accept the changes within the organization as a part of OD.
6. OD lays stress on changing the behaviour of people.
7. It seeks interaction between various groups to cope up with the changes that OD will incorporate.
8. Propagation is made so that people should know about the developments. Feedback is taken.

9. OD through discussions solutions to the problems are sought. All problem solving research constitute action research.
10. OD takes pretty long time to implement.

## 12.3 OD PROCESS

Organization development is a continuing process of long-term organizational improvement consisting of a series of stages, as shown in the Figure below. In an OD program, the emphasis is placed on a combination of individual, team, and organizational relationships.




The primary difference between OD and other behavioural science techniques is the emphasis upon viewing the organization as a total system of interacting and interrelated elements. Organisation development is the application of an organization-wide approach to the functional, structural, technical, and personal relationships in organizations. OD programs are based upon a systematic analysis of problems and a top management actively committed to the change effort. The purpose of such a program is to increase organizational effectiveness by the application of OD values and techniques. Many organization development programs use the action research model. Action research involves collecting information about the organization, feeding this information back to the client system, and developing and implementing action programs to improve system performance. The manager also needs to be aware of the process that should be considered when one is attempting to create change. This section presents a five-stage model of the total organization development process. Each stage is dependent on the proceeding one, and successful change is more probable when each of these stages is considered in a logical sequence.

**Stage One: Anticipate a Need for Change**

Before a program of change can be implemented, the organization must anticipate the need for change. The first step is the manager's perception that the organization is somehow in a state of disequilibrium or needs improvement. The state of disequilibrium may result from growth or decline or from competitive, technological, legal, or social changes in the external environment. There must be a felt need, because only felt needs convince individuals to adopt new ways. Managers must be sensitive to change in the competitive environment, to "what's going on out there."

When a new CEO of AT & T Corporation took over, he made it clear to top executives that it was not business as usual. In his first week as CEO, he brought in the company's top 20 officers to tell them that the company's tradition of keeping people in top jobs as long as they didn't mess up was over. According to one person at the meeting, the CEO said "You are going to be in my boat or out of it. But don't be there barking or rowing against it."

**Stage Two: Develop the Practitioner – Client Relationship**

After an organization recognizes a need for change and an OD practitioner enters the system, a relationship begins to develop between the practitioner and the client system. The client is the person or organization that is being assisted. The development of this relationship is an important determinant of the probable success or failures of an OD program. As with many interpersonal relationships, the exchange of expectations and obligations (the formation of a psychological contract) depends to a great degree upon a good first impression or match between the practitioner and the client system. The practitioner attempts to establish a pattern of open communication, a relationship of trust, and an atmosphere of shared responsibility. Issues dealing with responsibility, rewards, and objectives must be clarified, defined, or worked through at this point.

The practitioner must decide when to enter the system and what his or her role should be. For instance, the practitioner may intervene with the sanction and approval of top management and either with or without the sanction and support of members in the lower levels of the organization. At one company, OD started at the vice-presidential level, and by using internal OD practitioners the OD program was gradually expanded to include line managers and workers. At another company, an external practitioner from a university was invited in by the organization's industrial relations group to initiate the OD program.

**Stage Three: The Diagnostic Phase**

After the OD practitioner has intervened and developed a working relationship with the client, the practitioner and the client begin to gather data about the system. The collection of data is an important activity providing the organization and the practitioner with a better understanding of client system problems: the diagnosis.

One rule of operation for the OD practitioner is to question the client's diagnosis of the problem, because the client's perspective may be biased. After acquiring information relevant to the situation perceived to be the problem, the OD practitioner and client together analyse the data to identify problem areas and casual relationships. A weak, inaccurate, or faulty diagnosis can lead to a costly and ineffective change program. The diagnostic phase, then, is used to determine the exact problem that needs solution, to identify the forces causing the situation, and to provide a basis for selecting effective change strategies and techniques.

Although organizations usually generate a large amount of "hard" or operational data, the data may present an incomplete picture of organizational performance. The practitioner and client may agree to increase the range or depth of the available data by interview or questionnaire as a basis for further action programs. One organization for instance, was having a problem with high employee turnover. The practitioner investigated the high turnover rate by means of a questionnaire to determine why the problem existed, and from these data designed an OD program to correct the problems. The firm's employees felt it had become a bureaucratic organization clogged with red tape, causing high turnover. OD programs have since reduced employee turnover to 19 percent, compared with 34 percent for the industry.

At a major food company, a new executive vice president needed to move quickly to improve the division's performance. With the help of an external practitioner, data were gathered by conducting intensive interviews with top management, as well as with outsiders, to determine key problem areas. Then, without identifying the source of comments, the management team worked on the information in a 10-hour session until solutions to the major problems were hammered out and action plans developed.

**Stage Four: Action Plans, Strategies, and Techniques**

The diagnostic phase leads to a series of interventions, activities, or programs aimed at resolving problems and increasing organization effectiveness. These programs apply such OD techniques as total quality management (TQM), job design, role analysis, goal setting, team building, and intergroup development to the causes specified in the diagnostic phase (all of these techniques are discussed in detail in subsequent chapters). In all likelihood, more time will be spent on this fourth stage than on any of the other stages of an OD program.

**Stage Five: Self-Renewal, Monitor, and Stabilize**

Once an action program is implemented, the final step is to monitor the results and stabilize the desired changes. This stage assesses the effectiveness of change strategies in attaining stated objectives. Each stage of an OD program needs to be monitored to gain feedback on member reaction to the change efforts. The system members need to know the results of change efforts in order to determine whether they ought to modify, continue, or discontinue the activities. Once a problem has been corrected and a change program is implemented and monitored, means must be devised to make sure that the new behaviour is established and internalized. If this is not done, the system will regress to previous ineffective modes or sales. The client system needs to develop the capability to maintain innovation without outside support.

## 12.4 OD COMPETENCIES AND OD SKILLS

The role of the OD practitioner is changing and becoming more complex. Ellen Fagenson and W. Warner Burke found that the most practiced OD skill or activity was team development, whereas the least employed was the integration of technology.

The results of this study reinforce what other theorists have also suggested. The OD practitioners of today are no longer just process facilitators, but are expected to know something about strategy, structure, reward systems, corporate culture, leadership, human resource development, and the client organization's business. As a result, the role of the OD practitioner today is more challenging and more in the mainstream of the client organization than in the past.

**Table 12.2 OD Practitioner Skills and Activities**

| Activity | Average Use |
|---|---|
| 1. Team development | 2.97 |
| 2. Corporate change | 2.91 |
| 3. Strategy development | 2.60 |
| 4. Management development | 2.45 |
| 5. Employee (career) development | 2.04 |
| 6. Technology integration | 1.97 |

Note: Ratings on 5-point scale with 5.0 being high.

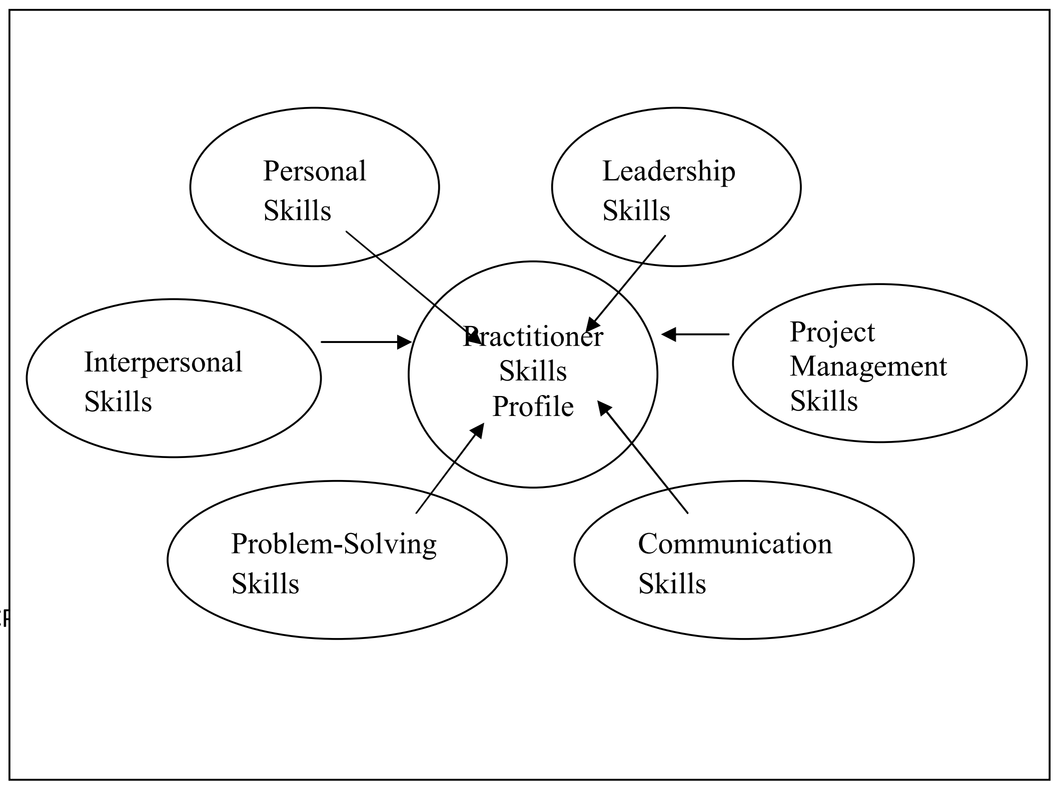


**Fig 12.2: Practitioner Skills Profile**

Susan Gebelein lists six key skill areas that are critical to the success of the internal practitioner. These are shown in Figure 12.2. The relative emphasis on each type of skill will depend upon the situation, but all are vital in achieving OD program goals. The skills that focus on the people-oriented nature of the OD practitioner include:

- **Leadership:** Leaders keep members focused on key company values and on opportunities and need for improvement. A leader's job is to recognize when a company is headed in the wrong direction and to get it back on the right track.
- **Project Management:** This means involving all the right people and departments to keep the change program on track.
- **Communication**: It is vital to communicate the key values to everyone in the organization.
- **Problem-Solving:** The real challenge is to implement a solution to an organizational problem. Forget about today's problems: focus constantly on the next set of problems.
- **Interpersonal:** The number-one priority is to give everybody in the organization the tools and the confidence to be involved in the change process. This includes facilitating, building relationships, and process skills.
- **Personal:** The confidence to help the organization make tough decisions, introduce new techniques, try something new, and see if it works.

The OD practitioner's role is to help employees create their own solutions, systems, and concepts. When the practitioner uses the above-listed skills to accomplish these goals, the employees will work hard to make them succeed, because they are the owners of the change programs.

## 12.5 OD INTERVENTIONS

Organisation development is a process hence it is a continuous activity. There are certain methods or techniques of organization development which help in developing the people and increase the organizational efficiency. The following are the techniques of organizational development. These methods are also known OD intervention techniques.

1. **Survey feedback:** Information is collected through survey method. This is the most popular and widely used method of data collection. The managers use this information collected through survey for making decisions. The wide range of data is collected regarding working conditions, quality of work, working hours, wages and salaries, attitude of employees relating to above. These data are then analysed by the team of managers. They find out the problem, evaluate the results and find out solutions. Information is collected from all the members of the organization. Managers conduct meetings with their subordinates and discuss the information, allow subordinates to interpret the data. After this plans are prepared for making necessary changes. This procedure is followed at all levels of management involving all the employees of the organization.
2. **Team Building:** Team Building is another method of organization development. This method is specifically designed to make improvement in the ability of employees and motivating them to work together. It is the organization development technique which emphasizes on team building or forming work groups in order to improve organizational effectiveness. These teams consist of

employees of the same rank and a supervisor. This technique is an application of sensitivity training to the teams of different departments. The teams of work groups are pretty small consisting to 10 to 15 persons. They undergo group discussion under the supervision of an expert trainer usually a supervisor. The trainer only guides but does not participate in the group discussion.

This method of team building is used because people in general do not open up their mind and not honest to their fellows. As they do not mix up openly and fail to express their views to the peers and superiors. This technique helps them express their views and see how others interpret their views. It increases the sensitivity to others' behaviour. They become aware of group functioning. They get exposed to the creative thinking of others and socio-psychological behavior at the workplace. They learn many aspects of interpersonal behaviour and interactions.

3. **Sensitivity training:** It is quite popular OD intervention. It is also known as laboratory training. Under this technique the employees in groups are asked to interact. The aim of sensitivity training is to help people understand each other and gain insight so that they feel free and become fearless. Abraham Korman has rightly observed that, "the assumptions of sensitivity training procedure are that, if these goals are achieved, one will become defensive about himself, less fearful of the intentions of others, more responsive to others and their needs, and less likely to misinterpret others' behaviors in a negative fashion." Under this technique the different groups of employees are allowed to mix up with each other and communicate freely and build up interpersonal relationship. They learn the reflection of their behaviour and try to improve it. In the words of Chris Argyris, "sensitivity training

is a group experience designed to provide maximum possible opportunity for the individuals to expose their behaviour, give and receive feedback, experiment with new behaviour and develop awareness of self and of others". The employees through this technique know others feelings and behaviour and the impact of their behaviour on others. It builds up openness, improves listening skills, tolerate individual differences and the art of resolving conflicts. It helps in reducing interpersonal conflicts in the organization.

It is up to the executives at the top level of management in the organisation to take decision regarding appropriateness of this technique but they must see that the objectives of organizational development are achieved with the help of this method. However, there is every likelihood that some culprits will exploit the opportunity to fulfill their vested goals at the cost of organization's interests. There is one more serious drawback of the method that it may give rise to groupism in the organization which will defeat the purpose of OD.

To make this technique effective and fulfill the purpose of OD, the selection of trainer must be cautiously made. He must be a man of integrity and responsibility and must command respect from the participating groups. He plays a crucial role in making the OD programme successful. He should maintain cordial atmosphere throughout the training programme. He must see that each member of the groups learn the behaviour of others and to be creative and get more exposure to group life.

4. **Managerial grid:** This technique is developed by industrial psychologists duo Robert Blake and Jane Mouton. The concept of managerial grid identifies two major dimensions of management behaviour. They are people oriented and production oriented

behaviours. Attempts are made to pay increased attention to both the variables. In the diagram given below, production oriented behaviour is shown on X axis and people oriented behaviour is shown on Y axis. The point A having coordinates 1.1 managerial style shows low people oriented and low production oriented behaviour. It is impoverished management. There are many managers come under this category. Such managers do not face any trouble and they do not carry any risk too. The point B having coordinates 1.9 represents a managerial style which is highly people oriented and low production oriented. This is a Country Club pattern of management. This type of management style keeps the employees happy without much concern for production. The next point C or 9.1 represents a managerial style which shows high concern for production and low in people orientation. The managers who come under this category usually fix high targets of production for their subordinates and employees and do not pay any attention to the needs and wants of their people. The point D having coordinates 9.9 represent a managerial style which is highly production oriented and highly people oriented. Robert Blake and Jane Mouton say that this is the most effective managerial style. Under this category of management style managers put their best efforts and have commitment to the people and organization. This is the most favoured style and efforts must be made to develop the style accordingly. There is however a middle way which is represented by the point E or 5.5 a management style having moderate production orientation and moderate people orientation. This is known as middle of the road managerial style. But the style represented by the point D or 9.9 is the most effective and most favoured one for accomplishment of organizational objectives.

To achieve D or 9.9 type of managerial style to strengthen organizational effectiveness Blake and Mouton have prescribed Grid programme which is a structured laboratory training containing six phases.

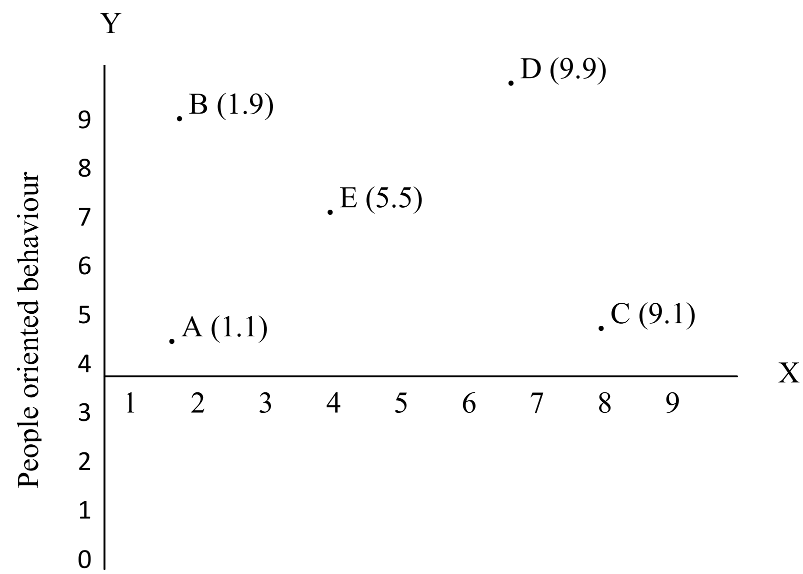



**Fig 12.3: Production oriented behavior**

**Phases of Managerial Grid**

The following are the six phases of managerial grid training programme.

1. Phase or step one consists of seminar training. The seminars usually conducted up to a week. Through seminars the participants learn about their own grid concept and style. This can help them assess their management style. It also helps them to improve their skill within their group. They develop problem solving techniques and develop their own grid programme.

2. The second phase gives more stress on team development. The teams consisting of managers make necessary efforts to prepare plans to attain point D or 9.9 managerial style. Through this they learn how to develop smooth relationship with their subordinates and to develop communication skill with other members of the organization.
3. The third phase is intergroup development for improving coordination between different departments of the organization. Participants learn to develop problem solving methods.
4. The fourth phase deals with the creation of ideal models organization. Managers and their immediate subordinates sit together, set the goals, test and evaluate them. Superiors acquired knowledge through reading of books. They prepare ideal strategy for the organization.
5. The fifth phase deals with goal accomplishment. The teams of various departments make survey of the resources available in the departments or which can be procured to accomplish the goals of the organization.
6. The sixth deals with evaluation of the programmes and to see if necessary alteration or adjustment can be made for execution.

The managerial grid technique is quite complicated and its benefits cannot be visualized immediately, hence its evaluation can be done after pretty long time.

**5. Management by objectives MBO:** MBO is a technique of management development which was put forward for the first time by Peter Drucker in 1954. It is a method of achieving organizational objectives and a technique of evaluation and review of performance. Under this method objectives of the organization are fixed and responsibility to achieve them lie on the managers and results are expected from them. Achievement of organisational objectives is considered as the joint and individual responsibility of all managers. It also provides a perfect appraisal system. Performance of the managers is measured against the specific objectives. It is result oriented technique. George Odiorne observed that MBO is, “a system wherein superior and subordinate managers of an organization jointly identify its common aims, define each individual’s major areas of responsibility in terms of the results expected of him and use these measures as guides for operating the unit, assessing the contribution benefits of its members.” According to DD White and DA Bednar, “MBO is a technique designed to (a) increase the precision of the planning process at the organizational level and (b) reduce the gap between employee and organizational goals.”

**MBO Process:** MBO process involves four major steps:

1. **Goal setting by top management:** For effective planning the organizational goals are set by the top management. These goals provide an outline or base for different departments to set their goals after making certain modifications etc. if at all necessary.
2. **Individual goals:** Organizational goals cannot be fulfilled by a single individual but all the members’ cooperative and active participation is necessary. It is therefore pertinent to assign a target to every individual and he must attain it.
3. **Freedom for selection of means:** A considerable amount of freedom or autonomy is given for the accomplishment of goals to the managers and subordinates.
4. **Making appraisal:** The performance is to be reviewed and appraised in relation to the goals. This will help the subordinates and employees to make the corrections if any and make further improvements.

MBO is an effective technique of organizational development and improving performance. It promotes coordination among superiors and subordinates at all levels and is an effective tool of planning and control. It helps to learn problem solving techniques.

6. **Brain Storming:** It is a technique where a group of five to eight managers come together and find a solution to a problem. As the name suggests it involves storming of the brain to develop creativity in thinking. It gives rise to new ideas. The principle involves in it is that any idea, thought or plan put forward in a meeting must be critically evaluated. The participants are asked to come forward with novel ideas generated in their mind. It works on a premise that everyone has a creative mind and capability to generate new ideas. Participants are closely observed at the discussion and no expert is provided to conduct the meeting. The participants sit across the table for close communication. The brainstorming technique can generate an atmosphere where people can express freely. This encourages group interaction and creative thinking. The only limitation this method has is that it is time consuming and hence expensive.
7. **Process consultation:** The technique of process consultation is an improvement over the method of sensitivity training or T Group in the sense that both are based on the similar premise of improving organizational effectiveness through dealing with interpersonal problems but process consultation is more task oriented than sensitivity training. In process consultation the consultant or expert provides the trainee feedback and tell him what is going around him as pointed out by EH Schein that the consultant, "gives the client 'insight' into what is going on around him, within him, and between him and other people." Under this technique the consultant or expert provides necessary guidance or advice as to how the participant can solve his own problem. Here the consultant

makes correct diagnosis of the problem and then guides the participants. Process consultation technique is developed to find solutions to the important problems faced by the organization such as decision making and problem solving, communication, functional role of group members, leadership qualities. Consultant is an expert outside the organization.

E.H. Schein has suggested the following steps for consultant to follow in process consultation:

1. **Initiate contact:** This is where the client contacts the consultant with a problem that cannot be solved by normal organization procedures or resources.
2. **Define the relationship:** In this step the consultant and the client enter into both a formal contract spelling out services, time, and frees and a psychological contract. The latter spells out the expectations and hoped for results of both the client and the consultant.
3. **Select a setting and a method:** This step involves an understanding of where and how the consultant will do the job that needs to be done.
4. **Gather data and make a diagnosis:** Through a survey using questionnaires, observation and interviews, the consultant makes a preliminary diagnosis. This data gathering occurs simultaneously with the entire consultative process.
5. **Interview:** Agenda setting, feedback, coaching, and / or structural interventions can be made in the process consultation approach.
6. **Reduce involvement and terminate:** The consultant disengages from the client organization by mutual agreement but leaves the door open for future involvement.

   The organization benefits from the process consultation to ease out interpersonal and intergroup problems. To use the technique of process consultation effectively, the participants should take interest in it.

8. **Quality circles:** Under this system a group of 5 to 12 come together at their own free will during working hours once in a week and discuss out the problems and suggests solution to the management for implementation. The supervisors remain present during the meeting. Quality circles have their origin in Japan in nineteen sixties which improved the quality, reduced cost and heightened the morale of the workers. The success was due to workers' participation. Total quality management or TQM is the recent development. This concept was adopted by the USA in 1980.

9. **Transactional Analysis:** Transactional analysis helps people to understand each other better. It is a useful tool for organizational development but it has diverse applications in training, counseling, interpersonal communication and making analysis of group dynamics. Nowadays, it is widely used as OD technique. It helps in developing more adult ego states among people of the organization. It is also used in process consultation and team building.

## 12.6 EVALUATION OF OD

The need to develop better research designs and methods is a major problem in OD. As Frank Friedlander and L. Dave Brown have pointed out, if the practice and theory of OD are to merge into a broader field of planning change, research will play a crucial role.

Many OD practitioners feel that the evaluation method should be designed into the change process itself. Researchers have surveyed OD practitioners to see what evaluation practices they use and developed a set of guidelines from these data. They suggest that OD evaluations will be important in the future for three groups:

1. Organisational decision-makers: to show them that OD expenditures are providing the desired results.
2. OD participants: to provide feedback about their change efforts.
3. OD practitioners: to develop their expertise and reputations based upon their experiences.

It is pointed out that the evaluative practice will be determined by three factors: (a) the training of the OD practitioner, (b) the cooperation of the organizational members involved in the effort, and (c) the willingness of organizational decision makers to pay for a rigorous evaluation. Remember, "what gets rewarded, gets done.

Evaluating OD program outcomes involves making an assessment about whether the OD intervention has been satisfactorily implemented and, if so, whether it is bringing about the desired outcomes. When client systems invest resources in major OD efforts, there is an increasing need for data on the results. OD practitioners are frequently asked to justify OD programs in terms of basic productivity, cost savings, or other bottom-line measures. Consequently, organizations are constantly seeking more rigorous evaluations of OD interventions.

## 12.7 INTERNAL AND EXTERNAL CONSULTANT

In every large-scale planned change program, some person or group is usually designed to lead the change; sometimes it is the OD practitioner. The practitioner, then, is the change leader, the person leading or guiding the process of change in an organization. Internal practitioners are already members of the organizations. They may be either managers practicing OD with their work groups or OD specialists that may be from the human resources or organization development department. External practitioners are brought in from outside the organization as OD specialists and are often referred to as consultants. Both the use of external and internal practitioners have advantages and disadvantages.

The OD practitioners who are specialists, whether from within or outside of the organization, are professionals who have specialized and trained in OD and related areas, such as the social sciences, interpersonal communications, decision making, and organization behaviour. These specialists, often referred to as OD consultants, have a more formal and involved process when they enter the client system than managers who are doing OD with their work group.

**The External Practitioner**

The external practitioner is someone not previously associated with the client system. Coming from the outside, the external practitioner sees things from a different viewpoint and from a position of objectivity. Because external practitioners are invited into the organization, they have increased leverage (the degree of influence and status within the client system) and greater freedom of operation than internal practitioners. Research evidence suggests that top managers view external practitioners as having a more positive role in large-scale change programs than internal practitioners.

Since external practitioners are not a part of the organization, they are less in awe of the power wielded by various organization members. Unlike internal practitioners, they do not depend upon the organization for raises, approval, or promotions. Because they usually have a very broad career base and other clients to fall back on, they tend to have a more independent attitude about risk-taking and confrontations with the client system. At McKinsey and Co., a leading management consulting firm, consultants are direct, outspoken, and challenge the client's opinions. Once "The Firm" (As McKinsey is called) is hired, a four – to six-person "engagement team" is assembled, with an experienced consultant to coordinate the effort. Bear in mind, though, that

McKinsey’s management consulting work is not necessarily organization development.

The disadvantages of external practitioners result from the same factors as the advantage. Outsiders are generally unfamiliar with the organization system and may not have sufficient knowledge of its technology, such as aerospace or chemistry. They are unfamiliar with the culture, communication networks, and formal or informal power systems. In some situations, practitioners may have difficulty gathering pertinent information simply because they are outsiders. Our changing World illustrates problems that outside management consulting firms face in Germany.

**The Internal Practitioner**

The internal practitioner is already a member of the organization: a top executive, an organization member who initiates change in his or her work group, or a member of the human resources or organization development department. Many large organizations have established offices with the specific responsibility of helping the organisation implement change programs. In the past few years, a growing number of major organizations (including Disney, IBM, General Electric, General Motors, Honeywell, Union Carbide, and the US Army and Navy) have created internal OD practitioner groups. These internal practitioners often operate out of the human resources area and may report directly to the president of the organization.

Internal practitioners have certain advantages inherent in their relationship with the organization. They are familiar with the organization’s culture and norms and probably accept and behave in accordance with the norms. This means that they need not waste time becoming familiar with the system and winning acceptance. Internal practitioners know the power structure, who are the strategic people, and how to apply leverage. They are already known to the employees, and have a personal interest in seeing the organization succeed. Unfortunately, it is by no means easy for internal practitioners to acquire all the skills they will need. The proof is in the problems encountered by new, not quite ready internal practitioners or managers who take on projects before they are fully comfortable with their practitioner roles in the organization, and before they understand and have developed critical skills.

The position of an internal practitioner also has disadvantages. One of these may be a lack of the specialized skills needed for organization development. The lack of OD skills has become a less significant factor now that more universities have OD classes and programs and their graduates have entered the workforce. Another disadvantage relates to lack of objectivity. Internal practitioners may be more likely to accept the organizational system as a given and accommodate their change tactics to the needs of management. Being known to the workforce has advantages, but it can also work against the internal practitioner. Other employees may not understand the practitioner's role and will certainly be influenced by his or her previous work and relationships in the organization, particularly if the work and relationships have in any way been questionable. Finally, the internal practitioner may not have the necessary power and authority; internal practitioners are sometimes in a remote staff position and report to a mid-level manager.

In an interview, Admiral Elmo R. Zumwalt Jr., a former chief of naval operations (and responsible for setting up the US military's first OD program), commented as follows on implementing change from within:

I think every young generation's approach to the world is to generalize idealistically – dissatisfied with what they see – hoping for a better world. The process of maturing improves the society as they work to achieve their ideals. They also learn that the only way in which they can arrive at positions of influence sufficient to improve society is to make certain compromises. It seems to me that the essence of growth is to learn how to do that without giving up one's fundamental beliefs and aspirations. When people achieve positions of importance, the real test, for naval officers or pretty officers or anybody, is whether they recall those youthful aspirations and measure themselves against those early ideals, modified by maturity, but hopefully not too much.

The OD practitioner must break through the barriers of bureaucracy and organizational politics to develop innovation, creativity, teamwork, and trust within the organization.

**The External – Internal Practitioner Team**

The implementation of a large scale change program is almost impossible without the involvement of all levels and elements of the organization. One approach to creating a climate of change uses a team formed of an external practitioner working directly with an internal practitioner to initiate and facilitate change programs (known as the external internal practitioner team). This is probably the most effective approach. OD researcher John Lewis, for example, found that successful external OD practitioners assisted in the development of their internal counterparts. The partners bring complementary resources to the team; each has advantages and strengths that offset the disadvantages and weaknesses of the other. The external practitioner brings expertise, objectivity, and new insights to organization problems. The internal practitioner, on the other hand, brings detailed knowledge of organization issues and norms, a long-time acquaintance with members, and an awareness of system strengths and weaknesses. For change programs in large organizations, the team will likely consist of more than two practitioners.

The collaborative relationship between internal and external practitioners provides an integration of abilities, skills, and resources. The relationship serves as a model or the rest of the organization – a model that members can observe and see in operation, one that embodies such qualities as trust, respect, honesty, confrontation, and collaboration. The team approach makes it possible to divide the change program's workload and share in the diagnosis, planning, and strategy. The external-internal practitioner team is less likely to accept watered-down or compromised change programs, because each team member provides support to the other. As an example, during the US Navy's Command Development (OD) Program, the internal change agents recommended that training seminars be conducted away from the Navy environment (i.e., at a resort) and the participants dress in civilian clothing to lessen authority issues. Higher authority, however, ordered the seminars to be held on naval bases and in uniform – ground rules that the internal practitioners reluctantly accepted. In this situation an external practitioner with greater leverage might have provided enough support and influence to gain approval of the desired program.

Another reason for using an external-internal practitioner team is to achieve greater continuity over the entire OD program. Because external practitioners are involved in other outside activities, they generally are available to the organization only a few days a month, with two – or three – week intervals between visits. The internal practitioner, on the other hand, provides a continuing point of contact for organization members whenever problems or questions arise. Because many OD programs are long-term efforts, often lasting three to five years, the external-internal combination may provide the stimulation and motivation needed to keep the change program moving during periods of resistance. The team effort is probably the most effective approach because it combines the advantages of both external and internal practitioners while minimizing the disadvantages.

## 12.8 EXCELLENCE OF MANAGEMENT BY CHIEF EXECUTIVES

OD is a growing, developing, and changing field of study. Consequently, there are number of evolving theories and concepts that have contributed to the field, and a number of approaches that have emerged from it. At this stage, the field is still in transition, which makes it difficult to define exact boundaries of what is or is not an OD intervention. As a result, two key issues will be examined in the following sections: OD: fad or discipline? And the role of values.

**OD: Fad or Discipline?**

A number of writers disagree about whether OD will become a long-term contribution to management and organization theory or will soon fad away into the duty archives together with scientific management and other short-lived trends. This is little like asking the questions: “Is air travel a fad?” After all, it has only been around for 60 years or so. Similarly, OD now has some 40 years of background history and, at this point, has not yet reached its apex in either quantity or quality of effort.

OD has already development and experimented with a variety of new approaches to organization innovation and renewal, and the state of the art is still evolving. OD is an exciting new field. As with any discipline, there are unsolved issues, problems, and controversy.

Rather than being a fad, OD appears to be a primary method for helping organisations adjust to accelerated change. As a result, OD is not a fad, but an emerging discipline. OD practitioner and author Warren Bennis points out that OD rests on three basic propositions. The first hypothesis is that every age adopts the organizational form most appropriate to it and that changes taking place in that age make it necessary to “revitalize and rebuild our organizations.” The second basic proposition is that the only real way to change organizations lies in changing the “climate” of the organization – the “way of life”, the system of beliefs and values, the accepted modes of interaction and relating. It is more important to change the climate of the organization than the individual if organizations are to develop. The third basic proposition is that “a new social awareness is required by people in organizations,” since social awareness is essential in our current world. In short, the basic thrust behind OD is that the world is rapidly changing and that our organization must follow suit.

Many executives these days would like to latch on to almost any new concept that promises a quick fix for their problems.

- Having trouble developing new products? Try entrepreneurship, the process for getting entrepreneurial juices flowing in a big company.
- Having a tough time competing against foreign competition? Try TQM, a way to involve workers in finding ways to increase productivity and ensure quality.
- Having trouble building teamwork, increasing communication skills, or boosting teamwork through off-the-job exercises.
- Having trouble linking a firm’s daily operations to its vision? Try performance pyramids, a new paradigm that comprises the firm’s key results in terms of financial and market measures.

There is nothing inherently wrong with any of these theories, but too often managers treat them as gimmicks or quick fixes rather than face the basic problems. Unless solutions are systematically thought out and supported by the commitment of top management, they may become mere fads.

## 12.9 ETHICS OF OD

Organisation development constitutes various people, professionals, technocrats, researchers, managers and a host of other employees working in the organization contributing to the accomplishment of organizational objectives. They behave differently. Authority and power, conflicts and control take backseat during OD process. The following are the values in OD efforts:

1. **Respect people:** People are responsible for creating opportunities for growth. They must, therefore, be treated with respect and dignified manners.
2. **Confidence and support:** Organisations are made up of people and they are to be believed and supported in order to have effective organization. The healthy environment prevails when people are trusted and taken into confidence and a necessary support is extended to them as and when needed.
3. **Confrontation:** Any conflict on any issue should not be suppressed. It should be dealt with openness. Suppression leads to dampening of morale. Identifying the problem and its causes, discussing it openly and finding out feasible solution leads to boosting up morale of the employees and creating good environment.
4. **Employee participation:** The participation of employees who will be affected by the OD should be sought in decision-making.
5. **Expression:** Human beings differ in experience, maturity, ideas, opinions, outlook. The organization is at the receiving end. It gains from the differences in quality, ideas, opinions and experiences of its people. Human beings are social animals; they have feelings, emotions, anger and sentiments etc. They should be allowed to express their feelings and sentiments. This will result in building up high morale and the people will be motivated towards hard work ultimately resulting in increased efficiency.
6. **Seeking cooperation:** Managers should learn to seek cooperation from each of the employees working under him in his department. This will develop in creating the atmosphere of cooperation leading to organizational effectiveness and willingness to accept change in the event of organization development process.

## 12.10 FUTURE OF OD

The application of OD technology is growing rapidly. New models, techniques, and approaches are constantly being developed and old techniques discarded. OD itself is facing future shock.

An awareness of the complex environment in which organizations exist in evidenced by the popularity of new trend books in management, such as Good to Great, Fish! A Remarkable Way to Boost Morale and Improve Results, 21 Irrefutable Laws of Leadership, The Five Dysfunctions of the Team, Execution, and The Innovation's Solution: Creating and Sustaining Successful Growth. As shapers of change, OD practitioners will play a critical role in helping organizations adjust to the changing forces and trends that affect them. These future trends include organization transformation, empowerment, learning organizations, and organization architecture.

**Organization Transformation (OT).** This recent advance in change strategies is used in situations of drastic, abrupt change when the organization's survival is at stake. These situations include mergers, takeovers, product changes, and plant closures, which often involve large-scale layoffs and restructuring.

**Shared Vision:** The approach to organizational change involves getting all levels of management to identify the strategic vision of the future and what it takes to make it work.

**Innovation:** Organisations are focusing more effort on innovating – creating new products, goods, and services – and on new ways of organizing and relating among organization members. W.L. Gore and Genentech, for example, have corporate cultures that encourage and support innovation. Harvard Business School Professor Clayton Christensen, in The Innovator's Solution: Creating and Sustaining Successful Growth, says that "no company has been able to build an engine of disruptive growth and keep it running and running.” However, he also makes a strong case that a company does not have much choice but to try.

**Trust:** The critical factor in changing organizations is the development of trust within and between individuals, teams, and organizational units and levels. Without trust, there can be no sustainable excellence with an organization.

**Empowerment:** In order to develop high-performing systems, organisation members must be empowered – given the autonomy to do things their own way, to achieve recognition, involvement, and a sense of worth in their jobs. This allows for member ownership of ideas and strategies, and for “buy-in management. The payoff to employee empowerment and involvement is that it allows individuals to discover and use their own potential.

**Learning Organisation:** A conceptual framework for the organization of the future, the learning organization is the notion that learning is central to success. Management needs to see the big picture, escape linear thinking, and understand subtle interrelationships.

**Reengineering:** This fundamental rethinking and radical redesigning of business systems urges an overhaul of job designs, organizational structures, and management systems. Work should be organized around outcomes, not tasks or functions.

**Core Competencies:** The idea is for companies to identify and organize around what they do best. Corporate strategy should be based not on products or markets, but on competencies that give a company access to several markets and are difficult for competitors to imitate.

**Organisational Architecture:** A metaphor that forces managers to think more broadly about their organization in terms of how work, people, and formal and informal structure fit together. This often leads to autonomous work teams and strategic alliances.

Because of the rapid changes, predicting the future trends in OD is difficult, if not impossible. However, a number of “cutting-edge” trends appear to be affecting the future directions of OD.

**12.11 SUMMARY**

The course of change anticipated for OD will predominantly surround the issues of a changing workforce, global competence, and transformation within the organization. The changing workforce will encompass a positive change toward productivity ad involvement with enhanced training and technological awareness. Global competence will mean shared values and similar organizational structures to compete in a highly competitive area. Transformational management leaders will lend credence to the evolution of growth patterns associated with the emergence of self-managing work groups. Advances in media and communication technologies will influence all of these organizational transformations. Our Changing World: No. Job Is Safe – Never Will Be gives some suggestions for how to remain professionally viable and competitive.

Organisation development is an expanding and vital technology. A great deal was accomplished during its past growth, and certainly much more will be done in the future. OD is being applied in a multinational framework and in a variety of organizational settings, including industrial, governmental, and health-care institutions. Most theorists agree that there is a need for more empirical studies on the relationship of intervention processes to other organizational variables. It is widely acknowledged that techniques to deal effectively with external systems and power-coercive problems have yet to emerge. Yet the different views about the myths and rituals of OD are in themselves an indication of a healthy discipline. When OD practitioners become complacent, when the controversies over approaches and techniques subside, and when the discipline becomes stagnant, then perhaps there will be an even deeper need to worry about the future of OD.

Managers need to understand that OD interventions have the potential to make the biggest difference in human development and bottom-line performance. These interventions are based on the same truths that have led us to see democracy as a superior form of governance for our society.

## 12.12 KEYWORDS

**Organisation Development (OD):** It refers to an emerging discipline aimed at improving the effectiveness of the organisation and its members by means of a systematic change program.

**OD practitioner:** They are the people who use, advocate and assist others to implement OD.

**OD intervention**: They encompass the range of actions designed to improve the health or functioning of the organisation.

**Innovation:** The act of starting something for the first time; introducing something new.

**Organisation Change:** Organisation Change is a set of processes employed to ensure that significant changes are implemented in a controlled and systematic manner.

## 12.13 REVIEW QUESTIONS

1. Define Organization Development? Identify and explain the five stages of organization development.
2. Discuss in detail the major OD Interventions?
3. What are the major pros and cons of external and internal practitioners? Why is the team approach a viable alternative?

## 12.14 FURTHER READINGS

- S. Ramnarayan, T. V. Rao and K. Singh, "Organisation Development: Interventions and Strategies", Sage Publications, New Delhi, .
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