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## SELF-LEARNING MATERIAL



# MASTER OF COMMERCE

**MCM-101 : ORGANISATIONAL THEORY AND BEHAVIOUR**

**w.e.f Academic Session: 2023-24**



**CENTRE FOR DISTANCE AND ONLINE EDUCATION**  
**UNIVERSITY OF SCIENCE & TECHNOLOGY MEGHALAYA**

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Accredited 'A' Grade by NAAC

Techno City, 9th Mile, Baridua, Ri-Bhoi, Meghalaya, 793101

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**Center for Distance and Online Education**  
**University of Science and Technology Meghalaya**

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# MCM-101: HUMAN RESOURCE MANAGEMENT

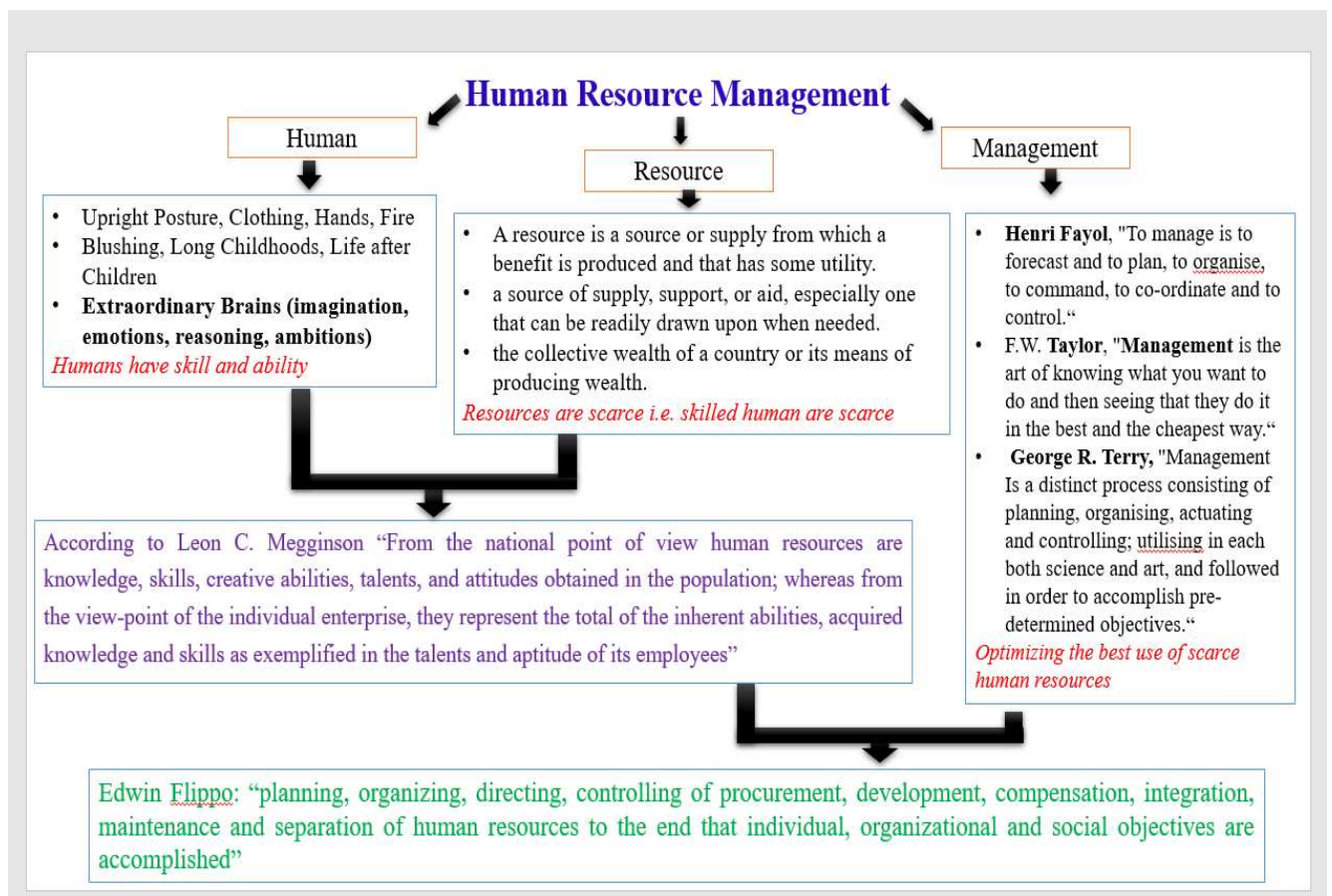
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## UNIT-I: INTRODUCTION: HUMAN RESOURCE MANAGEMENT

- Human resource management- meaning, concept, objectives;
- Evolution of human resource management and theories;
- Functions of HR manager; Human resource management Vs personnel management;
- Concepts: Employee Morale, Employee Productivity, Management of Change, Knowledge Management, Stress Management, International HRM, Diversity at Work



## 1.2 INTRODUCTION

The way of doing business has changed drastically in the last many decades. Competition has become one of the most dominant factors influencing every sphere of business throughout the world. The companies are strategising their function to remain relevant in the competition. The important factor defining the competition is human resources. Human resources are the most scarce as well as most complex resources any firms have. The companies are using similar kinds of technological resources, and similar financial strength but differences are always in the human resources. Neither you can duplicate a human resource nor you can own it. Therefore, the question of attracting and retaining, skilled and motivated employees is of utmost importance. The following sections will reflect upon the fundamental aspects of Human Resource Management (HRM).

### 1.2.1 HUMAN RESOURCE MANAGEMENT: DEFINITIONS

HRM has been approached from different perspectives leading to the development of several definitions. These definitions are:

- **Pigors and Myers** – “It is basically a method of developing potentialities of employees so that they feel maximum satisfaction of their work and give their best efforts to the organization”.
- **Byars and Rue** – “Human resource management encompasses those activities designed to provide for and coordinate the human resources of an organization”.
- **Ivancevich and Glueck** – “Human resource management is the function performed in organizations’ that facilitate the most effective use of people (employees) to achieve organizational and individual goals”.
- **The National Institute of Personal Management (NIPM)** of India has defined human resources – personal management as “that part of management which is concerned with people at work and with their relationship within an enterprise. Its aim is to bring together and develop into an effective organization of the men and women who make up enterprise and having regard for the well – being of the individuals and of working groups, to enable them to make their best contribution to its success”.
- According to **Decenzo and Robbins**, “Human Resource Management is concerned with the people dimension” in management. Since every organization

is made up of people, acquiring their services, developing their skills, motivating them to higher levels of performance and ensuring that they continue to maintain their commitment to the organization is essential to achieve organisational objectives. This is true, regardless of the type of organization – government, business, education, health or social action”.

### **1.2.2 IMPORTANCE OF HUMAN RESOURCE MANAGEMENT**

HRM plays a vital role for any organisation. It strengthens the organisation and optimises goal accomplishment. The importance of HRM is further elaborated below:

- **Explicit Communication:** HR planning ensures effective communication to employees regarding the organisation’s policies, procedures and guidelines.
- **Successful Procurement:** An effective human resource management program ensures successful procurement which results not only in the organisation’s acceptance of the person but also in the person’s acceptance and satisfaction with the job and the company.
- **Reduced Layoffs:** It results in a reduced number of voluntary as well as involuntary layoffs in the organisation by listening to the employee’s grievances and handling them on a priority basis.
- **Reduced Turnover:** An effective HRM system can ensure reduced absenteeism and turnover of employees.
- **Coordination and Integration:** Human resource managers ensure proper coordination and integration between the authority and responsibility relationships existing between various levels in the organisation.
- **Increased Productivity:** It can result in increased productivity for the organisation and realisation of the individual as well as organisational goals effectively by ensuring a fully trained and developed workforce.
- **High Motivational Levels:** The motivational levels of employees in the organisation can also be maintained by ensuring fairness and equitableness in their compensation with the help of effective human resource management.
- **Parity in Compensation:** The salary structure designed for the organisation ensures not only the internal parity but at the same time maintains external parity with other competitive organisations as well.



- **Competitiveness:** In addition to ensuring that the firm is generally competitive in terms of salary, the human resource manager also ensures that expenditures are within allocated budgets.
- **Reduced Discontent:** An effective HRM program tries to reduce employees' discontent with the organisation by handling their formal as well as informal complaints effectively.
- **Retaining Effective Employees:** Various types of incentive pay plans are also introduced by human resource managers to attract and retain effective employees in their organisation.
- **Ensuring Integration:** Ensuring integration of individual, societal and organisational interests is one of the most difficult tasks being performed by the human resource managers. They deal with the feelings and attitudes of employees in conjunction with the principles and policies of organisations ensuring an overall increase in the goodwill or the image of the organisation.
- **Effective Separation:** The HRM program ensures effective separation of employees through carefully designed programs for retirement, layoffs, and discharge. Even the separation needs to be handled carefully so that the employees who are leaving the organisation should leave it on a good note.
- **Cordial Human Relations:** Human resource management ensures cordial human relations existing within the organisation and reduced cases of industrial disputes, strikes and lockouts.
- **Enforced Values:** The strategic HRM plan reinforces certain values, such as customer focus, innovation, fast growth, and cooperation which go a long way in adding to the success of the organisation.

### 1.2.3 HUMAN RESOURCE MANAGEMENT: OBJECTIVES

HRM aims at accomplishing various objectives. These are:

- **Personal Objectives:** To assist Employees in achieving their personal goals, at least in so far as these goals enhance the individual's contribution to the organization. Personal objectives of employees must be maintained, retained and motivated.

- **Functional Objectives:** To maintain the contribution of the department at an appropriate level in the organization. Resources are wasted when HRM is either more or less sophisticated to suit the organization's demands.
- **Organizational Objectives:** To recognize the role of HRM in bringing about organizational effectiveness. HRM is not an end in itself but it is only a means to assist the organization with its primary objectives.
- **Societal Objectives:** To be ethically & socially responsible for the needs and challenges of society while minimizing the negative impact of such demands upon the organization.

**Other objectives of HRM:**

- Accomplish the basic organizational goals by creating and utilizing an able and motivated workforce.
- To establish and maintain an organizational structure and desirable working relationships among all the members of the organization.
- Develop coordination among individuals and groups within the organization to secure the integration of the organization.
- To create facilities and opportunities for individual or group development to match it with the growth of the organization.
- To attain an effective utilization of human resources in the achievement of organizational goals.
- To identify and satisfy individual and group needs by providing adequate and equitable wages, incentives, employee benefits and social security and measures for challenging work, prestige, recognition, security, and status.
- To maintain high employee morale and human relations by sustaining and improving the various conditions and facilities.
- To strengthen and appreciate the human assets continuously by providing training and development programs.
- To consider and contribute to the minimization of socio-economic evils such as unemployment, underemployment, and inequalities in the distribution of income and wealth and to improve the welfare of the society by providing employment opportunities to women and disadvantaged sections of the society.

- To provide facilities and conditions of work and creation of favourable atmosphere for maintaining the stability of employment.
- Establish & maintain the sound organizational structure
- Opportunity for expression
- Provide fair, acceptable and efficient leadership

## **1.2 EVOLUTION OF HUMAN RESOURCE MANAGEMENT**

HRM, being a part of the management discipline, has followed the pattern of development of management because of the interrelationship of the problems of both fields.

Human Resource Management (HRM) is relatively a very recent term considered for managing human resources in an organisation. HRM is still evolving to become an amalgam of organisational behaviour, personnel management, industrial relations and labour legislation.

### **1.2.1 HISTORICAL PERSPECTIVE OF HUMAN RESOURCE MANAGEMENT**

The term "human resource management" is a relatively recent concept, gaining prominence mainly from the 1980s onward. In ancient times and throughout much of the medieval era, skilled artisans and craftsmen were the primary producers of goods. These individuals owned their tools, crafted articles, and sold them in the market.

During this period, the dynamics of an employer-employee or master-servant relationship were not prevalent among skilled artisans and craftsmen, as they managed their affairs independently or with the assistance of family members. However, some prosperous craftsmen did employ apprentices and certain categories of hired laborers. A close relationship existed between master craftsmen and apprentices, with attention given to addressing the problems faced by the apprentices and their families.

This era reflected a humane approach in their relationships. After undergoing extensive training, many apprentices established their own enterprises, while others continued to work with their master craftsmen under favorable terms. In the medieval period, skilled craftsmen formed guilds to safeguard the interests of their respective trades. These guilds played a role in determining product prices, wages for journeymen and hired

laborers, and regulating the terms and conditions of employment.

Throughout the ancient and a significant portion of the medieval period, various distinct types of laborers coexisted. This included slaves, serfs, and indentured laborers, each with their unique status and role in the socio-economic structure of the time.

### **1.2.2 A BRIEF DESCRIPTION OF HOW THEY WERE TREATED AND MANAGED WILL BE RELEVANT FOR A PROPER UNDERSTANDING OF HUMAN RESOURCE MANAGEMENT FROM A HISTORICAL PERSPECTIVE.**

- i. **Managing Slaves:** Slavery played a significant role as a manpower source in nearly all ancient civilizations, where individuals were treated as commodities and could be bought and sold. Wealthy rulers, landlords, tribal chiefs, and prosperous businessmen were among the main purchasers of slaves, exercising extensive control over them.

Slaves were assigned various labor-intensive tasks, including carrying heavy loads, rowing ships, constructing buildings and forts, digging canals, as well as engaging in cattle-rearing and soil tillage. Their compensation for these efforts primarily consisted of basic necessities such as food, shelter, and clothing. The relationship between masters and slaves was characterized by strict control, with slaves facing rigorous supervision.

Non-compliance with the orders of masters or supervisors often resulted in severe consequences, including physical torture and, in extreme cases, the mutilation of limbs or even a death sentence for grave offenses. The treatment of slaves was marked by harsh discipline, emphasizing the power dynamics and exploitation inherent in the institution of slavery during ancient times.

- ii. **Managing Serfs:** Serfdom was widely prevalent in the feudal societies of the pre-and early medieval era. Serfs were engaged by landlords mainly in agricultural operations and allied activities. The landlords would usually give them a piece of land for their habitat and often, some land for their cultivation. In many cases, a paltry sum of money was advanced to them so that they could remain attached to their masters.

Instead of these facilities, the serfs and their family members were required to serve their masters. The work assigned to serfs mainly comprised – the tillage of the soil, cattle-rearing, domestic work and similar other activities. Many landlords would also

give them a meagre amount as wages, whether in cash or kind. Usually, serfs could become free after returning to their masters the habitat, the piece of land and advances with interest. They could also be transferred to some other landlord on payment.

Under serfdom, some measure of personal relationship existed between the landlords and the serfs. Many landlords often tried to solve their genuine grievances and extended some help to those who were in distress. The feudal lords also occasionally gave some economic inducements to their serfs in the form of an additional supply of food grains and some money for their increased productivity and good behaviour.

Although the management of serfs was based on the principle of authoritarianism, the element of human treatment was often found in their relationship. With the abolition of the feudal system, serfdom also came to an end. However, some remnants of the past can still be found even today, especially in rural areas. The bonded labour system in India is comparable to the system of serfdom prevalent in European countries during the medieval period.

**iii. Managing Indentured Labour:** The system of indentured labour emerged primarily with the flourishing of mercantilism and the advent of the industrial revolution. The discovery of new lands through sea and land routes led to a substantial increase in the demand for European goods abroad, and at the same time, gave a fillip to the establishment of industries in the continent.

As a consequence, trade flourished leaps and bounds, and the mercantilists, taking advantage of the expanding markets, tried to accumulate as much wealth as possible. In their quest for maximising wealth, the mercantilists would offer attractive inducements to the artisans and skilled craftsmen for accelerating the production of goods in demand. The artisans and craftsmen responded and they started engaging an increasing number of apprentices and hired labourers to cope with the demand for the products.

**iv. The emergence of Modern Industrial Labour and Improvement of Status:** Even during the periods when slavery and serfdom were rampant, there were various categories of workers who enjoyed a certain amount of freedom in their relationships with their employers. They were mainly skilled craftsmen and artisans and experienced apprentices. However, the composition of free workers materially changed with the spread of industrialisation and the establishment of factories and other kinds of

industrial and business establishments.

Industrialisation led to the congregation of a large number of workers at the same establishment owned by an individual employer or a company. The employers were generally interested in maximising their profits, and callously disregarded human aspects in managing the affairs of their enterprises.

The state also remained a mute spectator to the miseries and sufferings of the toiling masses of workers, primarily because of the widespread prevalence of the doctrine of individualism and laissez-faire. These situations led to further deterioration in the conditions of industrial workers who had to face numerous problems in their employment.

Notable among these problems were low wages, excessive hours of work, hazardous and strenuous physical working conditions, instability of employment, and arbitrary treatment by supervisors and managers.

The industrial workers, sooner or later, came to realise that individually they might be dispensable to the employer, but collectively, they were indispensable as the running of the enterprise was in the interests of both. This realisation induced them to organise and pressurise the employers and the state to take positive steps to improve their conditions. However, these early combinations received severe blows from the courts of law either under common law or under special statutes such as the Combination Acts, 1799 and 1800 England.

The conditions, however, changed over time. Certain notable developments relevant to the management of human resources included the spread of democratic ideals and principles, growth of socialist ideas, emergence of the concept of the welfare state, strengthening of workers' organisations, efforts of social reformers, and changes in the size and composition of the labour force. These developments led to substantial changes in the attitude of the employers towards workers and the role of the state regarding labour matters.

The state started enacting labour laws to ameliorate physical working conditions at the place of work, laying down minimum standards in specified areas of terms and conditions of employment, making available to workers certain welfare amenities, adopting social security measures against certain contingencies such as disablement and death resulting from work-injuries, sickness and maternity and establishing workers'

right to form trade union and bargain collectively with the employer.

The employers increasingly came to realise that their prerogatives of “hiring and firing” workers at their will and unilaterally laying down the terms and conditions of employment had been enormously encroached upon by union pressures and state intervention, and it would be difficult for them to manage their enterprises if they did not give due attention to human aspects in dealing with their workers.

These conditions have come to exist even today but in a greatly modified form. Some of the more notable developments relating to human resources from a modern perspective comprise – (i) a substantial change in the composition of the labour force with the entry of a large number of educated and highly skilled workers with specialisation, (ii) greatly improved status of all categories of employees, (iii) extensive state intervention in the domain of human resources, (iv) development of a liberal attitude of employers towards employees with major attention on human aspects, (v) enhancement of strength and status of unions, and (vi) growing international deliberations and exchanges in human resources matters.

### **1.2.3 EVOLUTION OF HUMAN RESOURCE MANAGEMENT – FROM 19TH CENTURY TILL RECENT TIMES: DIFFERENT ERAS OF HUMAN RESOURCE MANAGEMENT**

Though HRM as a field of study has a relatively recent origin, the history of management of people in the organizations, particularly in state administration, is quite old. However, these ancient developments could not create much impact on the recent development of literature and practices of HRM as these developments were concerned primarily with the state administration.

Some serious thoughts were applied toward the effective utilization of the labour force in industrial organizations after the industrial revolution that started in the 19th century. Since then, organized practices relating to the management of people, initially labour force and subsequently managerial personnel also, started taking place and literature describing these practices started emerging.

From the industrial revolution era to the present era, various stages in the development of management of human resource practices may be classified as follows:

- i. Industrial revolution era— 19th century

- ii. Trade union movement era — close to the 19th century
- iii. Social responsibility era — beginning of the 20th century
- iv. Scientific management era— 1900-1920s
- v. Human relations era— 1930s-1950s
- vi. Behavioural science era— 1950s-1960s
- vii. Systems and contingency approach era – 1960 onwards
- viii. Human resource management era — 1980 onwards

The classification of various stages of development of management of human resources in terms of the period shows the beginning of that era. In each era, emphasis has been put on a particular approach to managing people at work. A succeeding era does not mean the complete end of the preceding era but there has been overlapping in these.

The main features of these eras and the type of practices related to managing human resources are as follows:

- i. Industrial Revolution Era:** The systematic development of HRM started with the industrial revolution that started during the 1850s in Western Europe and USA. The industrial revolution consisted, essentially, of the development of machinery, the use of mechanical energy in production processes, and consequently the emergence of the concept of the factory with a large number of the workforce working together.

The factory system replaced the old cottage system. The industrial revolution brought out several changes like centralized work locations with a large number of workers working together, a mechanized production process, migration of workers from their place of origin, and indirect contact between factory owners and workers.

To manage people in the factory system of the industrial revolution, three systems of HRM were developed- recruitment of workers, training for workers, and control of workers. However, the basic philosophy of managing workers revolved around the master-servant relationship.

- ii. Trade Union Movement Era:** Shortly after the emergence of the factory system, workers started to organize themselves based on their common interests to form workers' associations which were subsequently known as trade unions. The basic objectives of these associations were to safeguard the interest of their members and to



sort out their problems which arose primarily because of employment of child labour, long hours of work, and poor working conditions.

Later, other aspects of work such as economic problems and wages, employee benefits and services, etc. also became issues. These trade unions started such weapons as strikes, slowdowns, walkouts, boycotts, etc., for the acceptance of their demands.

These activities of the trade unions forced owners and managers to adopt employee grievance handling systems, arbitration as a means of resolving conflicts between owners/managers and workers, disciplinary practice, expansion of employee benefit programmes, holiday and vacation time, clear definition of job duties, job rights through seniority, and installation of rational and defensible wage structures.

**iii. Social Responsibility Era:** In the first decade of the 20th century, some factory owners started adopting a more humanistic and paternalistic approach toward workers. The paternalistic approach to labour management is based on the philosophy that labour is just like a child and the owner is just like a father and the owner should take care of his labour just like a father takes care of his children.

Those industrialists who adopted a paternalistic approach offered several concessions and facilities to the labour force like reduced number of work hours, improved facilities at the workplace, model villages for workers, etc. All these practices led to the development of the social welfare aspect of labour management.

Many critics of the paternalistic approach viewed that this approach was adopted to overcome the problems posed by the labour union movement as plenty of trade unions emerged which frequently interrupted work performance. Employers observed that workers were going out of their control and to overcome this problem, they implemented a welfare scheme. Thus, this was a compulsion rather than a philosophy.

**iv. Scientific Management Era:** Around the beginning of the 20th century, Taylor started to find out 'one best way of doing things based on time and motion studies. Based on his experiments, he was able to increase workers' productivity considerably and wrote many papers based on these experiments and a book on scientific management.

The main principles of scientific management are:

- (i) Replacing rule of thumb with science,
- (ii) Harmony, not conflict,
- (iii) Cooperation, not individualism, and

(iv) Development of each person.

Scientific management techniques relevant to the management of workers are- functional foremanship, standardization and simplification of work, and a differential piece wage system.

- v. **Human Relations Era:** Around the 1920s, management researchers gave a close look at the human factor at work and the variables that affected people's behaviour. Before that, Hugo Munsterberg wrote a book on 'Psychology and Industrial Efficiency' which suggested the use of psychology in the field of personnel testing, interviewing, attitude measurement, learning, etc.

This brief period was termed as 'Industrial Psychology Era'. In 1924, a group of professors from Harvard Business School, USA, began an enquiry into the human aspects of work and working conditions at the Hawthorne plant of Western Electric Company, Chicago.

They conducted research from 1924 to 1932 and arrived at the conclusions that the productivity of workers depended on- (i) social factors at the workplace, (ii) group formation and group influence, (iii) nature of leadership and supervision, and (iv) communication.

They concluded that to have better productivity, management should take care of human relations besides the physical conditions at the workplace. Consequently, the concepts of the social system, informal organization, group influence, and non-logical behaviour entered the field of management of personnel.

- vi. **Behavioural Science Era:** In contrast to human relations which assume that happy workers are productive workers, behavioural scientists have been the goal and efficiency-oriented and consider the understanding of human behaviour to be the major means to that end. They have tried several sophisticated research methods to understand the nature of work and the people in the work environment.

The contribution of behavioural scientists to management practices consists primarily of producing new insights rather than new techniques. It has developed or expanded a useful way of thinking about the role of the manager, the nature of organizations, and the behaviour of individuals within organizations. As against the human relations model, they have given the concept of the human resource model.

**Major conclusions of the contributions made by behaviouralists are as follows:**

- a) People do not dislike work. If they have been helped to establish objectives, they will want to achieve them. The job itself is a source of motivation and satisfaction for employees.
- b) Most people can exercise a great deal of self-direction and self-control and generate more creativity than required in their current job. Therefore, their untapped potential remains unutilized.
- c) Managers' basic job is to use untapped human potential in the organization.
- d) Managers should create a healthy environment wherein all persons can contribute to the best of their capacity. The environment should provide a healthy, safe, comfortable, and convenient place to work.
- e) Managers should provide an opportunity for self-direction by their subordinates and they must be encouraged to participate fully in all important matters.
- f) Operating efficiency can be improved by expanding subordinate influence, self-direction, and self-control.
- g) Work satisfaction may improve as a 'by-product' of subordinates making full use of their potential.

The behavioural science era led to the development of two-way communication, participation of employees in decision making, joint goal-setting, group dynamics, management development, and management of change in the organization. These contributions of the behavioural science era are the backbone of the behavioural approach to human resource management even in the present context.

**vii. Systems and Contingency Approach Era:** The systems and contingency approach has attracted the maximum attention of thinkers in management in the present era. It is an integrated approach which considers the management of human resources in its totality based on empirical data. The basic idea of this approach is that the analysis of any object must rely on a method of analysis involving simultaneous variations of mutually-dependent variables. This happens when the systems approach is applied in managing human resources.

**viii. Human Resource Management Era:** When the factory system was applied in production, a large number of workers started working together. A need was felt that there should be someone who should take care of recruiting, developing, and looking

after the welfare of these workers. For this purpose, the industrial relations department came into existence in most the large organizations which were concerned mostly with workers.

However, as the time passed and the complexity of managing human resources in large business organizations increased, the scope of the industrial relations department was extended to cover supervisory staff and subsequently managerial personnel. The industrial relations department was named the personnel department.

With the increasing competition for market share, competition for resources including human talents, and increased knowledge in the field of managing human resources, people were not treated merely as physiological beings but as socio-psychological beings as a prime source of organizational effectiveness and large organizations changed the nomenclature of their personnel department to human resource department to reflect the contemporary view.

Even the American Society for Personnel Administration, the largest professional association in the field of human resource management, changed its name to the Society for Human Resource Management in 1990. At the academic level, a similar pattern was followed and the title of the personnel management course was changed to human resource management. Since then, the expression is gradually replacing the hackneyed term 'personnel management.

#### **1.2.4 HISTORY OF MODERN HUMAN RESOURCE MANAGEMENT**

- i. Early Philosophy (Before 1900):** The history of modern Human Resource Management began with the efforts of Robert Owen. Owen is called the founder of Human Resource Management. In 1813, he wrote a book, A New View of Society. In it, he propounded the need for better industrial relations and improvements in the service conditions. His attitude towards workers was very cordial, liberal and paternalistic.

He got good houses constructed for his workers by the side of his factory. He eliminated child labour and provided healthy working conditions. J.S. Mill, Andrew Yule and Charles Bewarage, contemporaries of Robert Owen, developed Human Resource Management as a science and supported the idea of wage incentives, profit sharing and labour welfare, etc.

- ii. **Efficiency and Productivity Movement (1900-1920):** During the last year of the 19th century arrived the age of efficiency and productivity movement. The two decades from 1900 to 1920 were the years of the scientific management movement. Taylor's Scientific Management Thought was accepted during this period. Taylor opposed the idea of trade unionism and workers' organization.

The main contribution of these two decades has been the increase in the size of units, the introduction of scientific thinking into actions, job analysis, standards costing, scientific selection and training of workers and the idea of mental revolution.

- iii. **Period of Welfarism and Industrial Psychology (1920- 1930):** Up to 1925, Human Resource Management had taken a definite form. Staff line organization became the basis of Human Resource Management. The opposition to the scientific management movement by workers introduced the need for industrial psychology.

Industrial psychologists developed many new techniques like psychological testing, interviewing, workers training and non-financial incentives. They helped to give a professional form to Human Resource Management. Human Resource Management began to be realized as a profession and a specialist's function.

- iv. **Period of Human Relations (1930-1950):** When Prof. Elton Mayo and his companions conducted Hawthorn experiments, it was the beginning of recognition of the fact that human resources have a greater influence on production than other psychical resources. A worker must be treated as a human being. His social, psychological and moral instincts should be fully recognized by the management.

Due to these experiments, the commodity concept of labour changed to a social concept. The decade 1940-1950 was very important for the development of Human Resource Management. During that decade, many new techniques were developed for the selection, training and induction of workers. The human resource philosophy became people-oriented. Trade unions flourished and the provision of fringe benefits for the workers became common.

- v. **Modern Times (After 1950):** The history of Human Resource Management from 1950 up to current times is the age of modern developments. It is the period of the citizenship concept of labour where the workers have the full right to be consulted in determining the rules and regulations under which they work.

The concept of industrial democracy has imposed many new responsibilities upon the

human resource managers of industrial houses. In modern times, Human Resource Management is widely accepted as an independent discipline. One finds two important developments during this period, after 1960, Human Resource Management began to be realized as a behavioural science which centred completely on human elements with the study of organizational behaviour as its main crux.

After the 1970s the belief in an 'open social and industrial system' became very popular for business organizations. In modern times, Human Resource Management is fully recognized as a profession dealing with the management of human resources. These developments widened the scope of Human Resource Management.

#### **THE FOLLOWING STAGES EXPLAIN THE PROCESS INVOLVED IN REACHING THE CURRENT HRM STAGE**

- i. Labour Welfare Stage:** The formal beginnings of HRM may have emerged from industrial disputes and conflicts. An enquiry on determining reasons for industrial disputes and conflicts gave light to several problems related to the living and working conditions of employees across industries. This enquiry highlighted the limitations of businesses that perceived human resources as machines for obtaining increased productivity and more profits at lower costs.  
Workers worked long hours in strenuous working conditions that led to the formation of trade unions. These trade unions focused on protecting and promoting workers' interests but faced resistance from the management of businesses thus leading to industrial disputes and conflicts.
- ii. Personnel Management Stage:** When labour welfare issues were provided legal assurances, organisations began focusing on the behaviour of employees at all levels on an individual, group and overall organisational basis. A "Personnel" was appointed to manage the employee-employer relationship by managing issues related to human resource planning, recruitment and selection, training and development, performance and potential appraisal, promotions, transfers, quality of working life, compensation, and compliances to labour laws and legislations.
- iii. HRM Stage:** Human Resource Management or HRM is a mix of labour welfare and personnel management. HRM aims to maximise employee performance following the objectives set by an organisation. HRM is a result of increasing organisational size,

changing social and cultural norms, easy access to information (via technology) and globalisation. Accordingly, it attempts to build a worker-employees relationship more humanely through motivation, training and development, retention, worker protection, etc.

Also, under HRM, HR managers need to obtain and incorporate knowledge about possible changes that may affect the overall organisation. HR managers thus attempt to execute relevant strategies to ensure a smooth transition of changes without disturbing inter-relationships and avoiding disputes/conflicts within an organisation.

### **1.3 FUNCTIONS OF HR MANAGER**

The different functions of management are as follows:

- Human resource planning
- Recruitment and selection
- Performance management
- Training and development
- Career planning
- Performance evaluation
- Compensation management
- Industrial relations
- Employee participation and communication
- Health and safety
- Personal wellbeing
- Administrative responsibilities

The above functions are discussed below:

#### **i. Human resource planning:**

- Dale S. Beach: “Human resource planning is the process of determining and ensuring that the organisation will have an adequate number of qualified persons, available at the proper times, performing jobs which meet the needs of the enterprise and which provide satisfaction for the individuals involved”.
- G. Stainer: “Manpower planning is a strategy for the acquisition, utilisation, improvement and preservation of an organization’s human resources. It is aimed

at coordinating the requirements for and the availability of different types of employees.”

**ii. Recruitment and selection**

- Keith Davis: “Recruitment is the process of finding and attracting capable applicants for employment.”
- Edwin B Flippo: “Recruitment is the process of searching for prospective employees and stimulating them to apply for the jobs in the organisation.”
- Dale Yoder: “Selection is the process by which candidates are divided into two classes-those who will be offered employment and those who will not?”
- O. Donnell: “Selection is the process of choosing from among the candidates, from within the organization or from the outside, the most suitable person for the current position or for the future position.”

**iii. Performance management**

- Weiss and Hartle: Performance management is a process for establishing a shared understanding about what is to be achieved, and how it is to be achieved; an approach to managing people which increases the probability of achieving job-related success.
- Performance Management is creating systems, processes and practices that manage and leverage the performance of individuals, teams, work units and consequently of the whole organization continuously and sustainably. Performance management is essential in ensuring that workers stay productive and engaged. Good performance management involves good leadership, clear goal-setting, and open feedback.

**iv. Training and development**

- Enabling employees to develop the skills they need for the future is an essential responsibility for HR.
- Armstrong: **Training** is the formal and systematic modification of behavior through learning which occurs as a result of education, instruction, development and planned experience. **Development** is improving individual performance in their present Roles and preparing them for greater responsibilities in the future.

**v. Career planning**



- Arnold defines a career as ‘the sequence of employment-related positions, roles, activities and experiences encountered by a person’.
- Schermerhorn, Hunt, and Osborn: **Career Planning** is a process of systematically matching career goals and individual capabilities with opportunities for their fulfillment.

**vi. Performance evaluation**

- Dale S. Beach: "Performance appraisal is systematic evaluation of the individual with respect to his or her performance on the job and his or her potential for development".
- Edwin. B. Flippo: “Performance appraisal is the systematic, periodic and an impartial rating of an employee’s excellence in matters pertaining to his present job and his potential for a better job.”

**vii. Compensation Management**

- Edwin B Flippo: “The function of compensation is defined as the adequate and equitable remuneration of personnel for their contributions to the organizational objectives.”
- Keith Davis: “Compensation is what employees receive in exchange for their contribution to the organization.”
- Compensation management, also known as wage and salary administration, remuneration management, or reward management, is concerned with designing and implementing total compensation package.
- Beach: “Wage and salary’ administration refers to the establishment and implementation of sound policies and practices of employee compensation.

**viii. Industrial relations**

- According to V. Agnihotri, “The term industrial relations explains the relationship between employees and management which stem directly or indirectly from union-employer relationship.”
- According to V.B. Singh, “Industrial relations are an integral aspect of social relations arising out of employer- employee interaction in modern industries, which are regulated by the State in varying degrees, in conjunction with organised social forces and influenced by prevailing, institutions. This involves a study of the State, the legal system, workers’ and employers’ organisations on

the institutional level; and that of patterns of industrial organisation (including management), capital structure (including technology), compensation of labour force and the forces of market on the economic level.” /

**ix. Employee participation and communication**

- According to Dave Ulrich, one of the key roles of HR is to be a credible activist for the employees. Employees need to be informed and heard on different topics that are relevant to them. Communication relates to spreading information relevant to employees.
- Workers' Participation in Management (WPM) refers to the participation of non-managerial employees in the decision-making process of the organization. Workers' participation is also known as 'labour participation' or 'employee participation' in management.
- Employee participation is the process whereby employees are involved in decision-making processes, rather than simply acting on orders.

**x. Health and safety**

- HR plays an important role in creating and implementing health and safety regulations. Making these regulations part of the company culture is one of the main functions of HR.
- HR ensures that the firm complies with the laws concerning health and safety.

**xi. Personal wellbeing**

- Within the workplace, **well-being** is important not only to individual **employees** in terms of maintaining their **good health** but also to managers and organisations as there is evidence to suggest that poor **well-being** at work can have adverse effects on performance and overall productivity.
- HR has a function of assisting and taking care of employees proactively.
- Personal wellbeing is about supporting employees when things don't go as planned.

**xii. Administrative responsibilities**

- Administrative responsibilities include personnel procedures and Human Resource Information Systems.

- Personnel procedures involve the handling of promotions, relocations, discipline, performance improvement, illness, regulations, cultural and racial diversity, unwanted intimacies, bullying, and so on.
- A human resource information system (HRIS) can be defined as a software or online solution that is used for data entry, data tracking, and the data management of all human resources operations of an organization.
- For each of these situations, policies and procedures need to be developed and followed to successfully comply with the requests, or overcome these challenges.

#### **1.4 PERSONNEL MANAGEMENT VS HRM**

To understand the difference between the philosophy of personnel management and HRM, we have to dive into the definition of the former and the definition of the latter has been covered in the earlier section. The definition of personnel management is as follows:

- Torrington & Hall: Is concerned with practices which allow employer and employee not only to make a contract, but also to assure that the contract is pursuing.
- Yoder: The phase of management which deals with the effective control and use of manpower as distinguished from other sources of power. The methods, tools and techniques designed and utilized to secure the enthusiastic participation of labour represent the subject matter for study in personnel administration.
- IQPC (International Quality and Productivity Center): An operational function that deals with the execution of daily people management activities. PM is passive; the maintenance of personnel and administrative systems is what it is all about.
- Armstrong: Concerned with obtaining, organizing and motivating the human resource required by the enterprise.

**1.4.1 PERSONNEL MANAGEMENT VS HRM AS DEVELOPED BY HENDERSON (2011), BASED ON DAVID GUEST'S WORK**

<b>Characteristics</b>	<b>Personnel Management</b>	<b>HRM</b>
<b>Strategic nature</b>	Predominantly dealing with day-to-day issues Ad-hoc and reactive in nature: a short-term perspective rather than strategic	<ul style="list-style-type: none"> <li>Dealing with day-to-day issues, but proactive in nature and integrated with other management functions</li> <li>A deliberately long-term, strategic view of human resources</li> </ul>
<b>Psychological Contract</b>	Based on compliance on the part of the employee	Based on seeking the willing commitment of the employee
<b>Job design</b>	Typically Taylorist/Fordist	Typically team-based
<b>Organizational structure</b>	Hierarchical Tendency to vertical integration	<ul style="list-style-type: none"> <li>Flexible with a core of key employees surrounded by peripheral shells</li> <li>The high degree of outsourcing</li> </ul>
<b>Remuneration</b>	Collective base rates “pay by position” Any additional bonuses linked to Taylorist work systems	<ul style="list-style-type: none"> <li>Market-based</li> <li>Individual and /or team performance</li> <li>“Pay for contribution”</li> </ul>
<b>Recruitment</b>	Sophisticated recruitment practices for senior staff only Strong reliance on the external local labour market for most recruitment	<ul style="list-style-type: none"> <li>Sophisticated recruitment for all employees</li> <li>The strong internal labour market for core employees. Greater reliance on the external labour market for non-core</li> </ul>
<b>Training/development</b>	Limited and usually restricted to training non-managerial employees. Narrowly job-related. Management development limited to top executives and fast-track candidates	<ul style="list-style-type: none"> <li>Transformed into a learning and development philosophy transcending job-related training. An ongoing developmental role for all core employees including nonmanagement. Strong emphasis on management and leadership development</li> <li>A learning organization</li> </ul>

		culture
<b>Employee relations perspective</b>	Pluralistic: collectivistic; low trust	<ul style="list-style-type: none"> <li>• Unilateral; individualistic; high trust</li> </ul>
<b>Organization of the function</b>	Specialist/professional Separated from line management Bureaucratic and centralized	<ul style="list-style-type: none"> <li>• Largely integrated into line management for day-to-day HR issues</li> <li>• Specialist HR group to advise and create HR policy</li> </ul>
<b>Welfare role</b>	Residual expectations	<ul style="list-style-type: none"> <li>• No explicit welfare role</li> </ul>
<b>Criteria for success of the function</b>	Minimizing the cost of HR	<ul style="list-style-type: none"> <li>• Control of HR costs, but also maximum utilization of HR over the long term</li> </ul>

## 1.5 EMPLOYEE MORALE

Human resources are considered to be the most valuable asset of any organization. It is the sum of inherent abilities, acquired knowledge and skills represented by the talents and aptitudes of the employed persons who comprise executives, supervisors, and employees.

The attitudes, feelings and emotions of employees play a vital role to determine their performance and behaviour. These in turn determine the success and growth of the organization. It is for this reason that personnel experts as well as line managers now keen attention to the issues of motivation and morale in the industry.

Morale is a very widely used term. It generally refers to esprit de corps, a feeling of enthusiasm, zeal, and confidence in individuals or groups that they will be able to cope with the tasks assigned to them.

A person's enthusiasm for his job reflects his attitude of mind to work, the environment and to his employer, and his willingness to strive for the goals set for him by the organization in which he is employed.

### 1.5.1 APPROACHES TO MORALE

Different definitions of morale can be classified into three major approaches:

1. Classical Approach
2. Psychological Approach
3. Social Approach.

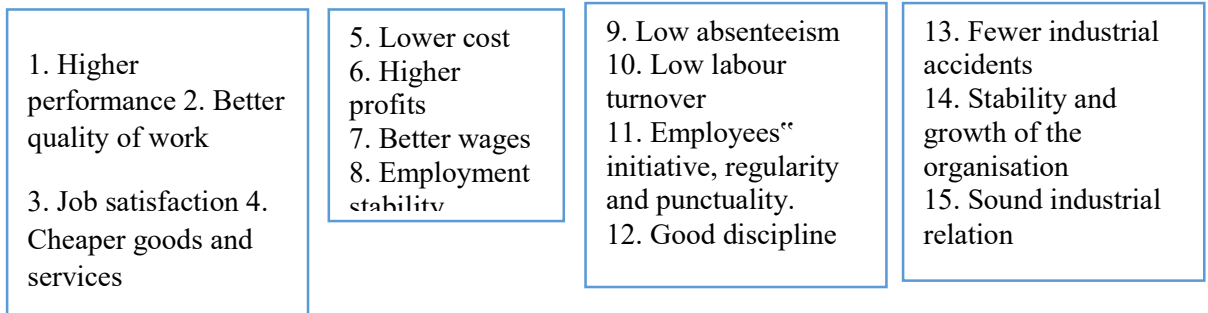
- **Classical Approach:** Robert M. Guion defined morale as the extent to which individual needs are satisfied and the extent to which an individual perceives that satisfaction stemming from total job satisfaction. According to this approach, the satisfaction of basic needs is the symbol of morale. If the basic needs of the employees are satisfied their morale will be high.
- **Psychological Approach:** In the words of Jucious and Slender, “morale is a state of mind and emotions affecting willingness to work which in turn affects individual and organisational objectives”. According to this approach, morale is a psychological concept i.e., a state of mind and emotions.
- **Social Approach:** Morale is a social phenomenon which enables men to live in a society or group in pursuit of a common goal. According to Blackmanship, morale is the feeling of togetherness. There is a sense of identification with and interest in the elements of one’s job, working conditions, fellow employees, supervisor, employer and the company.

Broadly speaking, morale is:

- stimulation of the feeling of togetherness
- identification of group interest and that of the interest of the enterprise, fellow employees and the requirement of the job; and
- the creation of an atmosphere in the organisation conducive to the achievement of the enterprise.

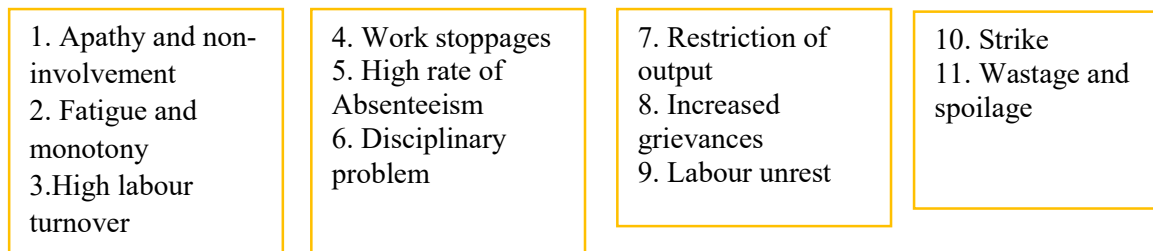
### 1.5.2 POSSIBLE EFFECTS OF HIGH MORALE

- According to Napoleon, “In war, morale conditions make up three-quarters of the game, the relative balance of manpower accounts for the remaining quarter”.
- Morale is equally important in management. High morale means willing cooperation and loyalty to the organisation. Employees with high morale take a greater interest in the job, feel a sense of identity with the organisation and take pride in it.
- **The effect of high morale are:**



### 1.5.3 EFFECT OF LOW MORALE / POOR MORALE

Low morale exists when attitudes inhibit the willingness and ability of an organisation to attain its objectives. If employees seem to be dissatisfied, irritated, cranky, critical, restless, and pessimistic they are described as having poor or low morale. Effects of low morale are:



### 1.5.4 FACTORS INFLUENCING EMPLOYEE MORALE

Employee morale is a very complex phenomenon and is influenced by many factors on the shop floor. Factors influencing employee morale can well be divided into two groups namely **organisational factors and personal factors**.

#### a. Organisational Factors

- i. **The reputation of Organisation:** Persons working in a reputed organisation experience feelings of pride and a spirit of loyalty.
- ii. **The objectives of the organization:** Employees are highly motivated and their morale is higher if their individual goals and objectives are in tune with organisational goals and objectives. The commonness of purpose will result in high morale.

- iii. **Organisational Design:** Organisational structure has an impact on the quality of labour relations, particularly on the level of morale. Large organizations tend to lengthen their channels of vertical communication and increase the difficulty of upward communication. Therefore the moral tends to be lower. Against this, a flat structure increases the level of morale.
- iv. **The Nature of Work:** A meaningful and satisfying job helps to improve employee morale. In such a job each member of the group understands clearly how his specific task contributes to the attainment of group goals. Morale tends to be low when the job provides no challenge and satisfaction and job standards are considered too high. Dull, monotonous, repetitive work affects employee morale adversely.
- v. **Work Environment:** The term work environment is used to describe the surrounding conditions in which an employee operates. The building and its appearance, the condition of machine tools available at the workplace, lighting, ventilation, provisions for safety, medical aid and repair to machinery, etc. have an impact on employees' morale. Morale is a direct function of the conditions in the workplace. Clean, safe, comfortable and pleasant work conditions are morale boosters.
- vi. **Working Conditions:** Working conditions refer to the working environment and aspects of an employee's terms and conditions of employment. This covers such matters as the organisation of work and work activities; training, skills and employability; health, safety and well-being; wages/salary; job security; and working time and work-life balance. When the wages are fair, the job is secure and there are opportunities for promotion, job satisfaction and morale are likely to be high.
- vii. **Rewards:** Employees expect adequate compensation for their services rendered to the organisation. A good system of wages, salaries, promotions and other incentives keeps the morale of the employees high. One of the requirements of high morale is the possibility and opportunity of progress in any concern. All employees should be allowed to progress and earn high wages without any discrimination.



- viii. **Leadership:** The actions of the management exercise a tremendous influence on the morale of employees. High rates of turnover, for example, indicate that the leadership is ineffective. Competent, dependable and fair-minded leadership can build and maintain high morale. Such leadership can win the confidence of employees through sympathetic and friendly behaviour. Lines of authority and responsibility are clear and the communication system is effective.
- ix. **Supervision:** The nature of supervision reflects the attitudes of employees because a supervisor is indirect and in continuous contact with the employees. An impartial, helpful, and capable team of supervisors and managers and their sympathetic attitude boosts the morale of subordinates.
- x. **Fellow Employees:** Man, being a social animal, finds his work more satisfying if he feels that he has the acceptance and companionship of his fellows. If he has confidence in his fellow employees and faith in their loyalty, his morale will be high. Poor attitude of co-employees influences others. A feeling of togetherness (group cohesiveness) and common goals tend to raise employee morale.
- xi. **Concept of Self:** How the employee looks at himself (the self-concept) also influences morale greatly. For example, individuals who lack self-confidence or who suffer from poor physical or mental health frequently develop moral problems. Further, how the employees' personal needs are satisfied can significantly influence their morale. Salary, fringe benefits, DA rates, and allowances, may affect employee morale positively or negatively when they compare themselves with others doing similar jobs.

#### **b. Personal Factors**

- i. **The employees' age:** Youngers are more dissatisfied
- ii. **Gender:** Lower occupational aspirations of women
- iii. **Education level:** Mismatch of the level of education and position in the organisation
- iv. **Marital status:** More dependence creates more pressure
- v. **Occupational level:** Higher executives have higher morale than the lower one
- vi. **Experience:** With the years at the job, morale increases but may fall back due to unfulfilled aspirations

## **1.6 EMPLOYEE PRODUCTIVITY**

Productivity is commonly defined as a ratio between the output volume and the volume of inputs. In other words, it measures how efficiently production inputs, such as labour and capital, are being used in an economy to produce a given level of output. Productivity, in economics, is the ratio of what is produced to what is required to produce it. Usually, this ratio is in the form of an average, expressing the total output of some category of goods divided by the total input of, say, labour or raw materials.

Peter F. Drucker has defined productivity as a balance between all factors of production that will give the maximum output with the smallest effort.

### **1.6.1 EMPLOYEE PRODUCTIVITY - MEANING**

Employee productivity can be defined as the amount of work (or output) produced by an employee in a specific period. Employee productivity (sometimes referred to as workforce productivity) is an assessment of the efficiency of a worker or group of workers. It is defined as an assessment of value generated by an individual employee within a specific time. It is a metric that is calculated based on the amount of output on a project versus the amount of time it takes. It can also be measured against a standard or “base” of productivity for a group of workers doing similar work.

### **1.6.2 FACTORS INFLUENCING EMPLOYEE PRODUCTIVITY**

Factors influencing employee productivity can be classified into Individual factors, Organisational factors, and Work Environment.

- i. **Individual Factors:** Individual factors are the factors that are possessed by an individual like knowledge, skill, attitude, and job aptitude. Increased knowledge, skill and aptitude certainly increased productivity and a person deficient in these personal attributes is less productive than an average man.
- ii. **Organisation Factors:** Organisation factors are inclusive of the various steps that are taken by the organisation towards maintaining better industrial relations. These are delegation and decentralization of authority, Organizational hierarchy, workers’ participation in the management, HR policies relating to the selection,

placement, promotion, Compensation, Performance appraisal, Job evaluation, Training & Development, Communication and feedback system, Supervision, and Leadership etc.

- iii. **Work Environment:** Work environment and Physical conditions influences employee productivity. A better work environment provides employees with the greatest ease at work. A few of the elements of the work environment are better ventilation and light arrangement, improved safety devices, reduction in noise, the introduction of suitable rest-pause, etc.

### 1.6.3 WAYS OF IMPROVING EMPLOYEE PRODUCTIVITY

- i. **Improve workplace conditions:** Arrangement of the workplace should be made in such a way that it creates an environment where people can give their best efforts. For example, If the actual work takes place at an office, it's important to ensure that there are designated areas set up for deep and silent work, as well as areas where employees can take calls and collaborate (for instance, during brainstorming sessions).
- ii. **Allow flexible schedules:** The regular hours may not be suitable for every individual in the organisation. An organisation may create core hours where everyone will be present and flexible working hours outside of those core hours.
- iii. **Optimize meetings:** Meetings consume a very significant portion of the working hours of the employees. Meetings need to be conducted only when mail or other forms of communication does not satisfy the need of the communication. Moreover, the purpose of every meeting must be clearly defined and communicated to the employees beforehand.
- iv. **Set clear deadlines and expectations:** Ambiguity is the enemy of productivity, so every employee must be clear about expectations and deadlines.
- v. **Coach employees on their priorities:** Equally important as setting clear goals and expectations is following up on those goals and encouraging employees to bring up their challenges and roadblocks. The one-on-one meetings to coach employees on the projects and priorities that they should be paying more attention to can have a positive impact on productivity.

- vi. **Encourage self-care and time off:** Encouraging employees to take care of their mental health and taking time off is an important part of increasing overall productivity. Continuous work may lead the employees to experience burnout.
- vii. **Boost morale by celebrating accomplishments:** Remember to celebrate the accomplishments of employees/subordinates. If an organisation want to increase employee productivity, it needs to create spaces where employees feel recognized for their contributions. If they are constantly celebrated and rewarded, they will be more likely to continue doing their best work.

## **1.7 CHANGE MANAGEMENT**

Change management is the process, tools and techniques to manage the people side of change to achieve the required business outcome. Change management has been defined by various authors. A few of them are as follows:

- The Association of Change Management Professionals: “The practice of applying a structured approach to transition an organization from a current state to a future state to achieve expected benefits.”
- According to John Kotter’s consultancy, change management: “Refers to a set of basic tools or structures intended to keep any change effort under control. The goal is often to minimize the distractions and impacts of the change.”
- Change management is a set of strategies and procedures used to manage an organizational change and guide people through the necessary transition to achieve the desired result.
- Change management is defined as the methods and manners in which a company describes and implements change within both its internal and external processes. This includes preparing and supporting employees, establishing the necessary steps for change, and monitoring pre- and post-change activities to ensure successful implementation.

### **1.7.1 DIFFERENT TYPE OF CHANGE EVENTS THAT ASKS FOR CHANGE MANAGEMENT**

All organisations need to deal with change events. Successful organisations can manage change coherently and generates the most benefit from changes and improvements to

the way they do business. A firm may deal with several different types of change events. These could include:

- **Changes in scale** – Where a firm wins a large contract or opens a new business line there will be a need to change the way the business works due to the increasing size of the organisation (e.g. increases in employees, need for new premises, need for additional vehicles, changes in management structures etc.)
- **Personnel changes** – A more common change event that all organisations will face from time to time is the need to adapt to changes in the personnel in key positions within the business. For example, a change in supervisor may change team dynamics whilst a change in accountant could include the risk of losing significant corporate knowledge.
- **Changes in technology** – Where there have been improvements in technology (e.g. communications, IT or equipment) there will be a need for a firm to update their systems and train their employees to effectively manage the change.
- **Changes in service offerings** – In circumstances where a firm is going to change the business lines that were serviced by another firm, will need to manage a change process through training existing staff, recruiting additional staff, updating the business plan and potentially investing in new equipment and marketing literature.
- **Legislative change** – Changes in the laws and regulations could have a significant impact on how [Your Company] goes about undertaking its work.

### **1.7.2 CHANGE MANAGEMENT PROCESS**

The change management process is the sequence of steps or activities that a change management team or project leader follows to apply change management to a change to drive individual transitions and ensure the project meets its intended outcomes. The below elements have been identified from research as key elements of a successful change management process.

- Readiness assessments
- Communication and communication planning
- Sponsor activities and sponsor roadmaps
- Coaching and manager training for change management

- Training and employee training development
- Resistance management
- Data collection, feedback analysis and corrective action
- Celebrating and recognizing success
- After-project review

**The above process is discussed below:**

**i. Readiness Assessments:** Assessments are tools used by a change management team or project leader to assess the organization's readiness to change. Readiness assessments can include organizational assessments, culture and history assessments, employee assessments, sponsor assessments and change assessments. Each tool provides the project team with insights into the challenges and opportunities they may face during the change process.

**What to assess:**

**Assess the Scope of the Change:**

- How big is this change?
- How many people are affected?
- Is it a gradual or radical change?

**Assess the Readiness of the Organization Impacted by the Change:**

- What are the value system and backgrounds of the impacted groups?
- How much change is already going on?
- What type of resistance can be expected?

**Assess the strengths of the change management team and change sponsors**

**ii. Communication and Communication Planning:** Many managers assume that if they communicate clearly with their employees, their job is done. However, there are many reasons why employees may not hear or understand what their managers are saying the first time around. Messages need to be repeated five to seven times before they are cemented into the minds of employees.

**Three Components of Effective Communication:** Effective communicators carefully consider three components:

1. The audience
2. What is communicated
3. When it is communicated

The first step in managing change is building awareness around the need for change and creating a desire among employees. Therefore, initial communications are typically designed to create awareness around the business reasons for change and the risk of not changing. Likewise, at each step in the process, communications should be designed to share the right messages at the right time.

Communication planning, therefore, begins with a careful analysis of the audiences, key messages and the timing for those messages. The change management team or project leaders must design a communication plan that addresses the needs of frontline employees, supervisors and executives. Each audience has particular needs for information based on their role in the implementation of the change.

**iii. Sponsor Activities and Sponsor Roadmaps:** Business leaders and executives play a critical sponsor role in times of change. The change management team must develop a plan for sponsor activities and help key business leaders carry out these plans. Research shows that sponsorship is the most important success factor.

**Avoid Confusing the Notion of Sponsorship with Support**

The CEO of the company may support a project, but that is not the same as sponsoring the change management initiative. Sponsorship involves active and visible participation by senior business leaders throughout the process, building a coalition of support among other leaders and communicating directly with employees. Unfortunately, many executives do not know what this sponsorship looks like. A change manager or project leader's role includes helping senior executives do the right things to sponsor the project.

**iv. Change Management Training for Managers:** Managers and supervisors play a key role in managing change. They have more influence over an employee's motivation to change than any other person. However, the managers are the most difficult group to convince of the need for change and can be a source of resistance. It is vital for the change management team and executive sponsors to gain the support of managers and supervisors. Individual change management activities should be used to help these managers through the change process.

Once managers and supervisors are on board, the change management team must prepare a strategy to equip managers to successfully coach their employees through the change. They will need to provide training and guidance for managers, including how

to use individual change management tools with their employees.

**v. Training Development and Delivery:** Training is the cornerstone for building knowledge about the change and the required skills to succeed in the future state. Ensuring impacted people receive the training they need at the right time is a primary role of change management. This means training should only be delivered after steps have been taken to ensure impacted employees have the awareness of the need for change and the desire to support the change. Change management and project team members will develop training requirements based on the skills, knowledge and behaviours necessary to implement the change.

**vi. Resistance Management:** Resistance from employees and managers is normal and can be proactively addressed. Persistent resistance, however, can threaten a project. The change management team needs to identify, understand and help leaders manage resistance throughout the organization. Resistance management is the process and tools used by managers and executives with the support of the change team to manage employee resistance.

**vii. Employee Feedback and Corrective Action:** Managing change is not a one-way street; employee involvement is a necessary and integral part of managing change. Feedback from employees as a change is being implemented is a key element of the change management process. Change managers can analyze feedback and implement corrective action based on this feedback to ensure full adoption of the changes.

**viii. Recognizing Success and Reinforcing Change:** Early adoption, successes and long-term wins must be recognized and celebrated. Individual and group recognition is a necessary component of change management to cement and reinforce the change in the organization. Continued adoption needs to be monitored to ensure employees do not slip back into their old ways of working.

**ix. After-Project Review:** The final step in the change management process is the after-action review. It is at this point that a change leader stands back from the entire program, evaluates successes and failures, and identifies process changes for the next project. This is part of the ongoing, continuous improvement of change management for the organization and ultimately leads to change competency.

These elements comprise the areas or components of a change management program. Along with the change management process, they create a system for managing change.



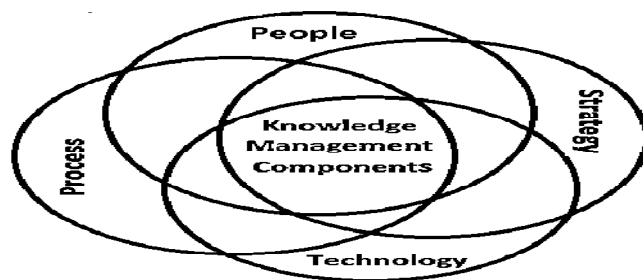
Good project managers apply these components effectively to ensure project success, avoid the loss of valued employees and minimize the negative impact of the change on productivity and a company's customers.

## 1.8 KNOWLEDGE MANAGEMENT

Knowledge management is one of the new domain of HRM. The definitions of Knowledge Management are as follows:

- Tom Davenport: “Knowledge Management is the process of capturing, distributing, and effectively using knowledge.”
- Gartner Group: “Knowledge management is a discipline that promotes an integrated approach to identifying, capturing, evaluating, retrieving, and sharing all of an enterprise’s information assets. These assets may include databases, documents, policies, procedures, and previously un-captured expertise and experience in individual workers.”
- Anthony J. Rhem: “Knowledge Management is the the process of getting the right knowledge to the right people at the right time, enabled by people, processes and technology all of which aligns with the strategies, objectives of the organization to improve performance and facilitate innovation”

### 1.8.1 COMPONENT OF KNOWLEDGE MANAGEMENT



Knowledge Management (KM) has 4 components. They are:

**i. People:** People are the most vital component of KM. The people are the ultimate holders of knowledge and are responsible for boosting knowledge management. When the KM program is initialized, it needs two types of people. The first type is the one who is an expert in the field and has extensive knowledge. Because they provide sponsorship and help in building a strategic organization. Therefore, Such people are

responsible for providing the organisation with significant, urgent knowledge to help flourish the business. The other type is the stakeholders that will guide towards strategic implementation. Stakeholders may come from the department of HR and IT.

## **ii. Process**

The knowledge doesn't consistently flow; it is like a water tap that only drips when someone turns on the tap. The goal of KM processes is to obtain, create, gather, and share knowledge. It begins with getting the requirements and creating new awareness, which is a continuous process. After that, the critical knowledge is identified from the pool of the gathered knowledge. It is then shared with the entities involved in making decisions based on this knowledge.

The KM processes can be divided into four main processes:

- knowledge acquisition,
- knowledge storage,
- knowledge distribution, and
- knowledge use.

## **iii. Technology**

The technology advances the efforts and accelerates the speed of knowledge transfer. Not just the technology, the content also plays a vital role. Content is any kind of documented or verbal information shared between members. It can either be well-sorted or some quick tips and suggestions. Technology acts as a helping hand to process and collect valuable knowledge information, making it readily available for people to use.

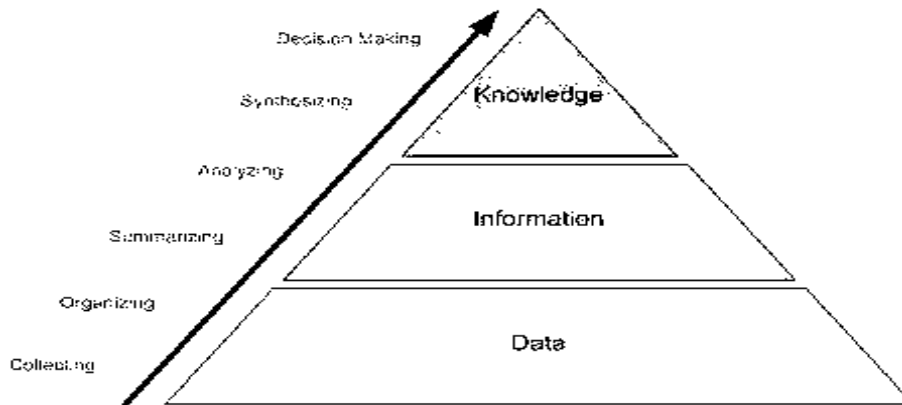
## **iv. Strategy**

Every program or planning requires strategy. The strategy of any program decides its future, and whether it is going in the right direction. The strategy must construct by keeping in mind the tools, roles, and budget and the positive impact of knowledge management on the organization. A proper strategy for utilizing the required tools in a low-cost budget will increase the organization's worth.

### **1.8.2 KNOWLEDGE MANAGEMENT PROCESS**

The process of knowledge management is universal for any enterprise. Sometimes, the resources used, such as tools and techniques, can be unique to the organizational

environment. The Knowledge Management process has six basic steps assisted by different tools and techniques. When these steps are followed sequentially, the data transform into knowledge.



**i. Collecting:** This is the most important step of the knowledge management process. If the data collected is incorrect or irrelevant, the resulting knowledge may not be the most accurate. Therefore, the decisions made based on such knowledge could be inaccurate as well.

There are many methods and tools used for data collection. The data collection should be a procedure in the knowledge management process. These procedures should be properly documented and followed by people involved in the data collection process.

The data collection procedure defines certain data collection points. Some points may be the summary of certain routine reports. As an example, monthly sales reports and daily attendance reports maybe two good resources for data collection.

With data collection points, the data extraction techniques and tools are also defined. As an example, the sales report may be a paper-based report where a data entry operator needs to feed the data manually to a database whereas, the daily attendance report may be an online report where it is directly stored in the database.

In addition to data collecting points and extraction mechanisms, data storage is also defined in this step. Storing knowledge means preserving the existing as well as acquired knowledge in the knowledge repository. The knowledge repository could be a computer database that stores a specific knowledge domain.

**ii. Organizing:** The data collected needs to be organized. This organization usually happens based on certain rules defined by the organization. As an example, all sales-related data can be filed together, and all staff-related data could be stored in the same

database table. This type of organization helps to maintain data accurately within a database.

Organizing aims at reducing the duplication of data. Organizing helps in arranging data logically and related to one another for easy retrieval. When data passes step 2, it becomes information.

**iii. Summarizing:** In this step, the information is summarized to take the essence of it. The lengthy information is presented in tabular or graphical format and stored appropriately. For summarizing, many tools can be used such as software packages, charts (Pareto, cause-and-effect), and different techniques.

**iv. Analyzing:** At this stage, the information is analyzed to find the relationships, redundancies and patterns. An expert or an expert team should be assigned for this purpose as the experience of the person/team plays a vital role. Usually, there are reports created after the analysis of information.

**v. Synthesizing:** At this point, information becomes knowledge. The results of analysis (usually the reports) are combined to derive various concepts and artefacts. A pattern or behaviour of one entity can be applied to explain another, and collectively, the organization will have a set of knowledge elements that can be used across the organization.

This knowledge is then stored in the organizational *knowledge base* for further use. Usually, the knowledge base is a software implementation that can be accessed from anywhere through the Internet.

**vi. Decision Making:** At this stage, the knowledge is used for decision making. As an example, when estimating a specific type of project or a task, the knowledge related to previous estimates can be used. This accelerates the estimation process and adds high accuracy. This is how organizational knowledge management adds value and saves money in the long run.

## **1.9 STRESS MANAGEMENT**

Stress management encompasses techniques intended to equip a person with effective coping mechanisms for dealing with psychological stress.

### **1.9.1 STRESS?**

Originally, stress was conceived of as pressure from the environment, then as strain within the person. The generally accepted definition today is one of interaction between the situation and the individual. It is the psychological and physical state that results when the resources of the individual are not sufficient to cope with the demands and pressures of the situation. Thus, stress is more likely in some situations than others and some individuals than others. Stress can undermine the achievement of goals, both for individuals and organisations.

### **SIGNS OF STRESS**

Signs of stress can be seen in people's behaviour, especially in changes in behaviour. Acute responses to stress may be in the areas of feelings (for example, anxiety, depression, irritability, fatigue), behaviour (for example, being withdrawn, aggressive, tearful, unmotivated), thinking (for example, difficulties of concentration and problem solving) or physical symptoms (for example, palpitations, nausea, headaches).

If stress persists, there are changes in neuroendocrine, cardiovascular, autonomic and immunological functioning, leading to mental and physical ill-health (for example anxiety, depression, and heart disease).

### **1.9.2 CAUSES OF STRESS**

Situations that are likely to cause stress are those that are unpredictable or uncontrollable, uncertain, ambiguous or unfamiliar and involve conflict, loss or performance expectations.

Stress may be caused by time-limited events, such as the pressures of examinations or work deadlines, or by ongoing situations, such as family demands, job insecurity, or long commuting journeys.

**i. Workplace Factors Causing Stress:** The workplace is an important source of both demands and pressures causing stress, and structural and social resources to counteract stress. The workplace factors that are associated with stress and health risks can be categorised as those to do with the content of work and those do with the social and organisational context of work.

**ii. Content of work:** Those that are intrinsic to the job include long hours, work overload, time pressure, difficult or complex tasks, lack of breaks, lack of variety, and

poor physical work conditions (for example, space, temperature, light).

### **The social and organisational context of work**

- Unclear work or conflicting roles and boundaries can cause stress, as can having responsibility for people.
- Under the promotion, lack of training, and job insecurity.
- poor social support
- relationships at work, and the organisational culture.

### **organisational culture:**

- Managers who are critical, demanding, unsupportive or bullying create stress, *whereas a positive social dimension of work and good team working reduces it.*
- lack of control over overwork and lack of participation in decision making,
- An organisational culture of unpaid overtime or “presenteeism” causes stress. On the other hand, a culture of involving people in decisions, keeping them informed about what is happening in the organisation, and providing good amenities and recreation facilities reduce stress.
- Organisational change, especially when consultation has been inadequate, is a huge source of stress. Such changes include mergers, relocation, restructuring or “downsizing”, individual contracts, and redundancies within the organisation.

## **1.9.3 DEALING WITH STRESS**

Prevention and management of workplace stress can be done at two levels i.e. Individual stress management and Organisational stress management.

**a. Individual Stress Management:** Most interventions to reduce the risk to health associated with stress in the workplace involve both individual and organisational approaches. Individual approaches include training and one-to-one psychology services—clinical, occupational, health or counselling. They should aim to change individual skills and resources and help the individual change their situation.

### **Training helps prevent stress through:**

- becoming aware of the signs of stress

- using this to interrupt behaviour patterns when the stress reaction is just beginning. Stress usually builds up gradually. The more stress builds up, the more difficult it is to deal with
- analysing the situation and developing an action plan to minimise the stressors
- learning skills of active coping and relaxation, developing a lifestyle that creates a buffer against stress
- practising the above in low-stress situations first to maximise chances of early success and boost self-confidence and motivation to continue.

A wide variety of training courses may help in developing active coping techniques—for example, assertiveness, communications skills, time management, problem-solving, and effective management.

**b. Organisational Stress Management:** There are many sources of stress that the individual is likely to perceive as outside his or her power to change, such as the structure, management style or culture of the organisation. The prevention and management of workplace stress require organisational level interventions because it is the organisation that creates the stress. An approach that is limited to helping those already experiencing stress is analogous to administering sticking plaster on wounds, rather than dealing with the causes of the damage. An alternative analogy is trying to run up an escalator that's going down!

Organisational interventions can be of many types, ranging from structural (for example, staffing levels, work schedules, physical environment) to psychological (for example, social support, control over work, participation).

### **1.10 INTERNATIONAL HRM**

The process of procuring, allocating and effectively utilizing human resources in an international business is called international human resources management (IHRM). According to P. Subba Rao, IHRM refers to performing HRM and its related activities and arranging for related and necessary immigration facilities for prospective and current expatriate employees, by organizations operating in domestic and/or foreign countries.

### 1.10.1 DIMENSION OF IHRM

Because of the global context, IHRM is the interplay of three dimensions- HR activities, type of employees, and countries of operations.

- **There are three broad activities in IHRM** — procuring, allocating, and utilizing employees for international operations. These three broad activities cover all HR functions which are relevant to domestic operations.
- **There are three types of employees** in a multinational firm based on their place of origin — parent country nationals, host country nationals, and third-country nationals. *Parent country nationals are those whose origin is the country where the firm's headquarters are located. Host country nationals are those whose origin is the country where the firm's operations are located. Third-country nationals are those whose origin is a country which is neither the home country nor the host country.*
- **There are three types of countries** involved in international HRM activities — home country, host country, and the third country. *The home country is the country of origin of the firm. The host country is the country in which operations of the firm are carried on. For a single firm, there may be many host countries. The third country is a country from where resources — human and other resources — are procured. There may be many third countries.*

### 1.10.2 THE REASONS THAT IHRM IS MORE COMPLEX THAN DOMESTIC HRM ARE DESCRIBED BELOW:

- i. International HRM addresses a broader range of activities than domestic HRM.** These include international taxation, coordinating foreign currencies and exchange rates, international relocation, international orientation for the employee posted abroad, etc.
- ii. Human resource managers working in an international environment face the problem of addressing HR issues of employees belonging to more than one nationality.** Hence, these HR managers need to set up different HRM systems for different locations. Human resource managers in a domestic environment administer HR programmes to employees belonging to a single nationality.
- iii. International HRM requires greater involvement in the personal life of**



**employees.**

- The HR manager of an MNC must ensure that an executive posted to a foreign country understands all aspects of the compensation package provided in the foreign assignment, such as cost of living, taxes, etc.
- The HR manager needs to assess the readiness of the employee's family to relocate, support the family in adjusting to foreign culture through cross-cultural training, and help in admitting the children to schools.
- The HR department may also need to take responsibility for children left behind in boarding schools in the home country by the employees on foreign postings.

**iv. There is heightened exposure to risks in international assignments.** These risks include the health and safety of the employee and family. A major aspect of risk relevant to IHRM today is possible terrorism. Moreover, human and financial consequences of mistakes in IHRM are much more severe than in domestic business. For example, if an executive posted abroad returns prematurely, it results in high direct costs as well as indirect costs.

**v. International HRM has to deal with more external factors than domestic HRM.** For example, government regulations about staffing practices in foreign locations, local codes of conduct, the influence of local religious groups, etc. If an American organization is sanctioned license by the Indian government to set up its subsidiary in India, the American company is under legal obligations to employ residents.

## **1.11 WORKFORCE DIVERSITY**

Differences have existed both in society and the workforce today and will continue to increase at a growing rate. There is a moral responsibility for each individual to become aware of these differences and respect each person as a unique human being. Valuing diversity and thereby becoming a diversity champion requires each person to tolerate differences, respect differences, understand differences, and examine or explore those differences to maximize the productivity of the workforce and gain organizational competitiveness.

Diversity management is a process intended to create and maintain a positive work environment where the similarities and differences of individuals are valued. Diversity and inclusion in the work environment promote acceptance, respect, and teamwork

despite differences in race, age, gender, native language, political beliefs, religion, sexual orientation, or communication styles among employees.

#### 1.11.1 ISSUES/DIMENSIONS OF WORKFORCE DIVERSITY

- **Acceptance and Respect:** A fundamental value that contributes to a successfully diversified workplace is respect among workers and employees. Lack of acceptance of the diverse culture and beliefs among employees may lead to conflict while acceptance of differences results in mutual respect, sharing of ideas and effective collaboration. Diversity training will help employees understand, accept, and respect each other's differences.
- **Accommodation of Beliefs:** Diversity in cultural, spiritual, and political beliefs can sometimes pose a challenge in a diverse workplace. Employees need to be reminded that they shouldn't impose their beliefs on others to prevent spats and disputes. They also need to make sure to keep their ethnic and personal beliefs independent of their work responsibilities and duties.
- **Ethnic and Cultural Differences:** Issues of ethnic and cultural differences are still present in the workplace. There are still some individuals who hold prejudice against people who have different ethnic, cultural, and religious backgrounds as their own. Internal company policies with clear and objective regulations should be put in place to prevent employees from demonstrating prejudice. Cultural sensitivities training and diversity awareness programs in the workplace can help address this issue.
- **Gender Equality:** History states that men are preferred more for the job and paid better than women. However, in recent years, there has been an influx of women in the workplace. Employers need to prevent gender discrimination and maintain equality regarding hiring, salary, opportunities, and promotions.
- **Physical and Mental Disabilities:** Society, as well as different Government agencies, are promoting employment opportunities for differently-abled 'Divyang'. However, the offices and facilities available are not Divyang friendly. Management must ensure a supportive, fair and comfortable work environment for employees with physical and mental disabilities.

- **Generation Gaps:** By 2025, millennials will make up 75% of the workforce, and they are changing the work culture. Employees from other generations may have difficulties adapting to changes in the workplace and the work culture that the younger generation is bringing about. There may also be times that workers from different generations may disagree with how things should be done. To maintain teamwork and collaboration, management can create an open communication culture within the organization to help bridge the gap between generations.
- **Language and Communication:** Language and communication barriers are ever-present in companies with a diverse workforce. This can lead to miscommunication and productivity loss. Language training for non-native employees can often prevent this from happening. Hiring multilingual or bilingual employees can also help bridge the gap.

## 1.12 CONCLUSION

In conclusion, Human Resource Management (HRM) encompasses a multifaceted approach to managing an organization's most valuable asset—its people. This strategic function involves a range of activities aimed at maximizing employee performance and aligning it with the overall organizational goals. The evolution of HRM reflects a shift from the traditional personnel management paradigm to a more strategic and holistic approach, integrating various theories to enhance workforce effectiveness.

The objectives of HRM extend beyond administrative tasks to fostering a positive work environment, ensuring employee satisfaction, and facilitating organizational growth. The HR manager, as a key player, performs diverse functions such as recruitment, training, performance evaluation, and employee relations, contributing significantly to the success of the organization.

A pivotal distinction emerges in the comparison between HRM and personnel management, with HRM emphasizing a strategic partnership between management and employees rather than a mere administrative function. Concepts like employee morale and productivity underscore the importance of a motivated workforce, while effective management of change acknowledges the dynamic nature of the business environment. Knowledge management becomes paramount in the contemporary workplace,

acknowledging the significance of intellectual capital. Stress management addresses the well-being of employees, recognizing the impact of work-related stress on both individuals and organizational performance. International HRM navigates the complexities of a globalized workforce, emphasizing cultural sensitivity and adaptability.

Diversity at work is acknowledged not just as a compliance requirement but as a valuable asset contributing to creativity and innovation. It emphasizes the inclusive management of a workforce with varied backgrounds, experiences, and perspectives. As organizations continually evolve, embracing these HRM concepts becomes integral to navigating the challenges of the modern workplace, ensuring sustained success and competitiveness. In essence, HRM is not merely a departmental function but a dynamic and integral aspect of organizational strategy, contributing to the long-term sustainability and growth of the enterprise.

## **CHECK YOUR PROGRESS**

### **1. Multiple Choice Questions (MCQ)**

Q1.1 What is one of the personal objectives of HRM?

- a) Achieving organizational goals
- b) Enhancing individual contribution to the organization
- c) Creating a desirable organizational structure
- d) Minimizing societal challenges

Q1.2 In the context of business competition, what sets human resources apart from technological and financial resources?

- a) Human resources are easily duplicable
- b) Human resources are less complex
- c) Human resources are scarce and complex
- d) Human resources have no influence on competition

Q1.3 How would you define human resource management based on the given information?

- a) Human resource management focuses on duplicating organizational resources.

- b) Human resource management involves coordinating technological resources in an organization.
- c) . Human resource management primarily involves financial planning in an organization.
- d) Human resource management is the function aimed at optimizing the use of people to achieve organizational and individual goals

Q1.4 What marked a significant change in the composition of the labor force during the modern era?

- a) Entry of a large number of educated and highly skilled workers
- b) Introduction of Combination Acts in England
- c) Widespread prevalence of the doctrine of individualism
- d) Adoption of laissez-faire principles in labour management

Q1.5 What marked the transition from the Trade Union Movement Era to the Social Responsibility Era in the development of management of human resources?

- a) Emergence of scientific management principles
- b) Adoption of paternalistic approaches by factory owners
- c) Introduction of the systems and contingency approach
- d) Rise of behavioural science theories

Q1.6 What significant change occurred in the nomenclature of the personnel department to reflect a contemporary view of managing human resources?

- a) Transformation into the Industrial Relations Department
- b) Establishment of the Systems and Contingency Department
- c) Transition to the Trade Union Management Department
- d) Renaming as the Human Resource Department

Q1.7 In terms of remuneration, what is a characteristic of HRM?

- a) "Pay by position" and collective base rates
- b) Equal pay for all employees
- c) Market-based and individual/team performance
- d) Seniority-based pay system

Q1.8 How does the Classical Approach define morale?

- a) Morale is the extent to which individual needs are satisfied, linked to total job satisfaction.
- b) Morale is the feeling of togetherness in a social setting.
- c) Morale is a state of mind and emotions affecting willingness to work.
- d) Morale is a psychological concept related to the pursuit of common goals.

Q1.9 Among the factors listed, which one is considered an Organisational Factor influencing employee morale?

- a) Employee age
- b) Occupational level
- c) Education level
- d) Marital status

Q1.10 Why does the management thinkers/psychologist argue for organisational-level interventions in dealing with workplace stress?

- a) Organisational changes have no impact on stress levels.
- b) Individual interventions are more effective.
- c) The organisation is the primary source of stress.
- d) Organisational culture has no influence on stress.

*Answer Keys: 1.1-B, 1.2-C, 1.3-D, 1.4-A, 1.5B, 1.6-D, 1.7-C, 1.8-A, 1.9-B, & 1.10-C.*

## **2. SHORT ANSWER TYPE QUESTIONS**

Q2.1 Define Human Resource Management (HRM).

Q2.2 State two differences between Personal management and HRM.

Q2.3 Briefly explain the factors that influence employee productivity.

Q2.4 What is knowledge management?

Q2.5 Why is international HRM considered more complex than domestic HRM?

## **3. LONG ANSWER TYPE QUESTIONS**

Q3.1 Explain the significance of HRM.

Q3.2 Shed light on the evolution of HRM.

Q3.3 Elaborate on the responsibilities of the HR manager.

Q3.4 Provide a description of the change management process.

Q3.5 Analyse the different dimensions of workforce diversity.

## **UNIT-II: HUMAN RESOURCE PLANNING AND DEVELOPMENT**

- Manpower Planning- meaning, objectives, importance, Process, Techniques;
- Job Analysis, Job Description, Job specification;
- Job Design: Concepts, Approaches, Techniques;
- Job Evaluation: Concept, Importance, Methods;
- Performance Appraisal: Concept, Objectives, Process, Methods.

### **2.1 HUMAN RESOURCE PLANNING?**

Human resource planning is one of the important elements of any HRM activities. It has been defined by many authors from different perspectives. A few of these definitions are:

- E.W. Vetter: HRP is “the process by which a management determines how an organisation should make from its current manpower position to its desired manpower position.
- Dale S. Beach: HRP is “a process of determining and assuring that the organisation will have an adequate number of qualified persons available at the proper times, performing jobs which meet the needs of the enterprise and which provide satisfaction for the individuals involved.”
- Leon C. Megginson: HRP is “an integration approach to performing the planning aspects of the personnel function in order to have a sufficient supply of adequately developed and motivated people to perform the duties and tasks required to meet organisational objectives and satisfy the individual’s needs and goals of organisational members.”
- David A Decenzo and Stephen P Robbins: ‘human resource planning is the process by which an organisation ensures that it has the right number and kind of people, at the right place, at the right time, capable of effectively and efficiently completing those tasks that will help the organisation achieve it’s overall objectives. Human resource planning translates the organisation’s

objectives and plans into the number of workers needed to meet those objectives.’

### **2.1.1 OBJECTIVES OF HUMAN RESOURCE PLANNING**

The objectives of HR planning are as follows:

- To ensure the continuous supply of human resources of required quantity and quality.
- Provide lead time available to select and train the required additional human resource over a specified period.
- To improve the standards, skill, knowledge, ability, discipline etc. of the existing workforce.
- Forecast future requirements of human resources with different levels of skills.
- To forecast the employee turnover and make the arrangements for minimizing turnover and filling up consequent vacancies.
- Ensure proper use of existing human resources in the organisation.
- To meet the needs of the program of expansion, diversification etc.
- Anticipate the impact of technology on jobs and requirements for human resources.
- To assess the surplus or shortage of human resources and take measures accordingly.
- To maintain congenial industrial relations by maintaining optimum level and structure of human resources
- To estimate the cost of human resources.

### **2.1.2 IMPORTANCE OF HUMAN RESOURCE PLANNING**

The importance of HR planning are discussed below:

- i. **Assessing Future Personnel Needs:** Whether it is surplus labour or labour shortage, it gives a picture of defective planning or the absence of planning in an organization. Several organizations, especially public sector units (PSUs) in India are facing the problem of surplus labour. It is the result of surplus labour that the companies, later on, offer schemes like the Voluntary Retirement Scheme (VRS) to eliminate surplus staff. Thus, it is better to plan well about



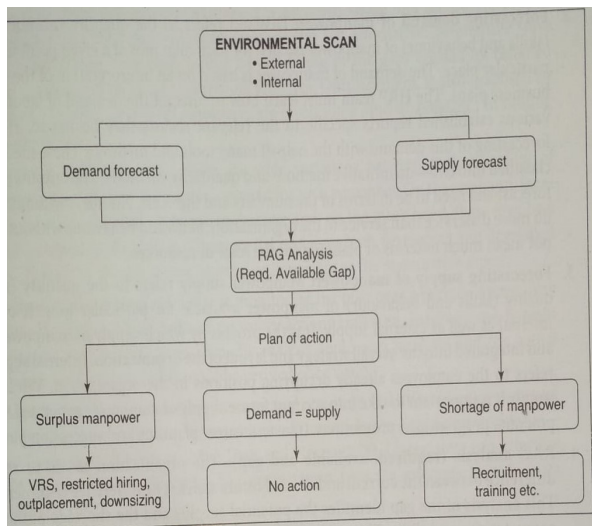
employees in advance. Through HRP, one can ensure the employment of the proper number and type of personnel.

- ii. **Foundation for Other HRM Functions:** HRP is the first step in all HRM functions. So, HRP provides the essential information needed for the other HRM functions like recruitment, selection, training and development, promotion, etc.
- iii. **Coping with Change:** Changes in the business environment like competition, technology, government guidelines, global market, etc. bring changes like the job. This means changes in the demand for personnel, the content of the job, qualifications and experience needed. HRP helps the organization in adjusting to new changes.
- iv. **Investment Perspective:** As a result of a change in the mindset of management, investment in human resources is viewed as a better concept for the long-run success of the enterprise. Human assets can increase in value as opposed to physical assets. Thus, HRP is considered important for the proper planning of future employees.
- v. **Expansion and Diversification Plans:** During the expansion and diversification drives, more employees at various levels are needed. Through proper HRP, an organization comes to know about the exact requirement of personnel in plans.
- vi. **Employee Turnover:** Every organization suffers from a small turnover of labour, some time or the other. This is high among young graduates in the private sector. This necessitates again doing manpower planning for further recruiting and hiring.
- vii. **Conformity with Government Guidelines:**
- viii. To protect the weaker sections of the society, the Indian Government has prescribed some norms for organizations to follow. For example, reservations for SC/ST, BC, physically handicapped, ex-servicemen, etc. in the jobs. While planning for fresh candidates, HR manager takes into consideration all the Government guidelines.
- ix. **International Expansion Strategies:** International expansion strategies of an organization depend upon HRP. Under International Human Resource Manage-

ment (IHRM), HRP becomes more challenging. An organization may want to fill the foreign subsidiary's key positions from its home country employees or host-country or a third country. All this demands very effective HRP.

- x. **Having Highly Talented Manpower Inventory:** Due to changing business environment, jobs have become more challenging and there is an increasing need for dynamic and ambitious employees to fill the positions. Efficient HRP is needed for attracting and retaining well qualified, highly skilled and talented employees.

### 2.1.3 HUMAN RESOURCE PLANNING PROCESS



1. *Environmental Scanning:  
Internal & External*
2. *Demand Forecasting*
3. *Supply Forecasting*
4. *Required Available Gap  
(RAG Analysis)*
5. *Plan of Action*
6. *Control and Assessment*

#### i. Environmental Scanning

HR planning begins with environmental scanning. Environmental scanning stands for systematic monitoring of environmental factors to identify external opportunities and threats, and intern strengths and weaknesses. The environmental analysis will create awareness about the current position of the business in general.

#### ii. HR Demand Forecast

Demand forecasting is the process of estimating the number and type of personnel required in future. The number of people needed in future depends on the production and sales of an enterprise. But this demand keeps on varying due to change in production technology, process, make or buy decisions, behavior patterns, control systems etc. and demand forecasting helps in making projections for new positions to

be created and vacancies arising in current manpower.

**The different techniques of Demand Forecasting are:**

**A. Managerial Judgement:** Managerial Judgement technique is the most typical method of forecasting generally used in small scale organizations. It involves two types of approaches i.e. 'bottom-up' approach and 'topdown' approach. Perhaps the best way of managerial judgement method is to use both the approaches 'bottom-up' and 'top-down' together.

**B. Work Study Method:** Work study method also known as work load analysis is suitable where it is possible to apply work measurement to calculate how long operations should take and the amount of labour required. Under this method total production and activities for a specific period are estimated and this estimation is translated into number of manhours required to produce per units (after taking the capability of workforce into consideration).

**C. Ratio-Trend Analysis:** This is the quickest forecasting technique in which manpower resources are estimated on the basis of production level and number of workers available. The technique involves studying past ratios between, say, the number of direct and indirect workers in an organization and forecasting future ratios after making allowances for changes in the organization or its methods. The forecasts are then used to determine direct labour requirements and the forecast ratios of indirect and direct labour is further used to calculate the number of indirect workers needed.

**D. Flow models:** Flow models are very frequently associated with forecasting personnel needs. The simplest one is called the Markov model. In this technique, the forecasters will:

- i. Determine the time that should be covered. Shorter lengths of time are generally more accurate than longer ones. However, the time horizon depends on the length of the HR plan which, in turn, is determined by the strategic plan of the organization.
- ii. Establish categories, also called states, to which employees can be assigned. These categories must not overlap and must take into account every possible category to which an individual can be assigned. The number of states can neither be too large nor too small.

- iii. Count annual movements (also called ‘flows’) among states for several time periods. These states are defined as absorbing (gains or losses to the company) or non-absorbing (change in position levels or employment status). Losses include death or disability, absences, resignations and retirements. Gains include hiring, rehiring, transfer and movement by position level.
- iv. Estimate the probability of transitions from one state to another based on past trends. Demand is a function of replacing those who make a transition.

**E. Regression Analysis:** This technique is similar to Ratio-trend Analysis as is based on the relationship between sales volume and employees size. It can be used to assess the relationship between one or more independent and the dependent variable. It determines the relationship between Y variables such as number of employees and X variables such as work done by actually measuring the relationship that existed in the past. Multiple regression analysis involves two or more independent variables and is more advanced but most accurate forecasting technique when used correctly.

**F. Delphi Technique:** Delphi Technique named after the ancient Greek Oracle at the city of Delphi, is an important technique used for estimating demand of human resources. It takes into consideration human resource requirements given by a group of experts instead of traditional group meetings. The administrator recruits around five to twenty suitable experts and poll them for their forecasts and reasons to forecast. The experts then collect the manpower needs, summarises the various responses and prepares a report. The process is repeated until all experts agree on estimated personnel needs.

### iii. HR Supply Forecast

HR Supply forecast is a technique to identify the numbers and type of employees available to the organisation at a given point in time. This process requires identifying the existing HR and internal sources of supply.

1. **Existing Human Resources:** HR Audit, Skill Inventories, Management Inventories

2. **Internal Sources of Supply:**

- **Internal Supply Source:**

Internal Supply = Current Personnel level – outflows + inflows;

where;

outflows: Resignations, Discharges, Demotions, Retirements, Promotions etc.;

inflows: Transfers, Promotions, etc

- **Turnover rate:**  $\text{Turnover Rate} = \frac{\text{Number of separation during one year}}{\text{Average number of employees during the year}} \times 100$
- **Condition of Work and Absenteism:** Conditions of work: Normal Weekly working hour, overtime policies, the length and timing of holidays, retirement policy, policy related to employing part timers, shift systems. Absenteism =  $\frac{\text{Number of persons} \times \text{Days lost}}{\text{Average number of persons} \times \text{number of working days}} \times 100$
- **Productivity Level**

#### **iv. Required Available GAP (RAG Analysis)**

At this stage, a comparison between Demand and supply of employees is undertaken. This exercise may reflect the appropriate number or shortage or surplus employees for a given period.

#### **v. Plan Of Action**

Demands equal the supply, it may not require any action. However, surplus manpower may require the organisation to go for downsizing or VRS or restricted hiring. Shortage of manpower will result in recruitment, selection, training etc.

#### **vi. Control and Assessment**

In the final stage, the organisation has to make sure that HR planning is implemented as per the plan. It is a continuous process that ensures that the predefined plan is implemented.

## **2.2 JOB ANALYSIS: JOB DESCRIPTION AND JOB SPECIFICATION**

A job may be understood as a division of total work into packages/positions. It is a group of positions involving some duties, responsibilities, knowledge and skills. According to Dale Yoder, "A job is a collection or aggregation of tasks, duties and responsibilities which as a whole, is regarded as a regular assignment to individual employees and which is different from other assignments".

### 2.2.1 JOB ANALYSIS

Job analysis is a systematic and detailed examination of jobs. It is a procedure for determining the duties and skill requirements of a job and the kind of person who should be hired for it. A few of the definitions of job analysis are as follows:

- Edwin B Flippo: Job analysis is the process of studying and collecting information relating to the operations and responsibilities of a specific job. The immediate products of this analysis are job descriptions and job specifications.
- David A DeCenzo and Stephen P Robbins: Job analysis is a systematic exploration of the activities within a job. It is a basic technical procedure, one that is used to define the duties, responsibilities and accountabilities of a job.
- Gary Dessler: “Job analysis is the procedure for determining the duties and skill requirements of the job and the kind of person who should be hired for it”.

### 2.2.2 JOB ANALYSIS: PROCESS

Job Analysis: Process by Garry Dessler

1. **Deciding How to use the information, what type of information and how the information will be collected**
2. **Review:** Organizational Chart, Process Chart, and Job Description (if any)
3. **Select Positional Representative** (Sample)
4. **Analyze:** Information about the job like duties, responsibilities, work conditions, skills require
5. **Checking collected information:** From the actual performer or from immediate superior/supervisor
6. **Writing Job Description and Job Specification**

### 2.2.3 USE OF JOB ANALYSIS

Job analysis comes with various advantages and is used by the HR managers extensively. A few of the uses of job analysis are explained below:

- i. **Work Redesign:** Often an organization seeks to redesign work to make it more efficient or to improve quality. The redesign requires detailed information about the existing job(s). In addition, preparing the redesign is similar to analyzing a job that does not yet exist.

- ii. **Human Resource Planning:** As planners analyze human resource needs and how to meet those needs, they must have accurate information about the levels of skill required in various jobs, so that they can tell what kinds of human resources will be needed.
- iii. **Selection:** To identify the most qualified applicants for various positions, decision makers need to know what tasks the individuals must perform, as well as the necessary knowledge, skills, and abilities.
- iv. **Training:** Almost every employee hired by an organization will require training. Any training program requires knowledge of the tasks performed in a job, so that the training is related to the necessary knowledge and skills.
- v. **Performance Appraisal:** An accurate performance appraisal requires information about how well each employee is performing in order to reward employees who perform well and to improve their performance if it is below standard. Job analysis helps in identifying the behaviours and the results associated with effective performance.
- vi. **Career Planning:** Matching an individual's skills and aspirations with career opportunities requires that those in charge of career planning know the skill requirements of the various jobs. This allows them to guide individuals into jobs in which they will succeed and be satisfied.
- vii. **Job Evaluation:** The process of job evaluation involves assessing the relative dollar value of each job to the organization in order to set up fair pay structures. If employees do not believe pay structures are fair, they will become dissatisfied and may quit, or they will not see much benefit in striving for promotions. To put dollar values on jobs, it is necessary to get information about different jobs and compare them.

- Title of job
- Alternative title
- Name of the department
- Name of the sub department
- Name of the branch
- Brief description of work
- Limitations of jobs responsibilities
- Training activities
- Relationship between jobs
- Supervisory facilities
- Working conditions
- Concept about the jobs
- Physical and mental abilities
- Remuneration
- Methods of job comparison.

#### 2.2.4 JOB DESCRIPTION

- DeCenzo and Robbins: "A job description is a written statement of what the job holder does,

how it is done, under what conditions it is done, and conditions of employment. It should accurately portray job content, environment and conditions of employment”.

- According to Pigors and Myres, “Job description is a pertinent picture (in writing) of the organizational relationships, responsibilities and specific duties that constitute a given job or position. It defines a scope of responsibility and continuing work assignment that are sufficiently different from that of other jobs to warrant a specific title.”
- According to Edwin B. Flippo, “The first and immediate product of job analysis is job description. As the title indicates, the document is basically descriptive in nature and constitutes a record of existing and pertinent job facts.”
- Gary Dessler: “It is a list of job duties, responsibilities, reporting, relationships, working conditions and supervisory responsibilities”.

#### **2.2.5 CONTENT OF JOB DESCRIPTION?**

- **Job classification:** This includes title of the job, alternate title if any, job code, division or department etc.
- **Job Summary:** It serves two purposes here; one is that when the Job Title is not sufficient it gives additional information on the job. Secondly it gives more descriptive information about the particular job.
- **Duties and Responsibilities:** This lists out the entire duties and responsibilities of a particular job. Sometimes duties and responsibilities are also listed for particular skills and their incidence of occurrence. Tools, equipment and technology to be used are also mentioned.
- **Relation to other jobs:** This gives the employees a fair amount of picture as to the hierarchy of the position. Like to whom they are reporting: senior, junior, etc.

#### **2.2.6 WHAT IS JOB SPECIFICATION?**

A job specification defines the knowledge, skills and abilities that are required to perform a job in an organization. Job specification covers aspects like education, work-experience, managerial experience etc. which can help accomplish the goals related to the job.



Marry Coutler and Robbins: “Job specification as a statement of minimum qualification that person must possess to perform a given job successfully”.

### 2.2.7 CONTENTS OF JOB SPECIFICATION

- **Physical Qualifications:** These qualifications or specifications vary from job to job. Physical Qualifications are nothing but the capabilities of employees. These include height, weight, hearing, vision, capacity to handle machines etc.
- **Mental Qualifications:** This includes the ability to interpret data, calculations, planning, general knowledge, judgement, memory etc.
- **Social and Emotional specifications:** This is vital for the role of Managers and Supervisors. It includes emotional intelligence. It also includes the way they dress, personality and relationship.
- **Behavioral Qualifications:** This qualification is very important in selecting employees for higher levels of management. This specification asks to depict the acts of the managers rather than traits which cause those acts. This includes creativity, research, maturity level, dominance etc.
- **Educational Qualification:** This parameter gives an insight on how qualified a certain individual is. It covers their basic school education, graduation, masters degree, other certifications etc
- **Experience:** Job specification clearly highlights the experience required in a particular domain for completing a specific job. It includes work experience which can be from a specific industry, position, duration or in a particular domain. Managerial experience in handling and managing a team can also be a job specification criteria required for a particular position
- **Skills & Knowledge:** This is an important parameter in job specification especially with knowledge and skill based profiles. The higher the position in a company, the more niche the skills become and more is the knowledge required to perform the job. Skills like leadership, communication management, time management, team management etc. are mentioned.

### 2.2.8 JOB ANALYSIS METHOD

- Observation method: In observation method, analyst observes the incumbent doing work in actual situation.
- Interview method: Interview methods requires analyst to conduct interviews with the incumbent and immediate supervisor.
- Questionnaire method: Analyst prepares a standard questionnaire for collecting information on the job. The questionnaire is shared among the incumbents and collect back.
- Conference method: In this method analyst discuss experts concerning task and responsibilities.
- Employee diary: This method requires analyst to examing the record of employees daily activity.
- Record method: In this method analys retrieves old records maintain by HR department concerning the job.
- **Job Performance Method:** In this method the job analyst actually performs the job in question and thus receives First hand experiences of contextual factors on the job including physical hazards, social demands, and emotional pressures mental requirements.
- **Individual Psychographic Method:** In this method, the mental peculiarities of an individual successful in a particular kind of job are examined, and a list of these peculiarities is compiled. This list is transcribed in a graph. This provides some standard of judgement in future recruitments for the same job.
- **Job Psychographic Method:** In this method, some specialist analysts study the work, and they evolve a valid and standard method of evaluation. They prepare a very accurate list in which the various mental qualities required for the job are properly and reliably classified. A graph of these qualities is prepared so that selection of candidates for the job may become easier.

### 2.3 JOB DESIGN: CONCEPTS, APPROACHES, TECHNIQUES

The present section highlights upon the concept of job design.

### 2.3.1 WHAT IS JOB DESIGN?

- Knapp and Mujtaba: It can be defined as changing the content and processes of a job to increase an employee's satisfaction, motivation and productivity.
- Buchanan defined Job design as specifying the contents or methods of any job in such a way that various requirements of the job holder can be effectively satisfied. These requirements may include social, technological, personal and organizational desires.
- **Michael Armstrong**, "Job Design is the process of deciding on the contents of a job in terms of its duties and responsibilities, on the methods to be used in carrying out the job, in terms of techniques, systems and procedures, and on the relationships that should exist between the job holder and his superior subordinates and colleagues."

### 2.3.2 WHY JOB DESIGN?

Employee's job involvement and performance increases if the job design is aligned with the employee psychological requirements and perceptions.

An effective job design for the employees can increase their involvement in the job, they enjoy performing tasks and exert all cognitive, emotional and physical energies to achieve goals.

### 2.3.3 APPROACHES TO JOB DESIGN

There are three popular approaches to Job Design: Human Approach, Engineering Approach, Job Characteristic Approach

- **Human Approach:** The human approach of job design laid emphasis on designing a job around the people or employees and not around the organizational processes. In other words it recognizes the need of designing jobs that are rewarding (financially and otherwise) and interesting at the same time.

According to this approach jobs should gratify an individual's need for recognition, respect, growth and responsibility. Job enrichment as popularized by Herzberg's research is one of the ways in human approach of job design. Herzberg classified these factors into two categories - the hygiene factors and the motivators.

- ✓ Motivators include factors like achievement, work nature, responsibility, learning and growth etc that can motivate an individual to perform better at the work place.
- ✓ Hygiene factor on the other hand include things like working conditions, organizational policies, salary etc that may not motivate directly but the absence of which can lead to dissatisfaction at the work place.
- **Engineering Approach:** The engineering approach was devised by FW Taylor and team. They introduced the idea of the task that gained prominence in due course of time. According to this approach the work or task of each employee is planned by the management a day in advance. The instructions for the same are sent to each employee describing the tasks to be undertaken in detail. The details include things like what, how and when of the task along with the time deadlines.

**The approach is based on the application of scientific principles to job design. Work, according to this approach should be scientifically analyzed and fragmented into logical tasks. Due emphasis is then laid on organizing the tasks so that a certain logical sequence is followed for efficient execution of the same.** The approach also lays due emphasis on compensating employees appropriately and training them continuously for work efficiency.

- **The Job Characteristics Approach:** The job characteristics approach was popularized by Hackman and Oldham. According to this approach there is a direct relationship between job satisfaction and rewards. They said that employees will be their productive best and committed when they are rewarded appropriately for their work. They laid down five core dimensions that can be used to describe any job, they are: **skill variety, task identity, task significance, autonomy and feedback.**
  - ✓ **Skill variety:** The employees must be able to utilize all their skills and develop new skills while dealing with a job.
  - ✓ **Task Identity:** The extent to which an identifiable task or piece of work is required to be done for completion of the job.
  - ✓ **Task Significance:** How important is the job to the other people, what impact does it create on their lives?
  - ✓ **Autonomy:** Does the job offer freedom and independence to the individual performing the same.

- ✓ **Feedback:** Is feedback necessary for improving performance.

### **2.3.4 TECHNIQUES OF JOB DESIGN**

The popular techniques of job design: **Job Rotation, Job simplification, Job Enlargement, Job Enrichment**

#### **2.3.4.1 JOB ROTATION:**

Job rotation refers to moving employees from job to job to add variety and reduce boredom by allowing them to perform a variety of tasks. It implies shifting of an employee from one job to another job within a working group. Transfers of the job takes place at same level.

##### **Advantage of Job Rotation**

- Reduces monotony & boredom
- Broaden the knowledge & skills of employees
- Turn specialists into generalists
- Enhanced flexibility among the employees with regards scheduling work, adapting to changes, and filling vacancies

##### **Disadvantage of Job Rotation**

- Frequent shifting of employees may causes interruption in the job routine
- The employees who wants more challenging assignments may still feel frustrated.
- It may increase costs and decrease productivity

#### **2.3.4.2 JOB SIMPLIFICATION**

In case of job simplification, a job is broken down, to the extent possible, into smaller parts as is done in assembly line operations. Doing fragmented task increases worker's productivity.

*In other words, The complete Job is broken down into small subparts. Each part of the work is given to worker, who does the same task again and again.*

##### **Advantages of Job simplification**

- worker to gain proficiency and fitness

- Productivity and Profit
- training costs is less

#### **Disadvantages of Job simplification**

- repetitive job, workers feel boredom, Absenteeism, mistakes and accidents.
- Quality and quantity of output gets affected

#### **2.3.4.3 JOB ENLARGEMENT**

Job enlargement can be defined as the combination of different jobs and adding connected duties to job. It is the process of increasing the scope of job of a particular employee by adding more tasks to it. This is a horizontal expansion in a job. Generally, additional task does not require new skills.

#### **Advantages of Job Enlargement**

- Reduces boredom and monotony by providing more variety of tasks in the job.
- Increase interest in work and efficiency.
- Versatile employees

#### **Disadvantages of Job Enlargement**

- Job may become boring to employees after a time as it will results in monotony
- Herzberg – “job enlargement is simply adding a zero to zero” (A set boring tasks is added to another boring sets)

#### **2.3.4.4 JOB ENRICHMENT**

- Job enrichment consists of designing the job in such a way that the employees gets greater autonomy for planning and controlling his own performance.
- It implies increasing the contents of a job or the deliberate upgrading of responsibility, scope and challenge in work.
- *It is a motivational technique which emphasizes the need for challenging and interesting work. – RW Beatty & GE Schneider.*
- Job enrichment involves adding motivating factors to job.
- Job enrichment is a vertical expansion of a job by adding more responsibility and freedom to do it.
- *Fredrick Herzberg et.al describe job enrichment as that type of improvement in the context of the job which may give a worker more of a challenge, more of a*

*complete task, more responsibility, more opportunity for growth, and more chance to contribute his ideas.*

- Job enrichment increases job depth, which refers to the degree of control employees have over their work.

#### **Advantages of Job Enrichment**

- It provides meaningful work experience and learning to employees.
- It makes work interesting.
- Reduces labour turnover and absenteeism
- Enhance skills of employees
- Higher job satisfaction.
- Improved output - Qualitative & Quantitative

#### **Disadvantages of Job Enrichment**

- Enriched jobs may fail to motivate employees who prefer job security, shorter work, bonus better pay for autonomy and responsibility.
- Some time job enrichment proves to be costly process.
- Job enrichment is not possible for all the jobs especially the technical jobs with specialized machinery.

### **2.3.5 ELEMENTS OF ENRICHED JOB**

- **Direct Feedback:** Employees should be able to get immediate knowledge of the results they are achieving. The evaluation of performance can be built into the job or provided by a supervisor.
- **Client Relationship:** An employee who serves a client or customer directly has an enriched job. The client can be outside the firm (such as a mechanic dealing with a car owner) or inside (such as a computer operator executing a job for another department).
- **New Learning:** An enriched job allows its incumbent to feel that he is growing intellectually. An assistant who clips relevant newspaper articles for his or her boss is, therefore, doing an enriched job.

- **Scheduling own Work:** Freedom to schedule one's own work contributes to enrichment. Deciding when to tackle which assignment is an example of self-scheduling. Employees who perform creative work have more opportunity to schedule their assignments than those who perform routine jobs.
- **Unique Experience:** An enriched job has some unique qualities or features, such as a quality controller visiting a supplier.
- **Control Over Resources:** One approach to job enrichment is for each employee to have control over his or her resources and expenses.
- **Direct Communication Authority:** An enriched job allows the worker to communicate directly with people who use his or her output, such as a quality assurance manager handling a customer's complaints about quality.
- **Personal Accountability:** An enriched job holds the incumbent responsible for the results. He or she receives praise for good work and blame for poor work.

## 2.4 JOB EVALUATION

- Wendell French: Job evaluation is "a process of determining the relative worth of the various jobs within the organization, so that differential wages may be paid to jobs of different worth. The relative worth of a job means relative value produced. The variables which are assumed to be related to value produced are such factors as responsibility, skill, effort and working conditions".
- Edwin Flippo: "Job evaluation is a systematic and orderly process of determining the worth of a job in relation to other jobs".
- Dale Yoder: "Job evaluation is a practice which seeks to provide a degree of objectivity in measuring the organization value of jobs within the organization and among similar organizations".
- Kimball and Kimball Jr., "Job evaluation represents an effort to determine the relative value of every job in a plant and to determine what the fair basic wage for such a job should be."
- International Labour Organisation, "Job evaluation may be defined as an attempt to determine and compare the demands which the normal performance of particular job makes on normal workers without taking account of the individual abilities or performance of the workers concerned."



#### 2.4.1 IMPORTANCE OF JOB EVALUATION

1. **Reduction in inequalities in salary structure:** Job evaluation aims to have external and internal consistency in salary structure so that inequalities in salaries are reduced. It ensures equitable wage for a job and reasonable wage differentials between different jobs in a hierarchical organization
2. **Specialization:** Because of division of labour and thereby specialization, a large number of enterprises have got hundred jobs. This situation has created a need to define a job and thereby fix salaries for it. This is possible only through job evaluation.
3. **Assist management in performing HR activities:** Provide information for work organization, employees' selection, placement, training and other similar purposes.
4. **Harmonious relationship between employees and manager:** Harmonious and congenial relationships between workers and management can be preserved by Job Evaluation. As job evaluation reduces wage conflicts.
5. **Standardization:** The process of determining the salary differentials for different jobs are standardized through job evaluation. This brings uniformity into salary structure.
6. **Relevance of new jobs:** Through job evaluation, one can understand the relative value of new jobs in a concern.
7. **Career Planning:** Job evaluation a benchmark for making career planning for the employees in the organization

#### 2.4.2 JOBS EVALUATION: METHODS

- Methods of job evaluation are classified into two major categories: **quantitative and non-quantitative**.
- The basic difference between these two methods lies in the sense that, under non-quantitative methods, a job is compared as a whole with other jobs in the organization, whereas in case of quantitative methods, the key factors of a job are selected and, then measured.
- The most commonly used non-quantitative methods are *ranking and job classification or grading method*, while the most common quantitative methods

are *factor comparison and point rating*. The starting point for all job evaluation methods is a current job description and job specifications.

#### a. NON-QUANTITATIVE METHODS

Non-quantitative methods call for the evaluation of a whole job relative to other jobs or to general descriptions of jobs within an organization. The main role of the evaluator is to determine which of the jobs is more important or worth more to the organization. The major types of non-quantitative job evaluation procedures are ranking and job classification.

#### A1. RANKING METHOD OF JOB EVALUATION

This is simplest form of job evaluation method. The method involves ranking each job relative to all other jobs, usually based on some overall factor like “job difficulty”. Each job as a whole is compared with other and this comparison of jobs goes on until all the jobs have been evaluated and ranked. All jobs are ranked in the order of their importance from the simplest to the hardest or from the highest the lowest. The importance of order of job is judged in terms of **duties, responsibilities and demands on the job holder**.

**The following steps are involved in ranking jobs:**

- i. **Obtain job information** - The first step is job analysis. Job descriptions for each job are prepared and these are the basis on which the ranking s are made. The job ranking method usually ranks jobs according to “the whole job” rather than a number of compensable factors.
- ii. **Select raters and jobs to be rated** - Ranking all the jobs, at a time, is usually not possible. The more usual procedure involves ranking jobs by department or in “clusters” i.e. factory workers, clerical workers and so on. This eliminates the need for having to compare directly, say, factory jobs and clerical jobs.
- iii. **Select Compensable factors** – In the ranking method, it is common to use just one factor, for instance job difficulty, and to rank jobs on the basis of “the whole job”. Regardless of the number of factors you choose, it is advisable to carefully explain the definition of the factors to the evaluators so that they evaluate the jobs consistently.

- iv. **Rank jobs-** Next, the jobs are ranked. The simplest way to do this involves giving each rater a set of index cards, each of which contains a brief description of a job. These cards are then ranked from lowest to highest.
- v. **Combine Rating-** It is usually to have several raters rank the jobs independently. Finally, divide all *the ranked jobs into appropriate groups or classifications* by considering the common features of jobs such as similar duties, skills, or knowledge required. All the jobs within a particular group or classification receive the same wage or range of raters.

**Merits of Ranking Method** – Ranking method has the following merits in terms of its procedure, resources involvement and operational mechanisms.

- It is the simplest method
- It is quite economical to put it into effect
- It is less time consuming and involves little paper work.

**Demerits of Ranking Method** – The ranking method has the following demerits in terms of validity and reliability.

- The main demerit of the ranking method is that there are no definite standards of judgement and also there is no way of measuring the differences between jobs.
- It suffers from its sheer unmanageability when there are a large number of jobs.

## **A2. JOB CLASSIFICATION OR GRADING METHOD**

This is a simple and a popular method job evaluation. In the ranking system there is no pre-determined yardstick of values. In the job grading approach there is one such yardstick constituting of job classes or grades. Jobs are measured as whole jobs. Under this method job grades or classes are established by an authorized body or committee appointed for this purpose.

*A job grade is defined as a group of different jobs of similar difficulty or requiring similar skills to perform them.* Job grades are determined on the basis of information derived from job analysis. The example of job grades may include, depending on the type of jobs the organization offers, skilled, unskilled, account clerk, clerk-cum-typist, steno-typist, office superintendent, laboratory assistant and so on.

There are several ways to categorize jobs. One is to draw up ‘class description’ and place jobs into classes based on their correspondence to these descriptions. Another is to draw up a set of classifying rules for each class and then categorize the jobs according to these rules. The usual procedure is to choose compensable factors and then develop class or grade descriptions that describe each class in terms of amount or level of compensable factor(s) in jobs. Such factors are:

- Difficulty and variety of work,
- Supervision received and exercised,
- Judgement exercised,
- Originality required,
- Nature and purpose of interpersonal work relationships,
- Responsibility,
- Experience and,
- Knowledge required

**The following five steps are generally involved in the process of job classification.**

- i. **Prepare job description** for basic information about the job
- ii. **Prepare job grading description for identification of different levels of jobs.**  
Each grade level must be distinct from the grade level adjacent to it. After establishing the grade level, each job is assigned to an appropriate grade level on the basis of the complexity of duties, nonsupervisory responsibilities and supervisory responsibilities
- iii. **Select grades and key jobs** about 10 to 20 jobs, which include all the major departments and functions and cover all the grades
- iv. **Grade the key jobs.** Key jobs are assigned to an appropriate grade level and their relationship to each other studied.
- v. **Classify all the jobs on the basis of grade definitions.** All the jobs in the same grade receive the same wage or range of rate. For instance, menials may be put into one class; clerks in another; junior officers in a higher class; and the tope executives in the top class.

**Merits of Job Classification or Grading Method** - The major merits of the Job Grading method are:

- This method is easy to understand and simple to operate.
- It is economical and , therefore, suitable for small organizations.
- The grouping of jobs into classifications makes pay determination problems easy to administer.
- This method is useful for Government jobs.

**Demerits of Job Classification or Grading Method** - The major demerits of the Job Grading method are:

- The method suffers form personal bias of the committee members.
- It cannot deal with complex jobs which will not fit neatly into one grade.
- This method is rarely used in industries.
- It is difficult to know how much of a job's rank is influenced by the man on the job.
- The system is rather rigid and unsuitable for a large organizations or for very varied work.

## **b. QUANTITATIVE METHODS OF JOB EVALUATION**

Quantitative methods divide jobs into component parts and require absolute or relative value judgements about how much of a component part a particular job requires. The two most popular types of quantitative systems are the point rating and factor comparison methods.

### **B1. POINT SYSTEM/POINT RATING METHOD OF JOB EVALUATION1**

The Point Rating Method evaluates the compensable factors of each job. It involves a more detailed, quantitative and analytical approach to the measurement of job work.

Under this method jobs are broken down based on various identifiable factors such as skill, effort, training, knowledge, hazards, responsibilities and so on. Thereafter, points are allocated to each of these factors. Weights are given to factors depending on their importance to perform the job. Points so allocated to various factors of a job are then

summed. Then, the jobs with similar total of points are placed in similar pay grades. The sum of points gives an index of the relative significance of the jobs that are rated.

### Steps in Point system of job evaluation

- i. Select jobs to be evaluated
- ii. Input job information
- iii. Select the compensable factors
- iv. Define compensable factors
- v. Define factor degrees
- vi. Determine total points in plan and weight compensable factors
- vii. Assign points to degrees within factors or sub-factors
- viii. Evaluate key jobs first if known or evaluate all jobs if key jobs are not known
- ix. Write the job manual

### Illustration of Point system of job evaluation

Factors	Sub factors	Weight		first Degree	Second Degree	Third Degree	Fourth Degree	Fifth Degree	VC	Registr	Dean	HoD	Asst Prof
		Factor Weight	Sub-factor weight										
Skill	Education and job knowledge	40 (400 points)	24 (96 Points)	10	31	53	75	96	96	53	75	53	96
	Experience & Training		40 (160 points)	16	52	88	124	160	160	52	124	52	16
	Initiative		36 (144 points)	14	47	79	112	144	144	144	112	79	79
Effort	Physical	20 (200 points)	40 (80 points)	8	26	44	62	80	8	26	26	62	80
	Mental		60 (120 points)	12	39	66	93	120	120	93	66	66	39
Responsibility	Equipment or tools	30 (300 Points)	20 (60 points)	6	20	33	47	60	20	60	6	60	33
	Material or product		25 (75 points)	8	25	42	59	75	42	75	42	59	25
	Safety of others		15 (45 points)	5	15	25	35	45	45	45	35	35	25
	Work of others		40 (120 points)	12	39	66	93	120	120	120	93	66	39
Job Conditions	Working conditions	10 (100 points)	60 (60 points)	6	20	33	47	60	6	20	33	47	60
	Unavoidable hazards		40 (40 points)	4	13	22	31	40	4	13	22	31	40
<b>Total</b>		<b>100</b>							<b>765</b>	<b>701</b>	<b>634</b>	<b>610</b>	<b>532</b>

### Working notes:

Assume: Total point in job evaluation plan: 1000 points  
Weight of the factor skills = 40%  
Point assigned to skill will be (1000 point X 0.4 <weight>) = 400  
Weight assigned to sub factor s of Skill  
education and job knowledge (Assume) = 24% point = (400 X 24) = 96  
There are five degrees for each factor (Assume)  
Points for lowest (first) degree for education and job knowledge (Subfactor weight X Factor weight X %)  
= {(40 X 24) / 100} = 9.6 = 10 (round figure)  
Highest point value for education and job knowledge = 96  
⇒ Highest point value (96) – Lowest point value (10) = 86  
⇒ Divide the difference by remaining degrees ( i.e. 4)  
⇒ 86 / 4 = 21.5  
Now the points for different degrees of subfactor education and job knowledge:  
Degree 1 = 10 points  
Degree 2 = 10 + 21.5 = 31 points  
Degree 3 = 31 + 21.5 = 53.5  
Degree 4 = 53.5 + 21.5 = 75  
Degree 5 = 75 + 21.5 = 96

**Merits of Point system method of job evaluation-** The major merits of the points rating method are:

- It is the most comprehensive and accurate method of job evaluation
- Prejudice and human judgement are minimised. The method can not be manipulated.
- Being the systematic method, workers of the organization favour this method.
- The scales developed in this method can be used for long time.
- Jobs can be easily placed in distinct categories

**Demerits of Point system method of job evaluation -** The major demerits of the points rating method are:

- It is both time-consuming and expensive method.
- It is difficult to understand for an average worker.
- A lot of clerical work is involved in recording rating scales.

- it is not suitable for managerial jobs wherein the work content is not measurable in quantitative terms.

## **B2. Factors Comparison Method (by *EJ Bengel, 1926*)**

Factor comparison method rates jobs by comparing them and makes analysis by breaking jobs into compensable factors. It represents a combination of the ranking and point methods. The first step is to identify benchmark jobs (i.e., jobs performed by several individuals with similar duties within the organization, such as administrative assistance, stock clerk, security guard, accountant, sales representative, supervisor and manager). In addition, the organization must select compensable factors and rank all benchmark jobs after completing factor analysis. Next, the employer must compare jobs to market rates for benchmarking, which results in the assignment of monetary values for each compensable factor. Finally, the organization should compare all of its jobs with respective benchmark jobs. This system is usually used to evaluate white collar, professional and managerial positions.

### **A Step-by-Step Approach to Factor Comparison**

Step 1.	<b>Determine the Critical Factors</b> <ul style="list-style-type: none"> <li>• Determine which factors are common and important over a broad range of jobs. <ul style="list-style-type: none"> <li>■ Involve employees using a variety of methodologies—interviews, questionnaires, brain-storming.</li> </ul> </li> </ul>
Step 2.	<b>Determine the Key Jobs</b> <ul style="list-style-type: none"> <li>• Key jobs are common throughout the organization.</li> <li>• Key jobs are also common in the local labour market. <ul style="list-style-type: none"> <li>■ A market price can thus be determined for these jobs.</li> </ul> </li> </ul>
Step 3.	<b>Apportion present wages for Key Jobs</b> <ul style="list-style-type: none"> <li>• Allocate a part of each key job's wage rate to each critical factor. <ul style="list-style-type: none"> <li>■ The allocation depends on the importance of that factor to the job in question.</li> </ul> </li> </ul>
Step 4.	<b>Place Key Jobs and Jobs to be Evaluated on Factor Comparison Chart</b> <ul style="list-style-type: none"> <li>• Rows: key jobs.</li> <li>• Columns: critical factors.</li> </ul>
Step 5.	<b>Evaluate Other Jobs</b> <ul style="list-style-type: none"> <li>• Use Key Jobs as benchmarks.</li> <li>• Compare other jobs as the basis of critical factors. <ul style="list-style-type: none"> <li>■ Assign dollars of the basis of this comparison.</li> </ul> </li> </ul>

Mental Requirement,  
Skill Requirement,  
Physical Effort,  
Responsibility, Work  
Conditions



**factor comparison method of job evaluation**

		Key Jobs													
		Managing Director		General Manager		Sales manager		Advertising Manager		Sales Person		Peon		Security guard for factory	
		Wage Rate (Rs)	Weight	Wage Rate (Rs)	Weight	Wage Rate (Rs)	Weight	Wage Rate (Rs)	Weight	Wage Rate (Rs)	Weight	Wage Rate (Rs)	Weight	Wage Rate (Rs)	Weight
		50000		40000		30000		25000		15000		10000		5000	
Factors	Mental Requirement	16667	5	13333	5	6000	3	8333	5	3000	3	2143	3	333	1
	Skill Requirement	10000	3	10667	4	10000	5	6667	4	5000	5	714	1	667	2
	Physical Exertion	3333	1	5333	2	4000	2	3333	2	2000	2	3571	5	1333	4
	Responsibility	13333	4	8000	3	8000	4	5000	3	4000	4	2143	3	1000	3
	Working Conditions	6667	2	2667	1	2000	1	1667	1	1000	1	1429	2	1667	5
	<b>Total</b>	<b>50000</b>	<b>15</b>	<b>40000</b>	<b>15</b>	<b>30000</b>	<b>15</b>	<b>25000</b>	<b>15</b>	<b>15000</b>	<b>15</b>	<b>10000</b>	<b>14</b>	<b>5000</b>	<b>15</b>

\*Wage Rates are for the key jobs are fixed after surveying the market

**factor comparison method of job evaluation**

		Key Jobs													
		Managing Director		General Manager		Sales manager		Advertising Manager		Sales Person		Peon		Security guard for factory	
		Wage Rate (Rs)	Rank of the key job on each of five factors	Wage Rate (Rs)	Rank of the key job on each of five factors	Wage Rate (Rs)	Rank of the key job on each of five factors	Wage Rate (Rs)	Rank of the key job on each of five factors	Wage Rate (Rs)	Rank of the key job on each of five factors	Wage Rate (Rs)	Rank of the key job on each of five factors	Wage Rate (Rs)	Rank of the key job on each of five factors
		50000		40000		30000		25000		15000		10000		5000	
Factors	Mental Requirement	16667	1	13333	2	6000	3	8333	4	3000	5	2143	6	333	7
	Skill Requirement	10000	2	10667	1	10000	3	6667	4	5000	5	714	6	667	7
	Physical Requirement	3333	7	5333	5	4000	4	3333	6	2000	3	3571	2	1333	1
	Responsibility	13333	1	8000	2	8000	2	5000	4	4000	5	2143	6	1000	6
	Working Conditions	6667	7	2667	6	2000	5	1667	4	1000	3	1429	2	1667	1
	<b>Total</b>	<b>50000</b>		<b>40000</b>		<b>30000</b>		<b>25000</b>		<b>15000</b>		<b>10000</b>		<b>5000</b>	

\*Wage Rates are for the key jobs are fixed after surveying the market



**Some of the merits of the factor comparison method of job evaluation:**

- **Systematic and Structured Approach:** The factor comparison method provides a systematic and structured approach to job evaluation. It breaks down jobs into various factors and evaluates them independently.
- **Comparative Nature:** This method is comparative in nature, allowing organizations to compare jobs against each other based on specific factors. This helps in maintaining internal equity.

- **Flexibility:** The factor comparison method is flexible and can be adapted to suit the specific needs and requirements of an organization. Factors can be adjusted or added based on the organization's priorities.
- **Consideration of Multiple Factors:** The method takes into account multiple factors, such as skill requirements, responsibility, working conditions, and other relevant aspects, providing a comprehensive view of job roles.
- **Decision Making:** It aids in making informed decisions about job classifications, pay structures, and other human resource management decisions by providing a systematic basis for evaluating jobs.

**Some of the demerits of the factor comparison method of job evaluation:**

- **Subjectivity:** The factor comparison method can be subjective, as it relies on the judgment of evaluators to assign weights to factors and compare jobs. This subjectivity can introduce bias into the evaluation process.
- **Complexity:** The method can be complex and time-consuming, especially when dealing with a large number of jobs and factors. The complexity may result in challenges during implementation and maintenance.
- **Limited Standardization:** Achieving standardization across different evaluators can be difficult. The method's effectiveness depends on the consistency and accuracy of evaluators in assigning weights to factors and ranking jobs.
- **Difficulty in Quantifying Factors:** Some factors, such as job knowledge or teamwork, may be difficult to quantify objectively. This can lead to challenges in assigning values to these factors and may result in inconsistent evaluations.
- **Resistance from Employees:** Employees may perceive the method as unfair, especially if the evaluation process is not transparent. This can lead to dissatisfaction and resistance to the job evaluation outcomes.
- **Limited Adaptability to Change:** The factor comparison method may not be easily adaptable to changes in job roles or organizational structures. Changes in technology, industry trends, or job requirements may not be quickly reflected in the evaluation process.

## 2.5 PERFORMANCE APPRAISAL

- **Dale S. Beach**, "Performance appraisal is systematic evaluation of the individual with respect to his or her performance on the job and his or her potential for development".
- **Randall S. Schuler**, "Performance appraisal is a formal, structured system of measuring and evaluating an employee's job, related behaviour and outcomes to discover how and why the employee is presently performing on the job and how the employee can perform more effectively in the future so that the employee, organisation, and society all benefit.
- **Dale Yoder**, "Performance appraisal includes all formal procedures used to evaluate personalities and contributions and potentials of group members in a working organisation. It is a continuous process to secure information necessary for making correct and objective decisions on employees."

### 2.5.1 IMPORTANCE OF PERFORMANCE APPRAISAL

Performance appraisals are used by companies to know more about their workforce. These evaluations enable managers to learn about each employee's skills and limitations so that they can best utilize them in the workplace and improve their future performance. Companies can also use performance management software to evaluate which employees require additional training and which ones are capable of taking on new responsibilities in the workplace.

- Benefits Of Performance Appraisals:** Companies can keep their staff interested and encouraged to work more by conducting performance appraisals on a routine basis. Some of the advantages of performing a performance evaluation are as follows:
- Creates Career Growth Opportunities:** Employees can improve in their jobs with the help of performance appraisals, especially if they want to rise to a higher position within the organisation. A performance assessment can assist employees in developing a professional development plan.
- Improves Employee Performance:** Giving feedback encourages employees to perform better. When a manager gives positive feedback, employees are

motivated to perform in a better way. Because performance reviews are frequently used to evaluate how incentives are distributed, they can help motivate and recognize employees for their efforts.

- iv. **Boosts Employee Engagement:** Employee engagement and retention can be increased by incorporating them in the performance appraisal process on a routine basis. Employees will be more likely to perform well when they can see how their actions influence the organisation as a whole. Regular performance reviews also demonstrate to employees that their employer cares about them and is ready to take the time to offer them the guidance they need to succeed.
- v. **Helps Determine Training Requirements:** Companies can use performance appraisals to see which employees require additional training and to choose what subjects to re-train in. If several employees are struggling to achieve a daily target, for example, an employer may offer a seminar on how to work more productively or consider cutting down the target.
- vi. **Establishes Clear Expectations:** Managers might reiterate their expectations for staff during performance appraisals. This aids employees in understanding their everyday tasks as well as what their employer expects of them.
- vii. **Enhances Team Communication:** Performance appraisals provide managers with a scheduled, defined period to review how each employee is performing overall, allowing for a smooth flow of conversation with no interruptions. Managers can coach employees and provide tips on how to enhance their productivity during these sessions. This time is also set up for employees to ask questions and address any issues they may have.
- viii. **Helps In Goal-Setting:** Employers can assess how effectively an employee met their objectives and provide input on what kinds of objectives should be set for the next quarter. Creating a goal management system that is updated regularly ensures that staff is progressing and contributing to the organisation's goal.
- ix. **Helps Highlight Areas For Improvement:** Employers that conduct performance reviews regularly can identify areas that require improvement before they harm the firm or become permanent. Employers frequently offer suggestions and actions that employees might do in the future. Employees can continue to develop and become the best they can be as a result of this.

- x. **Develops Team Bonding:** Managers and staff can use performance appraisals to synchronize their goals and brainstorm together. Meetings regularly might help to strengthen ties and make the boss appear more accessible. Peer reviews allow people to know how much their colleagues value them.
- xi. **Helps Communicate The Company Vision Clearly:** Employees frequently overlook why they are working or how their actions make a big difference in the day-to-day functioning of the company. Employees can recall why their effort counts by obtaining feedback on tasks they've done. Managers can use performance appraisals to reinforce the organisation's values and the goals that employees are striving toward.

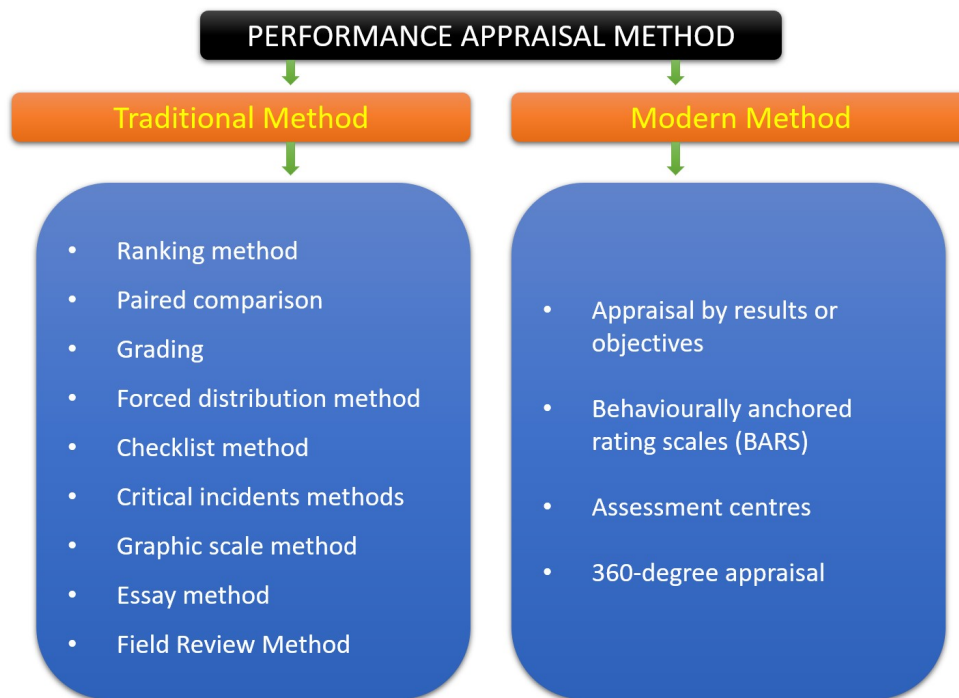
### 2.5.2 PERFORMANCE APPRAISAL PROCESS

- i. **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.
- ii. **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 the employees. 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.
- iii. **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.

- iv. **Comparing actual performance with 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.
- v. **Discussing results [Feedback]:** 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. Performance appraisal feedback by managers should be in such way helpful to correct mistakes done by the employees and help them to motivate for better performance but not to demotivate. Performance feedback task should be handled very carefully as it may leads to emotional outburst if it is not handing properly. Sometimes employees should be prepared before giving them feedback as it may be received positively or negatively depending upon the nature and attitude of employees.

## 2.5.3 PERFORMANCE APPRAISAL METHOD



### A. TRADITIONAL METHOD

#### A1. Ranking Method

- Ranking is the oldest and simple method.
- Person is ranked against others on the basis of certain traits or characteristics.
- Suitable: When the number of persons to be ranked is small.
- The method has limited value for performance appraisal as the difference in ranks do not indicate absolute or equal differences of ability between individuals.
- Traits are not easily determinable

#### A2. Paired comparison

- Each person is compared with other persons taking only one at a time.
- The appraiser puts a tick mark against the person whom he considers the better of the two, and the final ranking is determined by the number of times that person is judged better than others.
- Usually, the only trait that is considered is the overall suitability to perform the job.

### **A3. Grading Method**

- This is a method where certain categories of abilities of performance are defined well in advance.
- Persons are put in a particular category depending on their traits and characteristics.
- The categories may be outstanding, good, average, poor, very poor or may be in terms of letter like A,B,C,D etc., with A indicating the best and D indicating the worst.
- The actual performance of the employees is measured against these grades. This method is generally useful for promotion based on performance.

### **A4. Forced Distribution Method**

- As there is a tendency to rank many of the employees high, forced distribution method has been adopted.
- In this method, the appraiser is forced to appraise the appraisees according to the pattern of a normal curve. The basic assumption in this method is that the employee's performance conforms to a normal statistical distribution.
- For example 10 percent of the employees may be rated as excellent, 20 per cent as above average, 40 per cent as average, 20 per cent below average and 10 per cent as poor.

### **A5. Check – List Method**

Under this method HR department prepares a series of questions. Each question has alternative answers 'Yes' or 'No'. The appraiser concerned has to tick appropriate answers relevant to the appraisals.

Some of the same questions are:

- Is he / she interested in the job Yes/No
- Is he / she regular on the job Yes / No
- Does he / she show uniform behaviour to all Yes /No
- Is he / she willing to help other employees Yes / No
- Does he / she maintain discipline Yes / No

Fifty to hundred questions including many bearing efficiency and concentration may be asked. Different questions may have different weightage of scores. After filling the questionnaire by the appraiser who observes the employees will be sent to HR



department, which will compute total score and evaluate.

#### **A6. Critical Incident Method**

The technique was formally codified by the works of **Fitts and Jones in 1947 for classifying pilot error experiences in reading and interpreting aircraft instruments**. Fitts and Jones used the term “errors” rather than “critical incidents”. As opposed to Fitts and Jones way of collecting data, data gathering during task performance is now considered a defining criterion for critical incident methods.

The work of **John Flanagan** in 1954 became the landmark critical incident technique, after his title entitled “The Critical Incident Technique” appeared in the psychological bulletin. Flanagan (1954) defined the critical incident technique as a set of procedures designed to describe human behavior by collecting description of events having special significance and meeting systematically defined criteria. Flanagan originally used trained observers to collect critical incident identification. Identification of the critical incidents during task performance can be a individual process or a mutual process between user and evaluator.

- According to Dessler et. al. (2011), Critical Incident method is keeping a record of uncommonly good or undesirable examples of an employee’s work related behavior and reviewing it with the employee at predetermined times.
- In this method, only critical incidents and behaviour associated with these incidents are taken for evaluation.

#### **This method involves three steps.**

- ✓ A test of noteworthy on the job behaviour (good or bad) is prepared.
- ✓ A group of experts then assigns scale values depending on the degree of desirability for the job.
- ✓ Finally, a check list of incidents which define good and bad employees is prepared. The appraiser is given this checklist for rating.
- *The basic idea behind this rating is to apprise the people who can do well in critical situations because in normal situation most employees work alike.*
- This method is useful to find potential employees who can be useful in critical situation.

#### **A7. Graphic Rating Scale Method:**

- A graphic rating scale (GRS) presents appraisers with a list of dimensions, which are aspects of performance that determine an employee's effectiveness. *Graphic scale is also known as linear rating scale.*
- In 1922, Paterson working with the employees of the Scott Company developed a graphic scale to provide the reliability, consistency over time, usefulness and practicality.
- According to Dessler et al. (2011), Graphic Rating Scale is a scale that lists a number of traits and a range of performance for each. The employee is then rated by identifying the score that best describes his or her level of performance for each trait.

Examples of performance dimensions are cooperativeness, adaptability, motivation, leadership, dependability, enthusiasm, creativity, analytical ability, decisiveness, emotional maturity etc., depending on the level of the employee.

Each dimension is accompanied by a multi-point (e.g., 3, 5, or 7) rating scale. The points along the scale are defined by numbers and/or descriptive words or phrases that indicate the level of performance (from unsatisfactory to outstanding) . The midpoint of the scale is usually anchored by such words as "average," "adequate," "satisfactory," or "meets standards."

### Example of Graphic Rating Scale Method

<b>Performance Factor</b>	<b>Performance Rating</b>				
<i>Quality of work is the accuracy, skill, and completeness of work.</i>	<input type="checkbox"/> Consistently unsatisfactory	<input type="checkbox"/> Occasionally unsatisfactory	<input type="checkbox"/> Consistently satisfactory	<input type="checkbox"/> Sometimes superior	<input type="checkbox"/> Consistently superior
<i>Quantity of work is the volume of work done in a normal workday.</i>	<input type="checkbox"/> Consistently unsatisfactory	<input type="checkbox"/> Consistently unsatisfactory	<input type="checkbox"/> Consistently satisfactory	<input type="checkbox"/> Sometimes superior	<input type="checkbox"/> Consistently superior

<i>Performance Factor</i>	<i>Performance Rating</i>				
<i>Job knowledge is information pertinent to the job that an individual should have for satisfactory job performance.</i>	<input type="checkbox"/> Poorly informed about work duties	<input type="checkbox"/> Occasionally unsatisfactory	<input type="checkbox"/> Can answer most questions about the job	<input type="checkbox"/> Understands all phases of the job	<input type="checkbox"/> Has complete mastery of all phases of the job
<i>Dependability in following directions and company policies without supervision.</i>	<input type="checkbox"/> Required constant supervision	<input type="checkbox"/> Requires occasional follow-up	<input type="checkbox"/> Usually can be counted on	<input type="checkbox"/> Requires very little supervision	<input type="checkbox"/> Requires absolute minimum of supervision

### **A8. Essay Method**

Instead of using structured forms for performance appraisal, some companies use free essay method. In essay method appraiser assesses the employees on certain parameters in his own word. Such parameters may be :

- Work performance in terms of quality, quantity and costs.
- Knowledge about the job
- Knowledge about organizational policies, procedures and rules,
- Employee's characteristics and behaviour
- Employee's strength and weakness
- Overall suitability of the employee;
- Employee's potentiality
- Training and development needs of the employee

The essay method is useful in providing fruitful information about an employee on the basis of which he can be appraised.

The difficulty in free essay method is each appraiser may use his own style and perception, which may give rise to difficulty in analysis.

### **A9. Field Review Method**

- In the field review method, an employee is not appraised by his direct superior but by another person, usually from HR department.

- The reason is that such a person may take more objective view in appraisal as he is not under pressure as the superior of the employee may be.
- The appraiser , in this case, appraises the employee based on his records of output and other quantitative information such as absenteeism, late coming etc.
- The appraiser also conducts interviews of the employees and his superior to ascertain qualitative aspects of job performance.
- This method is more suitable for promotion purpose.

## **B. MODERN METHODS**

### **B1. Management by Objectives/Results (Appraisal by Results)**

- In 1954, Peter F. Drucker introduced “Management By Objective” in his book “The Practice of Management”. It comprises of three building blocks: object formulation, execution process and performance feedback.
- George Odiron: The system of management by objectives can be described as a process, whereby the superior and subordinate managers of an organisation jointly identify its common goals, define each individual’s major areas of responsibility in terms of expected results and use these measures as guides for operating that unit and assessing the contribution of each of its members.
- Dale McConvey has preferred the term as management by results and has defined it as an approach to management planning and evaluation in which specific targets for a year or some length of time are established for each manager, on the basis of the results which each must achieve if the overall objectives of the company are to be realised.

#### **Steps in Appraisal by Results or Objectives**

The various steps involved in appraisal by results are as follows.

1. Appraisal by result is a joint process between superior and his subordinates.
2. The subordinate prepares his plan for specific period usually for one year in the light of the overall plan provided by his superior. The final plan is prepared through mutual consultation.
3. Through mutual consultation, both of them decide the evaluation criteria- that is, what factor will be taken for evaluation of subordinate’s performance.

4. At the end of specific period, normally one year, the superior makes a performance evaluation of subordinates on the basis of mutually agreed criteria.
5. The superior discusses the results of his evaluation with the subordinate, corrective actions, if necessary and mutually agreed targets for the next period would be fixed.

## **B2. Behaviorally Anchored Rating Scale (BARS)**

BARS were introduced by Smith and Kendall in 1963 with the attention of researchers concerned with the issue of reliability and validity of performance ratings. Behavioral anchor scales are more informative than simple numbers.

A behaviorally-anchored rating scale (BARS), like a graphic rating scale, requires appraisers to rate employees on different performance dimensions. **The typical BARS includes seven or eight performance dimensions, each anchored by a multi-point scale.** But the rating scales used on BARS are constructed differently than those used on graphic rating scales. Rather than using numbers or adjectives, a BARS anchors each dimension with examples of specific job behaviors that reflect varying levels of performance.

**The various steps under BARS are.**

1. *Identification of Performance Measures*
2. *Identification of Critical behaviours*
3. *Retranslation of Critical Behaviours*
4. *Scaling of Critical Behaviours*
5. *Development of the BARS instrument*

**The above process is discussed below:**

### ***i. Identification of Performance Measures***

- The first step is the identification of performance measures, that is, the outcome of an effective job performance (say, customer satisfaction).
- These measures are usually identified by superiors, jobholders and HR personnel or a combination of all of them. They are asked to identify the important dimensions of the job.

## ***ii. Identification of Critical behaviours***

- Critical behaviours are those which are essential for the performance of the job effectively (say, promptness in attending customer).
- These behaviours are generated from different dimensions of the job and are related to various critical incidents of the job.
- These may be stated in a few short sentences or phrases using the terminology of the job in question.

## ***iii. Retranslation of Critical Behaviours***

- Various critical behaviours as identified in step (ii) are retranslated, usually by a different group of personnel.
- In the retranslation process, various critical incidents are classified into clusters with each cluster having similar critical incidents.
- Those behaviours which are approved by majority of personnel are kept for further development and others discarded.
- The basic idea of this step is to keep the number of behaviours to a manageable limit and which are more descriptive of the job.
- The translation process assures the reliability of the critical behaviours consistent with the job dimensions.

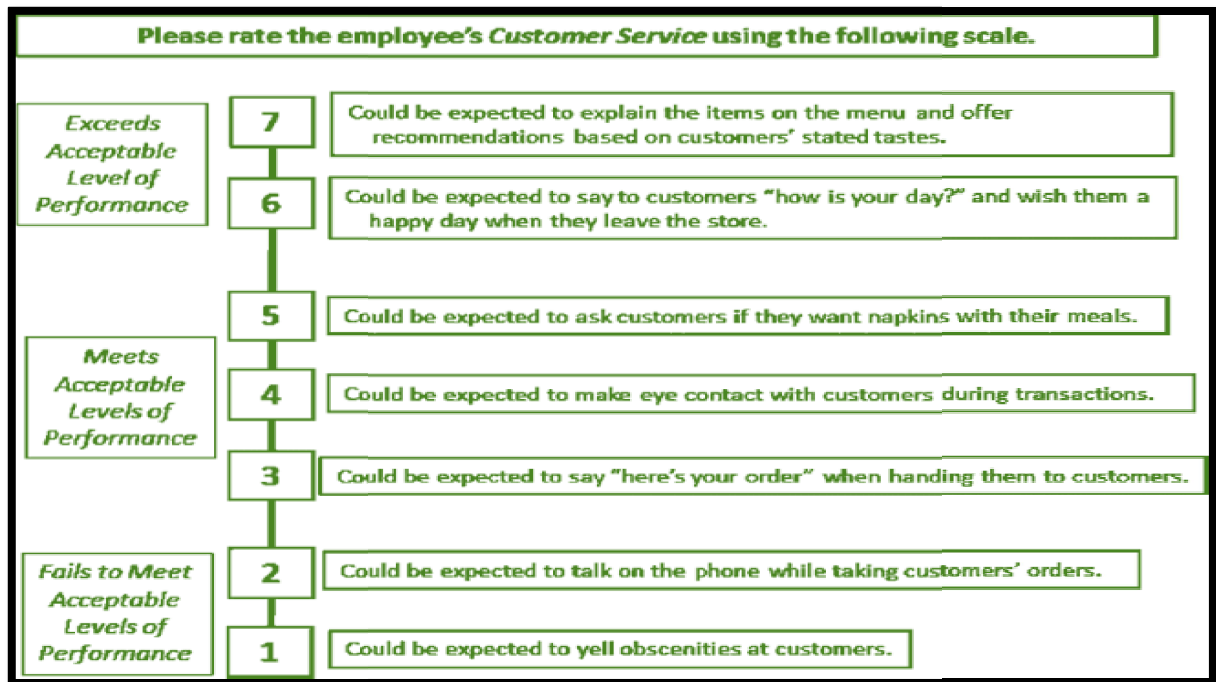
## ***iv. Scaling of Critical Behaviours***

- Those critical behaviours which are included for the performance appraisal during the process of retranslation are given scales usually in numbers with their description.
- The scales may range from 1 to 7 or from 1 to 9, with each point of a scale demonstrating perceived level of performance.
- The scale value will be determined on the basis of estimates provided by various persons in the retranslation process.

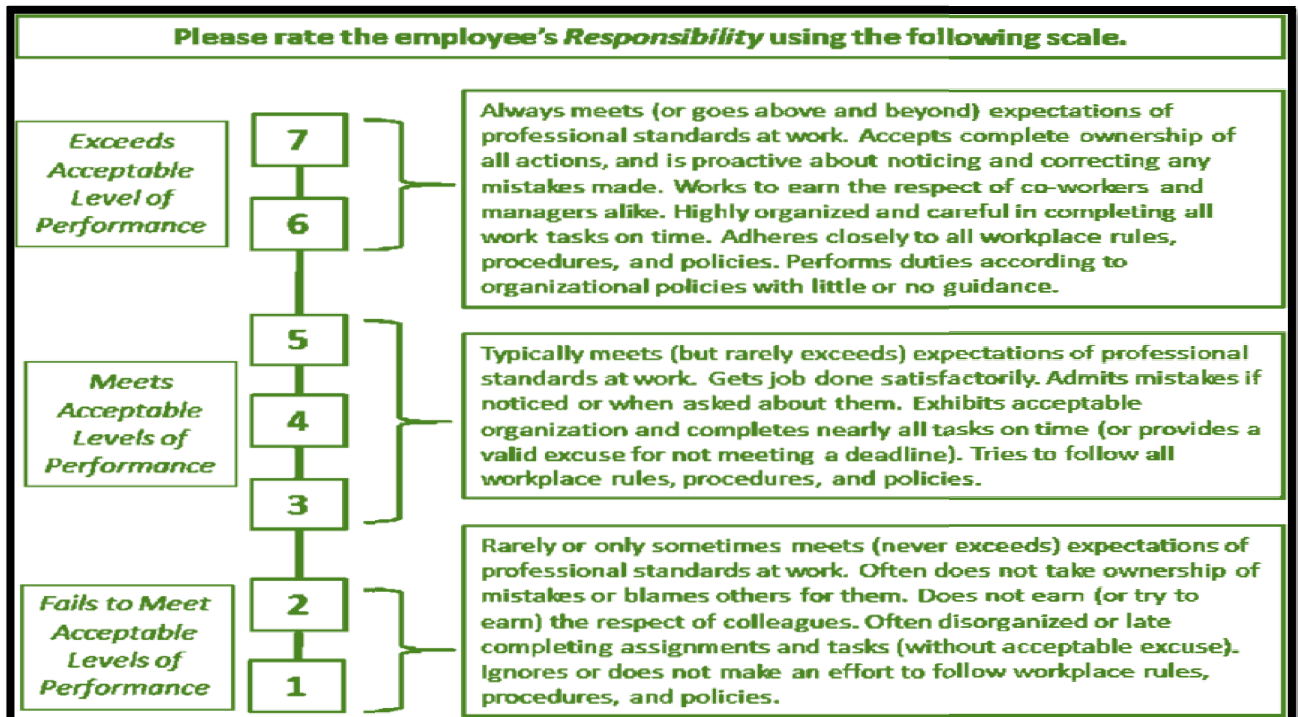
## ***v. Development of the BARS instrument***

- The result of arranging various scales for different dimensions of the job (Known as behaviour anchors) produces a vertical scale for each dimension.
- Then scale is used for performance appraisal.

**Example 1 Behaviorally Anchored Rating Scale (BARS):**



**Example 1 Behaviorally Anchored Rating Scale (BARS):**



### **B3. Assessment Centers**

- An assessment centre is a central location where managers come together and participate in a number of simulated exercises, on the basis of appraisers.
- The assessment center method, in its modern form, came into existence as a result of AT & T Management Progress Study by Bray, Campbell & Grant in 1974.
- Common job simulations used in assessment centers are In-basket exercises, group discussions, simulations of interviews with “subordinates” or “clients”, fact finding exercises, analysis/decision making problems, oral presentation exercises, written communication exercises.

### **B4. 360 Degree Appraisal**

- This method was used in 1992 by the General Electric Company, USA.
- In 360 degree appraisal, appraisal of an employee is done by his superior, his peers, his subordinates clients and outsiders with whom he interacts in the course of his job performance.
- In this appraisal, besides appraising the performance of the assessee, his other attributes such as talents, behaviour, values, and technical considerations are also subjected to appraisal.
- The role of HR department in 360 degree appraisal is that of facilitator. The department consolidates the appraisal inputs, identifies the point of consensus, and provides feedback to the appraised so as to overcome the weaknesses pointed out in the appraisal.

#### **Diagrammatic representation of 360-degree feedback system**





## B5. 720 Degree Feedback

- A 720 degree feedback is performing a feedback after the main 360 degree appraisal. Many management consultants feel that doing a comprehensive 360 degree appraisal isn't complete in itself. They feel that an effective procedure to measure improvements and receive feedback is essential for the success of any appraisal. This gives a pre and post intervention result. The development intervention is then done to improve the participant's behavior. The 720 degree appraisal system is a double check for the 360 degree appraisal system.
- 720 degree performance appraisal is an integrated method of performance appraisal where, the performance of an employee is evaluated from 360 degrees (Management, Colleagues, Self and also customers) and timely feedback is given and performance is evaluated again based on the targets that are set. Hence, 720 degree performance appraisal can be stated as twice 360 degree performance appraisal: once when the appraisal is done, feedback is given and the boss gives tips to achieve the goals. Hence, there is a pre and a post round of feedback.

### Diagrammatic representation of 720-degree feedback system



## 2.6 CONCLUSION

In conclusion, the effective management of human resources relies on a strategic and systematic approach to various key elements, including manpower planning, job analysis, job design, job evaluation, and performance appraisal. Manpower planning serves as the foundation, aligning the organization's workforce with its goals through a proactive assessment of current and future needs. This process is crucial for optimizing human resource utilization, minimizing skill gaps, and enhancing organizational agility. Job analysis, job description, and job specification collectively form the basis for understanding and defining roles within an organization. A well-conducted job analysis provides essential insights into the tasks, responsibilities, and qualifications associated with each position, laying the groundwork for effective recruitment, selection, and performance management.

Job design, with its various concepts, approaches, and techniques, focuses on optimizing the structure and content of jobs to enhance employee satisfaction, motivation, and overall productivity. This not only contributes to individual well-being but also aligns with organizational objectives by creating roles that promote efficiency and effectiveness.

Job evaluation, a systematic process that assesses the relative value of different jobs within an organization, is instrumental in establishing a fair and equitable compensation structure. It ensures internal consistency and aligns remuneration with the significance of each role, contributing to employee satisfaction and retention.

Performance appraisal, a crucial component of talent management, involves the systematic evaluation of employees' job performance. With clear objectives, a well-defined process, and various methods, performance appraisal serves as a basis for feedback, career development, and reward systems. It plays a pivotal role in fostering continuous improvement, identifying training needs, and recognizing high performers.

In essence, these interconnected aspects of human resource management create a comprehensive framework for attracting, developing, and retaining a skilled and motivated workforce. The successful integration of manpower planning, job analysis, job design, job evaluation, and performance appraisal aligns organizational objectives with individual capabilities, fostering a dynamic and thriving workplace. As organizations evolve, the adaptability and effectiveness of these practices become

critical for sustaining competitiveness, innovation, and employee engagement in the ever-changing landscape of the modern workplace.

### **CHECK YOUR PROGRESS**

#### **1. Multiple Choice Questions (MCQ)**

Q1.1 The primary goal of human resource planning is:

- A) Maximum workforce turnover
- B) A surplus of qualified individuals
- C) Right number and kind of people at the right time and place
- D) Limited development opportunities for employees

Q1.2 What does HRP help organizations cope with in the face of business environment changes?

- A) Employee turnover challenges
- B) Expansion and diversification plans
- C) Conformity with government guidelines
- D) Adjustment to new changes and demands for personnel

Q1.3 What distinguishes the Delphi Technique from traditional group meetings in estimating human resource requirements?

- A) It relies on regression analysis for forecasting.
- B) It gathers input from a group of experts through a series of rounds.
- C) It involves work study methods for precise calculations.
- D) It focuses on assessing the relationship between sales volume and employee size.

Q1.4 What is the primary outcome of job analysis?

- A) Job descriptions and job specifications
- B) Employee evaluations
- C) Workplace policies
- D) Training programs

Q1.5 What is the fundamental purpose of job analysis in HR management?

- A) Employee engagement

- B) Setting salary structures
- C) Defining job duties, responsibilities, and accountabilities
- D) Workplace social events planning

Q1.6 How can job design impact employee job involvement and performance?

- A) By aligning with employee psychological requirements
- B) By reducing task enjoyment
- C) By minimizing cognitive and emotional energies
- D) By increasing job dissatisfaction

Q1.7 In an enriched job, what allows the employee to feel intellectual growth?

- A) Direct Communication Authority
- B) Personal Accountability
- C) New Learning
- D) Client Relationship

Q1.8 What is the primary purpose of job evaluation in an organization?

- A) Assessing individual performance
- B) Establishing job titles
- C) Employee motivation
- D) Determining job worth and setting wages

Q1.9 What is the key characteristic of the Factor Comparison Method in job evaluation?

- A) Ranking jobs based on overall worth
- B) Assigning values to specific job factors
- C) Using external market data only
- D) Subjective evaluation by supervisors

Q1.10 What is the primary purpose of performance appraisal?

- A) Determining job worth
- B) Assessing employee potential for development
- C) Setting uniform wages
- D) Evaluating market demand

*Answer Keys: 1.1-C, 1.2-D, 1.3-B, 1.4-A, 1.5-C, 1.6-A, 1.7-C, 1.8-D, 1.9-B, & 1.10-B.*

## **2. SHORT ANSWER TYPE QUESTIONS**

Q2.1 State the key objectives of Human Resource Planning?

Q2.2 Outline the essential contents of job specification.

Q2.3 Briefly explain the approaches to job design.

Q2.4 State any four importance of job evaluation.

Q2.5 Explain in brief, the 360-degree performance appraisal technique.

## **3. LONG ANSWER TYPE QUESTIONS**

Q3.1 Describe the various stages involved in Human Resource Planning.

Q3.2 Elaborate on the components comprising a job description statement.

Q3.3 Analyse the different techniques commonly used in job design.

Q3.4 Evaluate the point system method as an approach to job evaluation.

Q3.5 Elaborate the process of performance appraisal.

## **UNIT-III: CAREER & SUCCESSION PLANNING, AND TRAINING & DEVELOPMENT**

- Career Planning: Concept, Importance, Stages of Career growth;
- Succession Planning: Concept, Importance of Succession Planning;
- Training and Development: Concepts, Importance, Methods of Evaluation of Training Effectiveness;
- Performance management: Concepts, principles, process

### **1.1 CAREER**

A career may be defined as ‘ a sequence of jobs that constitute what a person does for a living’. It is a sequence of attitudes and behaviours associated with the series of job and work related activities over a person’s lifetime. It may be defined as a succession of related jobs, arranged in hierarchical order, through which a person moves in an organization.

#### **3.1.1 CAREER PLANNING**

According to Schermerborn, Hunt, and Osborn, ‘Career planning is a process of systematically matching career goals and individual capabilities with opportunities for

their fulfillment'. Career planning is defined from two perspectives: Individual and organisational:

- **Individual career planning** (Zlate, 2004) can be defined as all actions of self assessment, exploration of opportunities, establishing goals etc., designed to help the individual to make informed choices and changes about career.
- In **organizational context**, career can be identified as an integrated pace of vertical lateral movement in an occupation of an individual over his employment span.

### **3.1.2 INDIVIDUAL CAREER PLANNING PROCESS**

There are five basic steps in the career planning process:

(1) self-assessment, (2) investigating career opportunities, (3) goal setting, (4) action planning, and (5) evaluation.

#### **1. Self-Assessment**

*Self assessment* is the collection of information about yourself (values, interests, skills), continuous assessment and reporting to others;

#### **2. Opportunity Exploration**

*Exploring opportunities* involves gathering information about existing opportunities within but also outside organizations (training and other development methods); Seeking information on available job opportunities from family, friends, online job boards, job fairs.

#### **3. Goal Setting/Reality Checking**

Decide which job/occupational opportunities fit both personal interests and skills/abilities. Set specific target job objectives for a defined time period; it may include *making decisions and setting goals* on short and long term for training requirements, change of job / department etc.

#### **4. Action Planning**

Outline all steps needed to reach a specific career goal—formal training, internships, job search strategy development, network building, further career exploration, etc. In other words, *Planning* consists of determining ways and means of achieving goals, ordering their actions to achieve them, considering its consequences, setting deadlines and resource requirements

## 5. Evaluation

Review progress on steps in the action plan, realism of goals, and accuracy/currency of self-assessment. Revise career plan based on new information. It includes decision to retain or change career course.

### 3.1.3 CAREER PLANNING PROCESS IN ORGANIZATIONAL CONTEXT

The career planning process in the organizational context can be divided into the following four stages: **i.** Identifying individual needs and aspirations, **ii.** Analyzing career opportunities, **iii.** Aligning needs and opportunities, **iv.** Action plans and periodic review

**i. Identifying individual needs and aspirations:** Most individuals do not have a clear cut idea about their career aspirations, anchors and goals. The human resource professionals must, therefore, help an employee by providing as much information as possible showing what kind of work would suit the employee most, taking his skills, experience, and aptitude into account. Employee must form a clear view about what he should do to build his career within the company.

**ii. Analyzing career opportunities:** Once career needs and aspirations of employees are known, the organization has to provide career paths for each position. Career paths show career progression possibilities clearly. They indicate the various positions that one could hold over a period of time, if one is able to perform well. Career paths change over time, of course, in tune with employee's needs and organizational requirements. While outlining career paths, the claims of experienced persons lacking professional degrees and that of young recruits with excellent degrees but without experience need to be balanced properly.

**iii. Aligning needs and opportunities:** After employees have identified their needs and have realized the existence of career opportunities the remaining problem is one of alignment. This process consists of two steps:

- first, identify the potential of employees and then undertake career development programmes with a view to align employee needs and organizational opportunities. Through performance appraisal, the potential of employees can be assessed to some extent. Such an appraisal would help reveal employees who need further training, employees who can take up added responsibilities, etc.

- After identifying the potential of employees certain developmental techniques such as special assignments, planned position rotation, supervisory coaching, job enrichment, understudy programs can be undertaken to update employee knowledge and skills.

**iv. Action plans and periodic review:** The matching process would uncover gaps. These need to be bridged through individual career development efforts and organization supported efforts from time to time. After initiating these steps, it is necessary to review the whole thing periodically.

- This will help the employee know in which direction he is moving, what changes are likely to take place, what kind of skills are needed to face new and emerging organizational challenges.
- From an organizational standpoint also, it is necessary to find out how employees are doing, what are their goals and aspirations, whether the career paths are in tune with individual needs and serve the overall corporate objectives, etc.

### **3.1.4 CAREER STAGES**

There are four major career stages according to experts on career management.

- **During the first stage** there is considerable exploration. The young employee searches for an identity and undergoes considerable self-examination and role tryouts. This stage usually results in taking a number of different jobs and is in general, a very unstable and relatively unproductive period in the person's career. At the end of the phase, a career statement emerges based on the crystallization of an individual's views of themselves. For example, Human Resource Management aspirants begin to view themselves as sound in human relationships, labour laws and recruitment practices.
- **In the second stage**, establishment, the employee begins to settle down and indicates a need for intimacy. This is usually a growing productive period in the employee's career.
- **The third stage of maintenance** occurs when the person levels off at a highly productive but plain period with little growth. At this stage the person has a need for generativity, which is nothing but a concern to leave something to the next generation. This need often leads the person to assume a paternalistic or



mentor role with younger subordinate. The person may either have a growth spurt or become stagnant and decline during this career stage.

- **The final stage is decline**, when the person gradually gives up his active participation in official life.

### 3.1.5 MID-CAREER CRISIS AND CAREER PLATEAU

The period occurring between the mid-thirties and mid-forties during which people often tend to make a major reassessment of their progress in relation to their original career goals and personal ambitions. As people reach the middle of their careers, they find that their options to move out of the organization is lower than before, while there are increasingly fewer number of positions above them to aspire for. Some people are likely to experience “plateau”, a condition of stagnation in one’s current job without any noticeable variation for a long period of time.

### 3.1.6 IMPORTANCE OF CAREER PLANNING

- **Provides career goals and paths:** Career planning is needed to provide career goals and career paths to an employee. It provides a clear future directions in terms of career.
- **Develop competencies:** Career planning motivates and encourages an employee to develop competencies for higher level jobs. The competencies can be conceptual, interpersonal and technical.
- **Creativity:** Career planning is needed to increase employee creativity. It is needed for innovation in organization. It can be lead to entrepreneurship within the organization.
- **Employee retention:** Career planning is needed for retention of qualified employees in the long-term. This is needed to decrease costs of recruitment, selection and training.
- **Motivation:** Career planning motivates employees for higher performance. Upward movement in organization is based on the quality and quantity of performance. Career planning motivates employees to fulfill their esteem and self-development needs. This improves performance.

- **Meet internal staffing requirements:** Career planning better prepares promotable employees for internal job openings. Better mix of talents becomes available to implement HRM strategies and policies. Internal pool of talent is created.
- **Reduce employee turnover:** Career planning helps retain best and qualified employees. The concern for career increases organizational commitment. This results in reduced employee turnover in the organization. Loyalty to organization is enhanced.
- **Assist work force diversity:** Career planning helps employees with diverse backgrounds to integrated into the organization through self-growth. They can plan their career by considerations to alternative career paths.
- **Develop employee potential:** Career planning encourages managerial employees to develop their future potential to assume more responsible positions. It is needed for personal growth of employees.
- **Reduce hoarding of employees:** Managers like to hoard key subordinates. Career planning brings awareness about employee qualifications. This reduce hoarding of employees.
- **Assist international placement:** Career planning assists global organizations to prepare employees for international placement. They can work in diverse cultures.
- **Available team for contingency:** It can always create a team of employees prepared enough to meet any contingency.
- **Assist Succession Planning:** Every organization prepares succession planning towards which career planning is the first step.

### **3.2 SUCCESSION PLANNING: MEANING**

Succession planning entails in identifying the key jobs in an organisation and ensuring that , if anything, planned or unplanned were to remove the present job holder from his post, there would be some one ready to take the place. This benefits the company by ensuring that there are no expensive gaps, or panic measures to fill them. It benefits the individual by providing him with opportunities for advancement. According to William J Rothwell “Succession planning is a means of identifying critical management

positions starting at manager and supervisor levels and extending up to the highest position in the organization". It is a deliberate and systematic effort by an organization to: ensure leadership continuity in key positions; retain and develop future intellectual and knowledge capital; and encouraged individual advancement. Carnegie D. (2009) suggests "succession planning as a systematic way to ensure that employees in a particular organization are competent enough to develop and then replace strategic roles in organization hierarchy".

### **3.2.1 IMPORTANCE OF SUCCESSION PLANNING**

- i. **Succession Planning Mitigates Risk of Sudden Leadership Changes:** Retirement, leaving for a new position, termination, and even death can all create a vacancy. In the case of an anticipated retirement, there is often a period of a few months, or even a year, of awareness in which successors can be considered. However, if the position is vacated due to a resignation, dismissal, or ill health, the change can be sudden and disruptive.
- ii. **Continuity Planning Helps Maintain Board & Shareholder Trust:** Having a clearly defined and communicated succession plan demonstrates to invested parties that a company proactively manages current staff and planning for the future.
- iii. **Succession Planning Creates Clear Communication & Alignment:** Development of a succession plan forces company leadership to look ahead and estimate where their organization is going. An organization can determine what its leadership will need to look like 5, 10, and 15 years from now.
- iv. **Succession Management Enables Successors Time to Prepare:** Succession management provides organization time to prepare high-potentials for a new role. During this period of evaluation, each candidate can be assessed for strengths and gaps and receive proper development opportunities.  
  
When high-potential leaders know the company is interested in them, they're more likely to remain engaged with the organization. Employees who feel valued and appreciated are more likely to stick around to see what the future holds.
- v. **Leadership Pipeline Planning Provides Freedom to Focus on Business Goals:** Having a defined plan allows everyone in the organisation to focus on top-line goals like growing the business. A succession crisis due to lack of planning can cause an

organization to operate below capacity or fail to fully compete in the market, creating opportunity for competitors to gain advantage.

### **3.3 TRAINING AND DEVELOPMENT**

Training and development ensure that the organisation continue to have skilled and motivated individuals. Many a times training and development are understood as two separate terms. These are discussed below:

#### **3.3.1 TRAINING AND DEVELOPMENT MEANING**

- **Dale and Beach:** “Training is the organised procedure in which people learn knowledge and/or skill for definite purpose.”
- **Edwin B. Flippo:** “Training is the act of increasing the knowledge and skill of an employee for doing a particular job”. “Management Development includes the process by which the managers and executives acquire not only skills and competency in their present jobs but also capabilities for future managerial tasks of increasing difficulty and scope”.
- **Michael J Jucius:**“The term training is used here to indicate only process by which the aptitudes, skills, and abilities of employees to perform specific jobs are increased”. “Executive Development is the programme by which executive’s capacities to achieve desired objectives are increased”.
- **Randall S Schuller has defined Training and Development as:** “.....it is any attempt to improve current or future employee performance by increasing an employee’s ability to perform through learning, usually by changing the employee’s attitude or increasing his or her skills and knowledge....”.
- 

#### **3.3.2 DISTINCTION BETWEEN TRAINING AND DEVELOPMENT**

- "Training is short-term process utilizing a systematic and organized procedure by which non-managerial personnel learn technical knowledge and skills for a definite purpose. Development is a long-term educational process utilizing a systematic and organized procedure by which managerial personnel learn conceptual and theoretical knowledge for general purpose."

- "Training" refers only to instruction in technical and mechanical operations, while "development" refers to philosophical and theoretical educational concepts. Training is designed for non-managers, while development involves managerial personnel.
- In the words of Campbell, "training courses are typically designed for a short-term, stated set purpose, such as the operation of some piece(s) of machinery, while development involves a broader education for long-term purposes."

*The difference may be stated thus:*

<i>Learning Dimensions</i>	<i>Training</i>	<i>Development</i>
Who?	Non-managerial personnel	Managerial personnel
What?	Technical and mechanical operations	Theoretical, conceptual ideas
Why?	Specific job-related purpose	General Knowledge
When?	Short-term	Long-term

### 3.3.3 IMPORTANCE OF TRAINING AND DEVELOPMENT

The importance of training and development is discussed below:

- i. **Optimum Utilization of Human Resources:** Human resources need to be polished and trained to enhance their potential. Training and development of employees helps to make the best use of the employee's overall worth to the organization.
- ii. **Creating a Highly Skilled, Motivated and Enthusiastic Workforce:** The existing workforce is trained to increase their productivity, and motivated to contribute their best towards the organization. The employees will be more confident about themselves and enthusiastic about their job. They will adapt to technological changes and innovations more readily.
- iii. **Increase Productivity:** Knowledge about usage of sophisticated machinery and new technology is imparted to employees which will enable them to use the equipment more efficiently and thereby increase productivity.
- iv. **Build Team Spirit:** Training often takes place in groups where the trainees are encouraged to interact with each other and discuss organizational issues. This helps to create team spirit among the employees.

- v. **Healthy Work Environment:** Training and development programmes help to modify the thought and behaviour process of the employees in such a way that is conducive to building a healthy work environment.
- vi. **Personal Growth of Employees:** Development programmes provide opportunities to the employees to enhance their skills and knowledge and help them to achieve better career growth.
- vii. **Promote Learning Culture:** The employees are encouraged to continuously learn new concepts and update their talents. This helps to promote a learning culture within the organization which would greatly help in its future sustenance and growth.
- viii. **Improve Employee Morale:** When employees are trained to become better performers, they feel a sense of accomplishment. They realize that they are effectively contributing towards organizational goals and thus get a morale boost.
- ix. **Better Managerial Skills:** Training and development programmes inspire the employees to think, plan, solve problems and take important decisions. This hones up their managerial skills.
- x. **Reduce Employee Turnover:** A well trained employee will take more interest in his job and will be a more efficient worker. He will get more job satisfaction. People who love their jobs are more loyal towards the organization.

### **3.3.4 METHODS OF TRAINING**

Training can be classified into two groups i.e. On-The-Job Training and Of-The-Job training

#### **a. ON THE JOB TRAINING**

OJT is designed to maximize learning while allowing the employee to perform his job under the supervision and guidance of trained worker or instructor, providing him practical application and making principles and concepts of learning meaningful and realistic. It is the most traditional method and is also known as Shop Training.

## **TYPES OF ON THE JOB TRAINING ARE:**

- **Apprenticeship Training:** Apprenticeship training is a process by which people become skilled workers through a combination of formal learning and long-term on the job training. It traditionally involves having the learner/apprentice study under the tutelage of a master craftsperson.
- **Programmed Learning/Instruction:** Whether the medium is a textbook, PC, or the Internet, Programmed learning is a step-by-step, self learning method that consists of three parts:
  - Presenting questions, facts, or problems to the learner
  - Allowing the person to respond
  - Providing feedback on the accuracy of answers
  - If the answers are correct, the learner proceeds to the next block. If not, he or she repeats the same.
- **Job Instruction Training:** Many jobs (or parts of jobs) consist of a logical sequence of steps that one best learns step-by-step. This step by step training is called **job instruction training**.
- **Coaching:** Coaching is a one-to-one training. It helps in quickly identifying the weak areas and tries to focus on them. It also offers the benefit of transferring theory learning to practice.
- **Mentoring:** The focus in this training is on the development of attitude. It is used for managerial employees. Mentoring is always done by a senior inside person. It is also one-to- one interaction, like coaching.
- **Job Rotation:** It is the process of training employees by rotating them through a series of related jobs.
- **Understudy:** In this method, a superior gives training to a subordinate as his understudy like an assistant to a manager or director (in a film). The subordinate learns through experience and observation by participating in handling day to day problems. Basic purpose is to prepare subordinate for assuming the full responsibilities and duties.

### **b. OFF-THE-JOB TRAINING**

Off-the-job training methods are conducted in separate from the job environment, study

material is supplied, there is full concentration on learning rather than performing, and there is freedom of expression.

**Types of Off-the-job Training are:**

- **Lectures:** Lecturing is a quick and simple way to present knowledge to large groups of trainees.
- **Audiovisual Based Training:** Uses DVDs, films, powerpoint, and audiotapes. The Ford Motor Company uses videos in its dealer training sessions to simulate problems and reactions to various customer complaints.
- **Vestibule Training:** Vestibule training is a method in which trainees learn on the actual or simulated equipment they will use on the job, but are trained off the job (perhaps in a separate room or vestibule). It is necessary when it's too costly or dangerous to train employees on the job.
- **Teletraining and Video Conferencing**
  - In *teletraining*, a trainer in a central location teaches groups of employees at remote locations via televised hookups. Honda America began by using satellite television to train engineers.
  - In *Videoconferencing*, people in one location communicate live with people in another city or country or with groups in several cities.
- **Case Study:** Case Study is a written description of an actual situation in business which provokes, in a reader, the need to decide what is going on, what the situation really is or what the problems are, and what can and should be done. Case study can provide stimulating discussions among participants, as well as excellent opportunities for individuals to defend their analytical and judgement abilities.

A case study allows the application of theoretical concepts to be demonstrated, thus bridging the gap between theory and practice, encourage active learning, provides an opportunity for the development of key skills such as communication, group working and problem solving, and increases the trainees' enjoyment of the topic and hence their desire to learn.
- **Role Playing:** Each trainee takes the role of a person affected by an issue and studies the impacts of the issues on human life and/or the effects of human activities on the world around us from the perspective of that person.



It emphasizes the “real- world” side of science and challenges trainee to deal with complex problems with no single “right” answer and to use a variety of skills beyond those employed in a typical situation.

- **Sensitivity Training:** Sensitivity training uses small numbers of trainees, usually fewer than 12 in a group. They meet with a passive trainer and gain insight into their own and others’ behavior. Discussions focus on ‘why participants behave as they do, how they perceive one another, and the feelings and emotions generated in the interaction processes’.

The objectives of sensitivity training are to provide the participants with increased awareness of their own behavior and how others perceive them – greater sensitivity to the behavior of others, and increased understanding of group process.

### **3.3.5 TRADITIONAL/GENERAL TECHNIQUES OF EVALUATING TRAINING & DEVELOPMENT EFFECTIVENESS**

1. **Experimental & Control Groups**
2. **Longitudinal or Time series analysis**
3. **Questionnaires & Structured Interviews**
4. **Cost Benefit Analysis**
  - **Cost:** Assessment Cost, Salaries of Training Staff, Purchase of Training Equipment, Programme Development cost, Evaluation cost, Trainer’s cost & Trainee wages
  - **Benefits:** Improvement in trainees performance, Behavioural changes, Longevity of period during which benefits would last

### **3.3.6 POPULAR TECHNIQUES OF EVALUATING TRAINING EFFECTIVENESS**

There are five techniques out of many that are most used as well as trusted by organizations. Some of these techniques are referred to as models, or training evaluation methods. These are

- Kirkpatrick’s Four-level Training Evaluation Model
- The Phillips ROI Model

- Kaufman’s Five Levels of Evaluation
- Anderson’s Model of Learning Evaluation
- Summative vs Formative Evaluation

### 3.3.6A. KIRKPATRICK’S FOUR-LEVEL TRAINING EVALUATION MODEL

Kirkpatrick Taxonomy is one of the most widely used methods for evaluating the effectiveness of corporate training programs.

Developed and designed by Don Kirkpatrick, the framework offers a comprehensive **four-level strategy** to evaluate the effectiveness of any training course or program.



- **Level 1: Reaction:** This is the level where an evaluator assess how the participants responded to the training given to them. To be able to identify if the conditions for learning were present, you can ask the participants to complete a short survey or feedback forms and gauge their reactions to training.
- **Level 2: Learning:** In the second stage, the idea is to understand what the participants learned from the training. In most cases, practical tests or short quizzes before and after the training are used to assess this.
- **Level 3: Behavior:** This is the stage that takes place a while after the training. In this stage, an evaluator makes an attempt to assess whether the participants actually put what they learned into practice in their job roles. This can be done either by asking participants to complete self-assessments or by asking their supervisor to formally assess them.

- **Level 4: Results:** In the last stage, you need to evaluate whether the training met the stakeholders' expectations by determining the return on the expectations, also known as ROE. In most organizations, the stakeholders are usually the management or executives who decided to implement the training in the first place.

### **3.3.6B. THE PHILLIPS ROI METHODOLOGY**

Jack Phillips published his own work on training evaluation in 1980. At that time Kirkpatrick taxonomy was already well established as the dominant training evaluation model. However, Phillips wanted to address several of the shortcomings he saw in the Kirkpatrick taxonomy. His ROI methodology is best thought of as an expanded version of Kirkpatrick's taxonomy. In this method an attempt has been made to evaluate the program's return on investment (ROI) by measuring the difference between training cost and training results.

The Phillips ROI Methodology has five levels:

- **Level 1: Reaction:** In common with the Kirkpatrick taxonomy, the Phillips methodology evaluates the participants' reaction.
- **Level 2: Learning:** The second level evaluates whether learning took place.
- **Level 3: Application and Implementation:** The original Kirkpatrick taxonomy evaluated behavior in the workplace to see whether the learning translated into on-the-job training. Phillips expanded this level to cover both application and implementation. This addresses one of the central criticisms of the Kirkpatrick taxonomy: that it doesn't gather enough data to help improve training.
- Phillips' methodology makes it far easier to see why training does or doesn't translate into workplace changes. If there is a problem, did it lie with the application or the implementation? For example, was the learning applied incorrectly? Or was the on-the-job training implemented ineffectively?
- **Level 4: Impact:** While the fourth level of the Kirkpatrick taxonomy focuses purely on results, Phillips' methodology is much broader. His level 4 – Impact – helps identify whether factors other than training were responsible for delivering the outcomes.

- **Level 5: Return on investment (ROI):** Unlike the Kirkpatrick taxonomy that simply measures training results against stakeholder expectations (ROE), Phillips' methodology contains a fifth level specifically for measuring 'return on investment', ROI. This level uses cost-benefit analysis to determine the value of training programs. It helps companies measure whether the money they invested in the training has produced measurable results.

*Here's how it works:*

- **Collect the pre-training data:** The first step here is to collect pre-program data as a baseline measure that allows you to compare metrics before and after training.
- **Collect the post-training data:** The next step is to collect post-training data through varied sources such as participants, organizational performance records, team/peer group, participants' supervisors, and other internal/external groups.
- **Isolate the effects of a training program:** At this stage, determine whether results discovered are actually due to the training program. Identify all the key factors that might have contributed to the performance improvement
- **Convert the data to monetary gains:** Once you've isolated the effect of the program, you need to convert the data to monetary values and compare it to the overall program costs
- **Calculate the return:** Use the following formula to calculate the return.

In case the training results exceed the cost, it is an indication of a positive training ROI. Whereas if the cost of training is more than the results, enterprises need to change their approach.

### **3.3.6C. KAUFMAN'S FIVE LEVELS OF EVALUATION**

Kaufman's Five Levels of Evaluation is a reaction to and development of Kirkpatrick's four levels. Where Kirkpatrick's model divides evaluation by type of impact, mainly to the learner, Kaufman's model evaluates the impact on different groups.

<b>Kaufman</b>	<b>Kirkpatrick</b>	<b>Explanation</b>
<b>Input</b>	1a	<b>Resource availability and quality</b> These are training materials, digital resources, etc., used to support the learning experience.
<b>Process</b>	1b	<b>Process acceptability and efficiency</b> This is the actual delivery of the learning experience.
<b>Micro</b>	2 and 3	<b>Individual and small group payoffs</b> This is the result for the ‘micro-level client’ (normally the learner). Did the learner ‘acquire’ the learning? Did he or she apply it on the job?
<b>Macro</b>	4	<b>Organizational payoffs</b> This is the result for the ‘macro-level client’, the organization, and includes evaluation of performance improvement and cost benefit/cost consequence analysis.
<b>Mega</b>	Not present in Kirkpatrick’s model	<b>Societal contributions</b> This is the result for the ‘mega-level client’, either society as a whole or a company’s clientele.

### 3.3.6D. ANDERSON’S MODEL OF LEARNING EVALUATION

This is one of the training managers’ favorite evaluation techniques for training, because it helps them **keep their business strategy a priority**. There are three stages to the Anderson Model –

- **Stage 1:** Evaluating the current training programs against the business’ strategic priorities.
- **Stage 2:** The stage of measuring the contribution of training to strategic business results.
- **Stage 3:** At this stage, evaluator find the most relevant approaches for your company and decide whether the ROI is worthwhile.

If you’re not satisfied with the results of ROI measurement in stage 3, it’s time to make improvements to your training programs.

### 3.4 PERFORMANCE MANAGEMENT

Performance management is the process of planning performance, appraising performance, giving its feedback, and counseling an employee to improve his performance.

S. Kandula defines performance management as “process of designing and executing motivational strategies, interventions and drivers with an objective to transform the raw potential of human resource into performance”.

Performance management is a much broader and a complicated function of HR, as it encompasses activities such as joint goal setting, continuous progress review and frequent communication, feedback and coaching for improved performance, implementation of employee development programmes and rewarding achievements.

According to Armstrong and Baron (1998), Performance Management is both a strategic and an integrated approach to delivering successful results in organizations by improving the performance and developing the capabilities of teams and individuals.

#### 3.4.1 PERFORMANCE MANAGEMENT EFFECTS FOUR TYPES OF INTEGRATIONS namely, vertical, functional, human resource and goals.

- **Vertical Integration** – aligning objectives at organisational, individual and team levels and integrating them for effective performance. The individuals and teams agree upon to a dialogue to work within the broad framework of organisational goals and values.
- **Functional Integration** – it deals with focusing several functional energies, plans, policies and strategies onto tasks in different levels and parts of the organisation.
- **Human resource Integration** – this ensures effective integration of different subsystems of HRM to achieve organisational goals with optimum.
- **Goal integration** – it focuses on arriving at congruence between the needs, aspirations and goals of the managers with that of the goals and objectives of the organisation.

### **3.4.2 A PERFORMANCE MANAGEMENT SYSTEM INCLUDES THE FOLLOWING ACTIONS:**

Developing clear job descriptions and employee performance plans which includes the key result areas (KRA') and performance indicators.

- Selection of right set of people by implementing an appropriate selection process.
- Negotiating requirements and performance standards for measuring the outcome and overall productivity against the predefined benchmarks.
- Providing continuous coaching and feedback during the period of delivery of performance.
- Identifying the training and development needs by measuring the outcomes achieved against the set standards and implementing effective development programs for improvement.
- Holding quarterly performance development discussions and evaluating employee performance on the basis of performance plans.
- Designing effective compensation and reward systems for recognizing those employees who excel in their jobs by achieving the set standards in accordance with the performance plans or rather exceed the performance benchmarks.
- Providing promotional/career development support and guidance to the employees.
- Performing exit interviews for understanding the cause of employee discontentment and thereafter exit from an organization.

### **3.4.3 OBJECTIVE OF PERFORMANCE MANAGEMENT**

According to Lockett (1992), performance management aims at developing individuals with the required commitment and competencies for working towards the shared meaningful objectives within an organizational framework.

Performance management aims at building a high performance culture for both the individuals and the teams so that they jointly take the responsibility of improving the business processes on a continuous basis and at the same time raise the competence bar by upgrading their own skills within a leadership framework.

### 3.4.4 THE PERFORMANCE MANAGEMENT PROCESS

Performance management ensures employee goals, objectives, and outcomes are in harmony with organizational goals. The performance management system consists of three main parts: *defining performance that is appropriate to the organization through the job analysis process, measuring performance by acquiring information on how well an employee is fulfilling his/her job via the appraisal system, and finally reporting performance feedback and effectiveness to employees.*

It should be noted that the performance management process is not a onetime event that occurs once a year but it is a fully-fledged model process as shown in the figure below. The model which is based on the one proposed by Elaine D. Pulakos in his book “Performance Management: A New Approach For Driving Business Results” consists of six steps for an effective performance management process.

**Step 1:** This step involves the identification of the organization’s goals and objectives and the key performance outcomes that provide value for customers, employees, and the organization in general. The goals of all departments, divisions, and employees of the organization need to be aligned with its strategic goals.

**Step 2:** This step involves identifying SMART objectives, goals, behaviors, and activities for a given employee in order to determine how he can achieve the company goals spotted in the first step.

**Step 3:** This step involves exchanging regular feedback between employees and their managers to point out their achievements and their weaknesses and issues. Proper training and senior management support is provisioned here to ensure performance feedback is genuinely communicated between the employee and the manager, an effective performance management system is entrenched in the organization’s culture, and appraisals are completed on time.

**Step 4:** This step involves the performance assessment of the employee’s results and behaviors by their managers against the agreed performance targets and goals. For this step to be effective, the evaluation process needs to:

- Be a two-way discussion of weaknesses and opportunities for improvement between the employee and the manager
- Has to happen on a frequent basis (rather than annually)

**Step 5:** This step includes the identification of improvement needs (training, behavioral



adjustments, new priorities based on changes on organizational goals or performance indicators).

**Step 6:** This step includes the results of achieving or failing to achieve the required performance outcomes such as promotions, salary increases, bonuses, opportunities, layoffs, etc.

### 3.4.5 PRINCIPLES OF PERFORMANCE MANAGEMENT PROCESS

- **Transparency:** The system should be transparent, free from partiality, bias and discrimination among the employees. If not, the base of the system itself will not be strong to build anything above that. For example, work allocation, promotions, transfers, incentives, and bonus – if based on Performance management, then the system should be transparent and gives no room for employees to complaint.
- **Employee Empowerment:** Participative and empowered employees take the responsibility well. They develop the belongingness towards the organisation. Recognizing and rewarding the employees brings them together to work and achieve.
- **Organisational Values and Culture:** A fair treatment and ensuring due satisfaction to the employees, empathy and trust, respect and treating people equally – are all the foundations for the development of the Culture and values of the organisation, which reflects in overall output.
- **Amicable Workplace:** A work environment which attracts the employee. The workplace should be congenial, warm and amicable to the employees. This helps in improving the quality of work life and balancing the work life.
- **Transfer ownership of the process to the individual:** Encourage the individual to self-set goals in line with the team's overall measures of success. Encourage them to articulate *why* each goal is so critical. This will help the individual in achieving goals with a greater sense of ownership and enjoyment.
- **Shift the manager's role to be more of a coach:** Playing this role includes defining a clear picture of collective success, supporting the individual to define his or her unique contribution, providing a sense of meaning and significance for that contribution, providing regular feedback, support and correction on the

path to that contribution, and being open to feedback from the individual on how to better support him or her to make the maximum contribution. Increasing the frequency and quality of feedback in this way, creates an environment where individuals are more likely to lean into growth opportunities.

### **3.4.6 COMPONENT OF EFFECTIVE PERFORMANCE MANAGEMENT SYSTEM**

- **Performance Planning:** Performance planning is the first crucial component of any performance management process which forms the basis of performance appraisals. Performance planning is jointly done by the appraisee and also the reviewee in the beginning of a performance session. During this period, the employees decide upon the targets and the key performance areas which can be performed over a year within the performance budget, which is finalized after a mutual agreement between the reporting officer and the employee.
- **Performance Appraisal and Reviewing:** The appraisals are normally performed twice in a year in an organization in the form of mid reviews and annual reviews which is held in the end of the financial year. In this process, the appraisee first offers the self filled up ratings in the self appraisal form and also describes his/her achievements over a period of time in quantifiable terms. After the self appraisal, the final ratings are provided by the appraiser for the quantifiable and measurable achievements of the employee being appraised. The entire process of review seeks an active participation of both the employee and the appraiser for analyzing the causes of loopholes in the performance and how it can be overcome.
- **Feedback on the Performance followed by personal counseling and performance facilitation:** Feedback and counseling is given a lot of importance in the performance management process. This is the stage in which the employee acquires awareness from the appraiser about the areas of improvements and also information on whether the employee is contributing the expected levels of performance or not. The employee receives an open and a very transparent feedback and along with this the training and development needs of the employee is also identified. The appraiser adopts all the possible

steps to ensure that the employee meets the expected outcomes for an organization through effective personal counseling and guidance, mentoring and representing the employee in training programmes which develop the competencies and improve the overall productivity.

- **Rewarding good performance:** This is a very vital component as it will determine the work motivation of an employee. During this stage, an employee is publicly recognized for good performance and is rewarded. This stage is very sensitive for an employee as this may have a direct influence on the self esteem and achievement orientation. Any contributions duly recognized by an organization helps an employee in coping up with the failures successfully and satisfies the need for affection.
- **Performance Improvement Plans:** In this stage, fresh set of goals are established for an employee and new deadline is provided for accomplishing those objectives. The employee is clearly communicated about the areas in which the employee is expected to improve and a stipulated deadline is also assigned within which the employee must show this improvement. This plan is jointly developed by the appraisee and the appraiser and is mutually approved.
- **Potential Appraisal:** Potential appraisal forms a basis for both lateral and vertical movement of employees. By implementing competency mapping and various assessment techniques, potential appraisal is performed. Potential appraisal provides crucial inputs for succession planning and job rotation.

### 3.5 CONCLUSION

In conclusion, the strategic management of human resources extends to crucial aspects such as career planning, succession planning, training and development, and performance management. Career planning, with its emphasis on individual aspirations and organizational goals, creates a pathway for employees to navigate through various stages of career growth. This not only fosters employee satisfaction but also ensures a talent pipeline that aligns with the evolving needs of the organization.

Succession planning emerges as a proactive strategy to identify and nurture talent within the organization to fill key leadership roles. Its importance lies in mitigating risks associated with leadership gaps, ensuring continuity, and promoting a culture of

leadership development.

Training and development form the cornerstone of building a skilled and adaptable workforce. The dynamic nature of the modern workplace necessitates continuous learning, and effective training methods coupled with robust evaluation mechanisms contribute to the enhancement of individual and organizational capabilities.

Performance management, guided by clear concepts and principles, is a comprehensive process that involves setting expectations, monitoring progress, providing feedback, and recognizing achievements. It aligns individual performance with organizational objectives, fostering a culture of accountability, continuous improvement, and employee engagement.

As organizations navigate through an era of rapid change, the integration of these practices becomes instrumental for sustained success. Career planning and succession planning ensure a forward-looking approach to talent management, while training and development, coupled with effective performance management, contribute to building a workforce that is not only competent but also adaptive and resilient. In essence, the harmonious implementation of these strategies fosters a workplace culture that values growth, development, and high performance, positioning the organization to thrive in an ever-evolving business landscape.

## **CHECK YOUR PROGRESS**

### **1. Multiple Choice Questions (MCQ)**

Q1.1 What is the primary focus of the self-assessment phase in the individual career planning process?

- A) Collecting information about personal values and skills
- B) Exploring external job opportunities
- C) Setting specific job objectives
- D) Reviewing progress on action plans

Q1.2 What characterizes the final stage, "decline," in the career stages model?

- A) A need for intimacy
- B) Gradual withdrawal from active participation
- C) Considerable exploration
- D) Settling down and a need for intimacy

Q1.3 How does succession planning benefit the organization?

- A) Encourages gaps in leadership
- B) Ensures panic measures are in place
- C) Provides opportunities for advancement
- D) Ensures leadership continuity and prevents expensive gaps

Q1.4 What is the primary purpose of training in an organizational context?

- A) Increasing executive capacities
- B) Growing managerial tasks
- C) Enhancing specific job skills
- D) Decreasing employee performance

Q1.5 How is management development different from training?

- A) Management development focuses on decreasing skills
- B) Training is exclusively for executives
- C) Management development is for future tasks
- D) Training excludes competency development

Q1.6 What does Executive Development aim to increase?

- A) Employee performance
- B) Executive's capacities
- C) Specific job skills
- D) Learning opportunities

Q1.7 Training aims at:

- A) Optimum Utilization of Human Resources
- B) Increase Productivity
- C) Building Team Spirit
- D) All the above

Q1.8 Which of the following is not an example of on-the-job training method?

- A) Role playing
- B) Coaching
- C) Apprenticeship
- D) Mentoring

Q1.9 Which of the following is not an off-the-job training method?

- A) Lecture
- B) Job rotation
- C) Vestibule Training
- D) Sensitivity Training

Q1.10 Which type of integration in performance management involves aligning objectives at organizational, individual, and team levels for effective performance?

- A) Functional Integration
- B) Human Resource Integration
- C) Goal Integration
- D) Vertical Integration

*Answer Keys: 1.1-A, 1.2-B, 1.3-D, 1.4-C, 1.5-C, 1.6-B, 1.7-D, 1.8-A, 1.9-B, & 1.10-D.*

## **2. SHORT ANSWER TYPE QUESTIONS**

Q2.1 What is career planning?

Q2.2 What is mid-career crisis?

Q2.3 Define succession planning.

Q2.4 Identify the key difference between training and development.

Q2.5 State the principles of performance management process.

## **3. LONG ANSWER TYPE QUESTIONS**

Q3.1 Explain the career planning process in organisational context.

Q3.2 Elaborate on the significance of career planning.

Q3.3 Discuss the key importance of succession planning.

Q3.4 Explain the Kirkpatrick's four-level training evaluation model.

Q3.5 Examine the process of performance management.

## **UNIT-IV: COMPENSATION MANAGEMENT, HUMAN RESOURCE AUDIT AND HUMAN RESOURCE ACCOUNTING**

- Compensation management: Concepts, Structure of Compensation, Compensation Theories, Factors influencing compensation;
- Incentive Schemes and Fringe Benefits: Concept, Types;
- Human Resource Audit: Concepts, Process, Approaches;
- Human resource accounting- Concepts, Methods

#### 4.1 COMPENSATION

Compensation doesn't mean only a paycheck, although that's part of it. Compensation comprises several different elements that may be cash and non-cash payments. A few of the popular definitions of compensation are presented below:

- Gary Dessler defines compensation in these words "Employee compensation refers to all forms of pay going to employees and arising from their employment."
- Dale Yoder: "Compensation is paying people for work."
- Edwin B Flippo: "The function of compensation is defined as the adequate and equitable remuneration of personnel for their contributions to the organizational objectives."
- Benham: Compensation is the value of work of the employees according to the agreement between employer and employee.
- R. S. Schular: Compensation is such an activity through which organization on the basis of its ability and within law reasonably assesses the contribution of employees directly and indirectly for the distribution of financial and non financial remuneration.
- Compensation is defined by Mondy (2010) as the total of all rewards provided to employees in return for their service, the overall purposes of which are to attract, retain and motivate employees.
- ***Compensation is everything that a company offers its employees in return for their talent and time.***

##### 4.1.1 COMPENSATION MANAGEMENT

Compensation management is a systematic approach to providing monetary and non-monetary value to employees in exchange for work performed. ***Compensation***

**management** is the act of providing monetary value to an employee for the work they do by means of a company process or policy.

Compensation management is a process to establish & maintain an equitable wage & salary structure & an equitable cost structure. It involves job evaluation, wage & salary survey, profit sharing & control of pay costs.

*Armstrong (2005) stated that compensation management is an integral part of human resource management approach to productivity improvement in the organisation. It deals with the design, implementation and maintenance of compensation system that are general to the improvement of organisational, team and individuals performance Compensation management is concerned with the formulation and implementation of strategies and policies that aim to compensate people fairly, equitably and consistently in accordance with their values to the organization.*

#### **4.1.2 COMPENSATION STRUCTURE**

Compensation can be classified into **Direct Compensation and Indirect Compensation.**

**DIRECT COMPENSATION:** Direct compensation refers to the monetary benefits offered and provided to employees in return of the services they provide to the organization. The monetary benefits include basic salary, house rent allowance, conveyance, leave travel allowance, medical reimbursements, special allowances, bonus, provident fund/gratuity, etc. They are given at a regular interval at a definite time.

**INDIRECT COMPENSATION:** Indirect compensation refers to non-monetary benefits offered and provided to employees in lieu of the services provided by them to the organization. They include Leave Policy, Overtime Policy, Hospitalization, Insurance, Leave Travel Assistance Limits, Retirement Benefits, Holiday Homes and flexible timings.

##### **a. COMPONENT OF DIRECT COMPENSATION**

- **Medical Reimbursement:** Organizations also look after the health conditions of their employees. The employees are provided with medi-claims for them and



their family members. These medi-claims include Health-insurances and treatment bills reimbursements.

- **Special Allowance:** Special Allowance such as overtime, mobile allowance, meals, commissions, travel expenses, reduced interest loans, insurance, club membership, etc., are provided to employees to provide them social security and motivate them which helps in improving the organizational productivity.
- **Bonus:** Bonus is paid to the employees during festive seasons to motivate them and provide them social security. The bonus amount usually amounts to one month's salary of the employee.
- **Leave Travel Allowance:** These allowances are provided to retain the best talent in the organization. The employees are given allowances to visit any place they wish with their families. The allowances are scaled as per the position of employee in the organization.
- **Conveyance:** Organizations provide cab facilities to their employees. Few organizations also provide vehicles and petrol allowances to their employees to motivate them.
- **House Rent Allowance:** Organizations either provide accommodations to its employees who are from different state or country or they provide house rent allowance to its employees. This is done to provide them social security and motivate them to work.
- **Basic Salary:** Salary is the amount received by the employee in lieu of the work done by him/her for a certain period say a day, a week, a month, etc. It is the money an employee receives from his/her employer by rendering his/her service.

#### **b. INDIRECT COMPENSATION COMPONENT**

- **Overtime Policy:** Employees should be provided with the adequate allowances and facilities during their overtime, if they happened to do so, such as transport facilities, overtime pay etc.
- **Hospitalization:** The employees should be provided with the adequate allowances to get their regular check-ups, say at an interval of one year. Even their dependents should be eligible for the medi-claims that provide them emotional and social security.

- **Insurance:** Organizations also provide accidental insurance and life insurance for employees. This gives them the emotional security and they feel themselves valued in the organization.
- **Leave Travel:** The employees are provided with the leaves and travel allowances to go for holiday with their families. Some organizations arrange a tour for the employees of the organization. This is usually done to make employees stress free.
- **Retirement Benefits:** Organizations provide pension plans and other benefits for their employees which benefits them after they retire from the organization at the prescribed age.
- **Holiday Homes:** Organizations provide holiday homes and guest house for their employees at different locations. These holiday homes are usually located at the hill station and other most wanted holiday spots. The organizations make sure that the employees do not face any kind of difficulties during their stay in the guest house.
- **Flexible Timings:** Organizations provide flexible timings to the employees who cannot come to work during normal shifts due to their personal problems and valid reasons.
- **Leave policy:** It is the right of the employee to get adequate number of leave while working with the organization. The organizations provides paid leaves like casual leaves, medical leaves (sick leaves) and maternity leaves, statutory pay etc.

#### **4.1.3 FACTORS INFLUENCING COMPENSATION MANAGEMENT**

Factors influencing compensation management can be classified into Internal Factors and External Factors.

##### **A. INTERNAL FACTORS**

The internal factors exist within the organization and influences the pay structure of the company. These are as follows:

- **Ability to Pay:** The prosperous or big companies can pay higher compensation as compared to the competing firms whereas the smaller companies can afford

to maintain their pay scale up to the level of competing firm or sometimes even below the industry standards.

- **Business Strategy:** The organization's strategy also influences the employee compensation. In case the company wants the skilled workers, so as to outshine the competitor, will offer more pay as compared to the others. Whereas, if the company wants to go smooth and is managing with the available workers, will give relatively less pay or equivalent to what others are paying.
- **Job Evaluation and Performance Appraisal:** The job evaluation helps to have a satisfactory differential pays for the different jobs. The performance Appraisal helps an employee to earn extra on the basis of his performance.
- **Employee:** The employee or a worker himself influences the compensation in one of the following ways.
  - *Performance:* The better performance fetches more pay to the employee, and thus with the increased compensation, they get motivated and perform their job more efficiently.
  - *Experience:* As the employee devote his years in the organization, expects to get an increased pay for his experience.
  - *Potential:* The potential is worthless if it gets unnoticed. Therefore, companies do pay extra to the employees having better potential as compared to others.

## **B. EXTERNAL FACTORS**

The factors that exist out of the organization but do affect the employee compensation in one or the other way. These factors are as follows:

- **Labor Market:** The demand for and supply of labor also influences the employee compensation. The low wage is given, in case, the demand is less than the supply of labor. On the other hand, high pay is fixed, in case, the demand is more than the supply of labor.
- **Going Rate:** The compensation is decided on the basis of the rate that is prevailing in the industry, i.e. the amount the other firms are paying for the same kind of work.

- **Productivity:** The compensation increases with the increase in the production. Thus, to earn more, the workers need to work on their efficiencies that can be improved by way of factors which are beyond their control. The introduction of new technology, new methods, better management techniques are some of the factors that may result in the better employee performance, thereby resulting in the enhanced productivity.
- **Cost of Living:** The cost of living index also influences the employee compensation, in a way, that with the increase or fall in the general price level and the consumer price index, the wage or salary is to be varied accordingly.
- **Labor Unions:** The powerful labor unions influence the compensation plan of the company. The labor unions are generally formed in the case, where the demand is more, and the labor supply is less or are involved in the dangerous work and, therefore, demands more money for endangering their lives. The non-unionized companies or factories enjoy more freedom with respect to the fixation of the compensation plan.
- **Labor laws:** There are several laws passed by the Government to safeguard the workers from the exploitation of employers. The *payment of wages Act 1936*, The *Minimum wages act 1948*, The *payment of Bonus Act 1965*, *Equal Remuneration Act 1976*, *Payment of Gratuity Act 1972* are some of the acts passed in the welfare of the labor, and all the employers must abide by these.

#### 4.1.4 THEORIES OF COMPENSATION

*Reinforcement and Expectancy Theory,, Agency Theory, and Equity Theory*

**Reinforcement and Expectancy Theory:** This theory is based on the assumption that, the reward-earning behavior is likely to be repeated, i.e. an employee would do the same thing again for which he was acknowledged once.

Similarly, in the case of Expectancy Theory, given by Vroom, the employee is motivated to do a particular thing for which he is sure or is expected that performance will be followed by a definite reward or an outcome.

**Agency Theory:** This theory states that both the employer and the employee are the stakeholders of the company, and the remuneration paid to the employee is the agency cost. The employee will try to get an increased agency cost whereas the employer will

try to minimize it. Hence, the remuneration should be decided in such a way that the interest of both the parties can be aligned.

Thus, these theories advocates that the compensation in the form of salary or wages can be decided on the basis of the outcome or the behavior of an employee.

**Equity Theory:** According to this theory, there should be equity or the uniformity in the pay structure of an employee's remuneration. If the employee feels he is not being paid fairly for the amount of work he does in a day will result in lower productivity, increased turnover and high absenteeism. The remuneration system should comply with three types of equity:

- **Internal Equity:** The employee perceives the fairness in different pay for different jobs based on the nature of work involved, i.e. he must feel that pay differentials among the jobs are fair.
- **External Equity:** The employee should feel the fairness in what they are being paid is in line with what other players in the same industry are paying to their employees for the same kind of job.
- **Individual Equity:** The employee perceives the pay differentials among the individuals who are performing the same kind of a job and within the same organization. Usually, an individual with more experience gets high remuneration as compared to the fresher irrespective of the nature of a job.

## **4.2 INCENTIVE SCHEMES AND FRINGE BENEFITS**

The present section highlights the fundamental concepts of incentive schemes and fringe benefits.

### **4.2.1 INCENTIVE**

Incentive is anything that attracts an employee and stimulate him or her to work. The incentives can be financial as well as non-financial. According to the National Commission of Labour "wage incentives are extra financial motivation. They are designed to stimulate human effort by rewarding the person over and above the time rated remuneration, for improvements in the present or targeted results". Scott defines it as "any formal and announced programme under which the income of an individual, a small group, a plant work force or all the employees of a firm are partially or wholly

related to some measure of productivity output”. Human and Nickerson define it in simple terms as “all the plans that provide extra pay for extra performance in addition to regular wages for a job”. According to Burak and Smith, “An incentive scheme is a plan or program to motivate individuals for good performance. An incentive is most frequently built on monetary rewards, but also may include a variety of non-monetary rewards or prizes”. According to Venkata Ratnam and Srivastava, "A wage incentive scheme is a method of payment for work of an acceptable quality produced over and above a specified quantity or standard“.

#### **4.2.2 CLASSIFICATION OF INCENTIVES**

- Financial and non financial incentives
- Individual and group incentives

##### **A1. Financial incentives**

Financial incentives include Salary, premium, reward, dividend, bonus, income from investment. Financial incentives play a very important role in improving the performance of the employees. Cash plays a very important role in fulfilling the needs of the individuals especially of labor class.

##### **A2. Non financial incentives**

As the employees have other needs like respect and self centered needs , they can be motivated with the help of following non-financial incentives. These are Job satisfaction, Job security, Respect and recognition, Training and other employee improvement programs, Housing/medical/educational facilities, Opportunities for growth, Suggestion scheme, praise, employee-superiors relationship etc

##### **B1. Individual incentives**

Individual incentive are the extra compensation paid to an individual for all production over a specified quantity.

##### **B2. Group Incentives**

Group incentives system involve co-operation among employees , management and the union for reduction in labor, material and supply costs, strengthening of employee loyalty to the company.

### 4.2.3 WAGE INCENTIVE

Wage incentive can be define as a system of payment under which the amount payable to a person is linked with his output. Such payment may be called “payment with result”.

### 4.2.4 TYPES OF WAGE INCENTIVE SCHEMES

- Straight piece rate
- Taylors differential plan
- Merrick Differential Piece-Rate System
- Halsey Premium plan
- Rowan Premium plan
- Emerson efficiency plan
- Gantt Task & bonus plan
- Bedaux Point Plan

**i. STRAIGHT PIECE RATE:** It is wage payment system whereby wage is directly related to the output/performance of the worker.

#### **ii. TAYLOR’S DIFFERENTIAL PIECE RATE SYSTEM**

Piece work, or paying a fixed rate for each unit produced, was the common basis of making payment during the Industrial Revolution. In one of the paper in 1895, Taylor criticized both Towne and Halsey plans and proposed a new alternative.

**Taylor proposed a new three-part plan that extended an earlier piecework-system developed by Charles A. Brinley at Midvale Steel:**

**(1) observation and analysis through time study to set output standards and pay rates** (in place guesswork and tradition);

**(2) a differential piecework-system** in which a higher rate per piece is paid if work is done in less time than specified, and a lower rate is paid if it is done in more time than allowed; and

**(3) “paying men and not positions.”** (Partially to address soldiering, but primarily intended to reward individual initiative)

#### **Illustration**

Normal Rate per hour = Rs 180

Standard time per unit = 20 seconds

Standard hours work in a day = 8 hrs

Differential to be applied = 80% below standard and 120% above standard

Worker A produces 1300 units per day and worker B produces 1500 units per day

**Solution:**

Standard production per 20 seconds = 1 unit

Per minute production =  $60/20=3$  units, per hour  $3 \times 60 = 180$  units, Therefore standard production in a day (8 hrs)=  $180 \times 8 = 1440$  units

Normal rate per hour= Rs 180

Normal Piece rate = Rs.  $180/180$  units = Rs 1

Low piece rate below standard production = Rs  $1 \times 80/100 =$  Rs 0.80

High Piece rate or above standard = Rs  $1 \times 120/100 =$  Rs 1.20

*For A worker:*

*Under Straight piece rate system 1300 units @ Rs 1 = Rs 1300*

*Under Taylors Differential plan 1300 units @ Rs 0.80 = Rs 1040*

*1439 units @ Rs 0.80 = 1151*

*For B worker:*

*Under Straight piece rate system 1500 units @ Rs 1 = Rs 1500*

*Under Taylors Differential plan 1500 units @ Rs 1.20 = Rs 1800*

*1441 units @Rs 1.20 = 1729*

*1440 units @ Rs. 1 = 1440*

*1439 @ 0.80 = 1151*

**iii. MERRICK DIFFERENTIAL PIECE-RATE SYSTEM**

The Merrick Differential Piece-Rate System is a modification of Taylor's differential piece-rate system in which **three piece-rates** are used to distinguish between the *beginners, the average workers, and the superior workers*, against two piece-rates in Taylor's system.

The worker is paid the **straight piece rate, if it is less than 83%** of the standard output,

**10 % above the normal rate** for producing between **83% – 100%** and

**20% above the normal rate** for producing **more than 100%** of the standard output.



Here also, the minimum wages of the worker are not guaranteed.

**The Merrick Differential Piece-Rate System can be illustrated by the example given below:**

**Standard Output = 200 units**

**Piece-rate = 10 paise**

**Case (1):** Output = 160 units

Efficiency =  $160/200 \times 100 = 80\%$

**Earnings =  $160 \times 0.10 = \text{Rs } 16.$**

**Case (2):** Output = 180 units

Efficiency =  $180/200 \times 100 = 90\%$

**Earnings =  $180 \times 0.10 \times 110/100 = \text{Rs } 19.80$**

**Case (3):** Output = 220 units

Efficiency =  $220/200 \times 100 = 110\%$

**Earnings =  $220 \times 0.10 \times 120/100 = \text{Rs } 26.4$**

#### **iv. HALSEY PREMIUM PLAN:**

This plan, originated by F. A. Halsey, an American engineer, is a combination of the time and the piece wage in a modified form. Under this plan, a **guaranteed wage** based on past experience is determined. If a worker saves time, he gets 50% of wages for time saved (called premium) in addition to normal wages. It is optional for the worker to work on the premium or not. Thus, this plan also provides incentive to efficient workers.

**The total wage is calculated as:**

$$T \times R + 50\% (S - T) \times R$$

Where, **T** – time taken; **R** – Rate of wage; **S** – Standard time; 50% – The bonus percentage.

**Illustration:**

S = 10 hours, T = 8 hours; R = Rs. 5 / Hr; Bonus = 50%

Total wage =  $8 \times 5 + (50/100) \times (10 - 8) \times 5 = \text{Rs. } 45$

#### **v. ROWAN PREMIUM PLAN:**

This plan was developed by D. Rowan in 1901. This plan, to a large extent is similar to

that of Halsey Premium Plan. The only difference is in regard to the determination of the premium/bonus. Unlike a fixed percentage in case of Halsey plan, it considers premium on the basis of the proportion which the time saved bears to the standard time.

$$\text{Total wage} = J \times R + [J \times R \times (\text{Time saved}/\text{std. time})]$$

**Illustration:**

S = 10 hours; J = 8 hours; R = Rs. 5 / hrs.

$$\text{total wages} = 8 \times 5 + [8 \times 5 \times (2/10)] = \text{Rs. 48}$$

**vi. EMERSSON EFFICIENCY PLAN:**

This plan was introduced by Mr. Hemington Emerson. Under this scheme, both standard work and day wage are fixed. Bonus is paid on the basis of worker's efficiency. A worker becomes entitled to get bonus only when his/her efficiency reaches to 67%. The rate of bonus goes on increasing till he achieves 100% efficiency. Above 100% efficiency, bonus will be 20% of the basic rate plus 1% for each 1% increase in efficiency. In this way, at 120% efficiency, a worker receives a bonus of 40% and at 140% efficiency worker gets 60% of the day wage as bonus.

**Standard output in 10 hrs = 200 units**

**Rate per unit = Rs 2 per hour**

**Case (1):** Output in 10 hrs = 100 units

$$\text{Efficiency} = 50\% (100/200 \times 100)$$

As efficiency is below 67% the worker is entitled to only time wage, thus,

$$\text{Earnings} = 10 \times 2 = 20.$$

**Case (2):** Output in 10 hrs = 200 units

$$\text{Efficiency} = 100\% (200/200 \times 100)$$

As the efficiency is 100%, then the worker is paid time wages, plus a bonus of 20% on wages earned. As,

$$\text{Time Wages} = 10 \times 2 = \text{Rs } 20$$

$$\text{Bonus} = 20/100 \times 20 = \text{Rs } 4$$

**Total earnings = Rs 24**

**Case (3):** Output in 10 hrs = 260 units

$$\text{Efficiency} = 130\% (260/200 \times 100)$$

For 100% efficiency, the worker will get a bonus of 20% on wages earned, plus one percent additional bonus for every one percent increase in efficiency, i.e. 30%. Thus, the total bonus of 50% of time wage is paid to the worker.

Earnings:

Time wages =  $10 \times 2 = \text{Rs } 20$

Bonus =  $50/100 \times 20 = \text{Rs } 10$

**Total Earnings = Rs 30**

#### **vii. GANTT TASK AND BONUS PLAN:**

This system combines the (a) **Time Wage**, (b) **Piece Wage**, and (c) **Bonus Plan**. It mainly follows a differential piece rate basis of remuneration with the following method of computation:

- a) Output below standard to be paid at guaranteed Time Rate
- b) Output at standard to be paid with 20 per cent of Time Rate as Bonus
- c) Output above standard to be paid at high piece rate on the entire output of the worker.

This system offers an incentive to efficient workers for increased production. It means lesser the time consumed in completing the job, higher the earnings per hour. The standard output within a specified period is pre-determined. Bonus is paid at the rate of 20% for 100% efficiency. Those workers who complete their job in the standard time are treated as 100 per cent efficient. They get wages for time taken plus bonus at a fixed percentage of wages. If a worker completes his job in less than the standard time, he gets wages for standard time plus bonus at a fixed percentage of wages earned (which is usually 20%). Slow workers, however still get the guaranteed wage for the day

#### **Illustration**

Standard Rate = Rs 5 per hour; Standard Hours for the Job = 8 hours; Bonus = 20% of Standard Time

*Worker A completes the work in 10 hours; Worker B completes the work in 8 hours;*

*Worker C completes the work in 6 hours*

**Compute the earnings of A, B and C under Gantt Task Bonus Plan.**

#### **Solution**

The comparative earnings per hour of the three workers will be computed as follows:

A: Wages for 10 hours at Rs. 5 per hour = Rs. 50

B: Wages for 8 hours at Rs. 5 per hour = Rs. 40 + 20% of 8 hours (40X20/100) = 40 + 8 = Rs. 48

C: Wages for 6 hours = Wages for 8 hours at Rs. 5 per hour = Rs. 40 + 20% of 8 hours = Rs. 48

#### **viii. BEDEAUX PLAN:**

- This plan is developed by Charles E. Bedeaux in 1911. Here the minimum time wage is guaranteed to all workers.
- Under this plan, every operation or job is expressed in terms of so many standard minutes, which are called 'Bedeaux points' or Bs ; each B representing 1 minute. Upto 100% performance i.e. upto standard Bs, the worker is paid time wages without any premium for efficiency.
- If the actual performance exceeds the standard performance in terms of Bs, then 75% of the wages of the time saved is paid to the worker as bonus and 25% is earned by the foreman.

#### **The wage rate is calculated as:**

$$S \times R + 75\% \text{ of } R (S - T)$$

#### **Illustration:**

S = 10 hrs; R = Rs. 5 / hrs; T = 8 hrs.

Then:

$$\begin{aligned} \text{Total wages} &= 10 \times 5 + 75\% (5) \times (10-8) \\ &= 50 + (3.75 \times 2) = 50 + 7.50 = \text{Rs. } \mathbf{57.50} \end{aligned}$$

### **4.2.5 GROUP INCENTIVE PLANS**

**i. The Scalar Plan:** This is a group plan where the productivity of the entire work force is taken into account. In this plan bonus is paid at the rate of 1 % for every 1% rise in productivity. Workers are not paid the full amount of bonus earned by them in the same month.

A certain percentage is set aside as a "Resource Fund" to take care of fluctuation. At the

end of the year, the balance remaining in the “Reserve Fund” is also distributed.

**ii. Priest Man Bonus Plan:** Here a committee of workers and management set the standard of performance. A minimum wage is guaranteed to each worker. The group gets bonus when actual output exceeds the standard. The group supervisor also gets a share on the group bonus. This plan promotes team spirit among employees.

**iii. Scanlon Plan:** The Scanlon plan was developed by Joseph N. Scanlon, a Lecturer at the Massachusetts Institute of Technology in USA in 1937. The plan is essentially a suggestion scheme designed to involve the workers in making suggestions for reducing the cost of operation and improving working methods and sharing in the gains of increased productivity.

The plan is characterised by two basic features. First, both employees and managers can participate in the plan by submitting their suggestions for cost-cutting methods. Second, increase in efficiency on account of cost-cutting is shared by the employees of the unit.

**iv. Employee Stock Option Plan:** This is popularly known as ESOP. This is a form of incentive where the employees are allotted the company share at a price below the market price. When the company achieve better results, the market price of its shares and the value of the employees’ shareholding rise.

**v. Profit Sharing:** Prof. Seager defines profit sharing as “an arrangement by which employees receive a share, fixed in advance of the profits”. Profit sharing usually involves the determination of an organisation profits at the end of the fiscal, year and the distribution of a percentage of the profits to the workers qualified to share in the earnings. The main objectives of profits sharing are to create unity of interest and the spirit of co-operation.

**vi. Co-partnership:** In a way, co-partnership is an improvement over profit-sharing. In this scheme, employees also participate in the equity capital of a company. They can have shares either on the basis of cash payment or in lieu of other incentives payable in cash like bonus. Thus, under co-partnership scheme, employees become shareholders also by having company shares. Now, employees participate in both —profits and management of the company. The finer points of this scheme are that it recognizes the dignity of labor and also of a partner in the business. This would, in turn, develop a sense of belongingness among the employees and encourage them to contribute their best for the development of the organization.

**vii. Performance Units:** According to the Society for Human Resource Management, one type of incentive plan for executives is known as the performance unit. In the executive's agreement there is a schedule of financial milestones that the company must achieve for the executive to get awarded a pre-determined amount of units. The amount of a performance unit varies by company. Performance units are paid out based on a schedule agreed to by the executive and the company.

**viii. Bonus Pay:** The bonus pay structure is common in professions such as sales, marketing and production. When the employees reach a predetermined goal, the company may create an incentive plan that pays a bonus for going beyond that goal. For example, if a manufacturing plant has a goal of 100 units in a month, the company may offer to pay each employee a bonus for each unit manufactured beyond 100 in that month.

#### **4.2.3 FRINGE BENEFIT**

The term **Fringe Benefits** means ‘any consideration for employment provided by way of any privilege, service, facility or amenity provided by the employer to the employees’.

**The International Labour Organisation has defined “fringe benefits” as under:**

*“Wages are often augmented by special cash benefits, by the provision of medical and other services, or by payments in kind that form part of the wage for expenditure on the goods and services. In addition, workers commonly receive such benefits as holidays with pay, low-cost meals, low-rent housing, etc. Such additions to the wage proper are sometimes referred to as ‘fringe benefits.’ Benefits that have no relation to employment or wages should not be regarded as fringe benefits, even though they may constitute a significant part of the workers’ total income. This is fairly obvious in the case of public parks, sanitation services, and public and fire protection.”* Cockman views employee benefits as **“those benefits which are supplied by an employer to or for the benefits of an employee, and which are not in the form of wages, salaries and time-rated payments.”**

According to the Employers’ Federation of India, “fringe benefits include payments for non-working time, profits and bonus, legally sanctioned payments on social security schemes, workmen’s compensation, welfare cess, and the contributions made by employers under such voluntary schemes as cater for the post-retirement, medical,

educational, cultural and recreational needs of workmen. The term also includes the monetary equivalent of free lighting, water, fuel, etc., which are provided for workers, and subsidised housing and related services.”

*The term ‘fringe benefits’ covers bonus, social security measures, retirement benefits like provident fund, gratuity, pension, workmen’s compensation, housing, medical, canteen, cooperative credit, consumer stores, educational facilities, recreational facilities, financial advice and so on. Thus, fringe benefits cover a number of employee services and facilities provided by an employer to his employees and in some cases to their family members also.*

**Werther and Davis:** “Benefits are indirect compensation which is usually extended as a condition of employment and are not directly related to performance”.

**Belcher:** “any wage cost not directly connected with employee’s productive effort, performance, service or sacrifice”.

In simple words, it is a benefit which Supplements the employees’ ordinary wages, but not connected to their productivity and which is of value to them and their families. This benefits helps them in conditioning their life.

#### **4.2.3.1 FRINGE BENEFIT: TYPES**

Fringe Benefits/Employee Benefits may be **financial or non-financial, long term or short term, free or at concessional rates, mandatory (statutory) or voluntary.**

They may include educational, residential, medical, or recreational facilities. Such facilities may be provided individually or collectively and inside or outside the organization.

Thus the employee benefits are the comforts and the facilities given to employees to enable them to work in a healthy and peaceful atmosphere.

The employee benefits of a company generally includes:-

- (i) A remunerative wage structure which motivates the employees to contribute their maximum worth to the enterprise;
- (ii) bonus to the employees either on festive occasions or as a reward for their contribution in the high performance of the firm;
- (iii) Social security benefits for employee welfare in the form of provident fund, gratuity, medical facilities, compensation and insurance policies;

(iv) different types and number of leaves so that the employees may revitalize themselves and contribute their best effort to the organization;

(v) employees who wish to voluntarily retire from an organisation are provided with several benefits under the voluntary retirement scheme.

Organizations provide a variety of fringe benefits. The fringe benefits are classified under four heads as given here under:

- i. **For Employment Security:** Benefits under this head include unemployment insurance, technological adjustment pay, leave travel pay, overtime pay, level for negotiation, leave for maternity, leave for grievances, holidays, cost of living bonus, call-back pay, lay-off, retiring rooms, jobs to the sons/daughters of the employees and the like.
- ii. **For Health Protection:** Benefits under this head include accident insurance, disability insurance, health insurance, hospitalization, life insurance, medical care, sick benefits, sick leave, etc.
- iii. **For Old Age and Retirement:** Benefits under this category include: deferred income plans, pension, gratuity, provident fund, old age assistance, old age counseling , medical benefits for retired employees, traveling concession to retired employees, jobs to sons/daughters of the deceased employee and the like.
- iv. **For Personnel Identification, Participation and Stimulation:** This category covers the following benefits: anniversary awards, attendance bonus, canteen, cooperative credit societies, educational facilities, beauty parlor services, housing, income tax aid, counseling, quality bonus, recreational programs, stress counseling, safety measures etc.

**The fringe benefits are also categorized as follows:**

**a) Payment for Time Not worked:** Benefits under this category include: sick leave with pay, vacation pay, paid rest and relief time, paid lunch periods, grievance time, bargaining time, travel time etc.

**b) Extra Pay for time Worked:** This category covers the benefits such as: premium pay, incentive bonus, shift premium, old age insurance, profit sharing, unemployment compensation, Christmas/Deewali/Pooja/Id bonus, food cost subsidy, housing subsidy, recreation.



### **4.3 HR AUDIT: MEANING, PROCESS, APPROACH**

According to Aquinas, Audit, a very familiar term commonly used in business field, is an effective assessment of managerial control. The audit incorporates the methodical and regular investigation of managerial practices and activities as against objectives and strategies, legal necessities and occupational standards of an organization. HR Audit involves the analytical experiment and assessment of programs, systems and procedures to the degree of human resource management. Durai have defined it as the financial audit deals with various monetary transactions and issues, human resource audit deals with programs and issues related to the people, their functions and the human resource philosophy of an organization. The human resource audit is actually a process of investigating policies, strategies, systems, documentations and practices with regard to the functions of human resources of an organization. According to Rao (2005), HR audit is an exploratory, problem-solving and comparative activity, which examines and evaluates the policies, procedures and practices to administer the effectiveness of human resource management.

#### **4.3.1 RATIONALE OF HR AUDIT**

- Human resource audit intends to motivate executives and managers instituting best suited diagnostic techniques of assessing performance against target and objectives established from the needs and experience of their own unit, section or department.
- The basic objectives of a human resource audit is to measure how efficiently human resource functions are implemented by the HR department, to uncover the strengths and weaknesses of the human resource systems, and to gain competitive advantage by rocketing effectiveness and efficiency of an organization.
- Human resource audit evaluate the efficiency and the continuation of HR practices at comparatively low costs.
- HR audit helps to ensure uniform HR policies and procedures, identify various HR problems, find the contribution and inspire superior responsibility and professionalism among HR people to the organization, and ensure convenient compliance.

### **4.3.2 PROCESS OF HR AUDIT**

Process of HR audit includes:

1. developing an audit plan
2. selecting the audit team
3. collecting the HR data
4. analyzing the data
5. concluding and reporting

#### **Phase 1: Developing an audit plan:**

The process of human resource audit simply starts with fashioning an integrated audit plan, which involves designing and developing HR policies, strategies, procedures, systems and practices based on the requirements and available resources of an organization. A specific timetable and thorough checklists about numerous HR policies and procedures should be constructed in the planning stage. The checklist incorporates the following questions-

- What policies, procedures and practices should be audited?
- What records (e. g. personal file, HR functions, managerial compliance) should be audited?
- What trends should be tracked?
- What analysis should be made?

#### **Phase 2: Selecting the audit team:**

After developing the audit plan, the next and most challenging task of an organization is to select an audit team. The human resource auditors must be individuals of high integrity and knowledge, well trained and capable in conducting HR audit. Auditors can be chosen internally or externally. An ideal internal audit team most likely involves managers and supervisor across the firm, demonstrating different roles and functions.

#### **Phase 3: Collecting the HR data:**

In the third stage of HR audit, the auditors start proceeding actual audit activities. In this stage, the auditors collect data required to measure the present HR strategies, procedures and practices following the designed checklists and time frame.

HR auditor uses tools such as interview, surveys, historical analysis of external information, HR experiments and international audit to collect the necessary data. Besides, necessary HR data can also be gathered through other tools like workshop, observation and analysis of secondary data.

**Phase 4: Analyzing the data:**

Once the necessary data are gathered, the auditors evaluate the current policies, strategies, procedures, systems and practices, and compare those against the set standards.

The auditors should analyze the collected data with an eye toward readiness for change and identify potential motives for the challenges to change.

**Phase 5: Concluding and reporting:**

An audit must understandably communicate its findings, conclusions and their implications, and suggestions for improvement to the respective stakeholders.

After analyzing the data, a number of gaps are revealed. In the audit report, the auditors constitute recommendations to close those gaps so that it helps to improve the organizational goal.

### **4.3.3 APPROACHES TO HR AUDIT**

Deb (2009) and Aswathappa (2005) advocate five methods or approaches of HR audit that are most commonly used in conducting HR audit, such as **comparative approach, outside authority approach, statistical approach, compliance approach and management by objectives (MBO) approach**. Auditors can apply any one of these approaches while conducting a human resource audit.

- **Comparative approach:** In comparative approach, the auditors choose and use another department or company as the model that has sound and better practices. Comparative method is typically used to contrast the results of specific programs or activities. This method, also branded as ‘best practices’ approach, is frequently used in respect with HR planning, compensation management, turnover and absence. It supports in identifying the areas where improvement is required.

- **Outside authority approach:** The HR audit approach in which the auditors apply earlier research findings or the standards set by an outside consultant as a benchmark to conduct audit is defined as outside authority approach.
- **Statistical approach:** Statistical approach of HR audit depends on statistical measures of performance that are drained from the current information about the functions of an organization. For example, by following absenteeism and turnover rate of an organization from one period to another, the auditors can communicate and analyze the data to determine how well human resource or operating managers control these matters. These data help auditors to appraise the performance.
- **Compliance approach:** In compliance approach, the auditors review early practices of an organization to determine if those practices comply with legal requirements, strategies, policies, documentations and procedures of the organization. In this approach, the auditors often measure a sample of job, discipline, wages and salaries, and appraisal systems of employees.
- **Management by objective (MBO) approach:** Operating managers and specialists set objectives in their area of responsibility in MBO approach. They constitute unambiguous goals against which the performances would be assessed. And the auditors measure the actual performance and compare it with the set objectives.

#### **4.4 HUMAN RESOURCE ACCOUNTING (HRA)**

According to American Accounting Association, "HRA is the process of identifying and measuring data about human resources and communicating this information to interested parties." The other popular definitions are as follows:

- Woodruff Jr. : "Human Resource Accounting is an attempt to identify and report investments made in human resources of an organization that are presently not accounted for in conventional accounting practice. Basically it is an information system that tells the management what changes over time are occurring to the human resources of the business."

- M.N. Baker: "Human resource accounting is the term applied by the accountancy profession to quantify the cost and value of employees to their employing organization"
- Stephen Knauf defined the HRA as: "The measurement of quantification of human organization inputs such as recruitment, training, experience and commitment"

#### 4.4.1 COST OF HUMAN RESOURCES

As human resource is considered as an asset, **any expenditure incurred in the acquisition and accumulation of human resource will be treated as an investment.** Cost of human resources represents sacrifice that will have to be incurred today to acquire and develop people in future. The cost of human resource otherwise called Historical cost of human resources is the investment in human resources which has both Revenue (expense) and Capital (asset) components. This cost may be classified as follows:

- **Acquisition cost** comprised the following costs:- (i) Recruitment Cost (ii) Selection Cost (iii) Placement Cost (iv) Campus Interview Cost
- **Training (Development) cost** includes the following:- (i) Formal Training Cost (ii) On the Job Training Cost (iii) Special Training (iv) Development Programmes
- **Welfare Cost** includes the following:- (i) Medical Expenditure (ii) Canteen Expenditure (iii) Specific and General Allowances (iv) Children Welfare Expenses (v) Other Welfare Expenditure
- **Other Costs** include the following:- (i) Safety Expenditure (ii) Ex-gratia (iii) Rewarding Suggestions

#### 4.4.2 METHODS OF HUMAN RESOURCE ACCOUNTING

**The approaches to HRA can be broadly classified as follows:**

- Cost based approaches:** i) Historical Cost ii) Replacement Cost iii) Opportunity Cost iv) Standard Cost
- Monetary value based approaches:** i) The Lev and Schwartz Model ii) The Eric Flamholtz Model iii) Morse Model

**c) Non- monetary value -based approaches: i) Ogan Model**

**i. HISTORICAL COST APPROACH:**

Brumnet, Flamholtz and Pyle have developed this method. It is on the basis of actual cost incurred on human resources. Such a cost may be of two types- acquisition cost and learning cost.

**Acquisition cost** is the expense incurred on recruitment, selection; entire cost is taken into consideration including those who are not selected.

**Learning cost** involves expenses incurred on training and development. This method is very simple in its application but it does not reflect the true value of human assets. For example, an experienced employee may not require much training and therefore, his value may appear to be low though his real value is much more than what is suggested by historical cost method.

Under this approach actual cost incurred towards recruitment, hiring, training and developing human resources of the organization are capitalized and amortized over the future expected useful life of the human resources. Certain part of costs will be written off in proportion to the income of the future years which those human resources will provide service.

When these human assets are prematurely liquidated, the amount not written off is charged to income of the year in which such liquidation takes place.

When the useful life of the human resource is considered to be longer than originally expected, revisions are to be effected in the amortization schedule. The historical cost of human resource is almost similar to the book value of the other physical assets. The additional costs incurred in training and developing is capitalized and is amortized over the remaining working life of the employee. The unexpired value is investment in human assets.

**Advantages**

- Simple to understand and easily worked out.
- Cost is related to revenue
- It enables to provide a basis for evaluating the company's returns on its investment in human resources.

## **Disadvantages**

- It takes into account only acquisition costs and does not take into account his potentiality.
- It is not clear when or up to how many years the amount should be amortized
- Amount to be amortized is not fixed.
- Capital cost decreases with amortization

## **ii) REPLACEMENT COST**

Rensis Likert & Eric G.Flamholtz propounded it. This is a measure of cost to replace a firm's existing human resources. Human Resources are to be valued on the assumption that a new similar organization has to be created from scratch and the cost to the firm is calculated if the existing resources were required to be replaced with other persons of equivalent talents and experience. It takes into account all costs involved in recruiting, hiring, training and developing the replacement to the present level of efficiency.

As against historical cost methods which take into account the actual cost incurred on employees, replacement cost takes into account the notional cost that may be required to acquire a new employee to replace the present one. Replacement cost is generally much higher than the historical cost.

Replacement cost is much better indicator of value of human assets though it may present certain operational problems. For example, true replacement of a person may not be found easily with whose cost the valuation is done.

This approach is more realistic as it incorporates the current value of the organization's human assets in its financial statements prepared at the end of the year.

### **Limitations**

1. There may be no similar replacement for certain existing assets.
2. The replacement value is affected by subjective considerations and therefore the value is likely to differ from one another.
3. It is against conventional accounting practice.

## **iii) OPPORTUNITY COST METHOD:**

Heckiman and Jones first advocated this approach. This is also known as “Market Value Method”. This method of measuring the value of human resources is based on

the economist's concept of 'opportunity cost'.

Opportunity cost is the value of an asset when there is an alternative opportunity of using it. In this method there is no opportunity cost for those employees who are not scarce. As such only scarce people should form part of the value of human resources. The employee is considered as scarce only when the employment in one division of an individual or group denies this kind of talent to another division. Thus the opportunity cost of an employee in one department is calculated on the basis of offer made by another department for the employees working in this department in the same organization. In other words, Under this method the value of an employee in his alternative use is determines that value is taken as the basis for estimating.

### **Limitations**

1. The total valuation of human resource on the competitive bid price may be misleading and inaccurate. A person may be a valuable person for the department in which he is working and may have a lower price in the bid by other departments.
2. Only scare employees are included in this method and as a result unscarce employees may lose their morale, as they are not counted.
3. It would be difficult to identify the alternative use of an employee in the organization.

### **iv) STANDARD COST METHOD:**

David Watson has suggested this approach. Instead of using historical or replacement cost, many companies use standard cost for the valuation of human assets just as it is used for physical and financial assets. For using standard cost, employees of an organization are categorized into different groups based on their hierarchical positions.

Standard cost is fixed for each category of employees and their value is calculated. This method is simple but does not take into account differences in employees put in the same group. In many cases, these differences may be quite vital.

According to this approach, standard costs of recruiting, hiring, training and developing per grade of employees are determined year after year. The standard cost so arrived at for all human beings employed in the organization are the value of human resources for accounting purposes.



The approach is easy to explain and can work as a suitable basis for control purposes through the technique of variance analysis. However, determination of the standard cost for each grade of employee is a critical issue.

### **B) MONETARY VALUE BASED APPROACHES:**

According to this approach, the value of human resources of an organization is determined according to their present value to the organization.

In this method the future earnings of various groups of employees are estimated up to the age of their retirement and are discounted at a predetermined rate to obtain the present value of future earnings used in the case of financial assets. It is the present value of future earnings. To determine this value, the organization establishes what an employee's future contribution is worth to it today. That contribution can be measured by its cost or by the wages the organization will pay the employee.

For determination of the present value, a number of valuation models have been developed. Some of the important models are as follows –

#### **THE LEV AND SCHWARTZ MODEL (PRESENT VALUE OF FUTURE EARNINGS METHOD):**

This model has been developed by Lav and Schwartz (1971). According to this model, the value of human resources is calculated as the present value of estimated future earnings discounted by the rate of return on investment (cost of capital).

According to this model, the value of human resources is ascertained as follows –

1. All employees are classified in specific groups according to their age and skill.
2. Average annual earnings are determined for various ranges of age.
3. The total earnings which each group will get upto retirement age are calculated.
4. The total earnings calculated as above are discounted at the rate of cost of capital.

The value thus arrived at will be the value of human resources/assets.

The following formula has been suggested for calculating the value of an employee according to this model

$$V_r = \sum_{t=r}^T \left\{ \frac{I(t)}{(1+r)^{t-r}} \right\}$$

Where

$V_r$  = value of an individual or  $r$  years old  
 $I(t)$  = the individual's annual earnings up to retirement age  
 $T$  = retirement age  
 $r$  = discount rate specific to the person  
 $t$  = active year of service

### **Disadvantages**

1. This model implies that the future work condition of the employee will not change over the span of his working life, but will remain the same as at present.
2. The approach does not take into account the possibility that the employee will withdraw from the organization prior to his death or retirement. It is therefore not realistic.
3. It ignores the variable of the career movement of the employee within the organization. An engineer will be an engineer throughout his career in the organization.
4. It does not take into account the role changes of employees. A Personnel Manager may become Chief Legal Officer.

### **ERIC FLAMHOLTZ'S MODEL OF DETERMINANTS OF INDIVIDUAL VALUE TO FORMAL ORGANIZATIONS:**

This model has been suggested by Flamholtz (1971). This is an improvement on 'present value of future earnings model' since it takes into consideration the possibility or probability of an employee's movement from one role to another in his career and also of his leaving the firm earlier, than his death or retirement.

According to Flamholtz, the value of an individual to an organization is determined by the services he is expected to render. The current value of an employee is the present worth of the services that he is likely to render to the organization in future.

As an employee moves from one position to another within the organization, the set of services provided by him changes. While calculating the current value of the individual, the present cumulative value of all the possible services that may be rendered by him during his tenure with the organization is taken.

#### **There are two dimensions to this value:**

**(i) Expected conditional value-** This is the worth that could be possibly realized from the services of an individual over the period of his productive work life in the

organization.

**(ii) Expected realizable value-** The expected realizable value depends upon the expected conditional value of an employee and the probability that the individual will remain in the organization for the duration of his productive work life. Since the employees may leave the organization any time they wish, it is important to ascertain the chances of their turnover.

The model suggests a five-step approach for assessing the value of an individual to the organization:

- Forecasting the period will remain in the organization, i.e., his expected service life;
- Identifying the services states, i.e., the roles that they might occupy including, of course, the time at which he will leave the organization;
- Estimating the value derived by the organization when a person occupies a particular position for a specified period;
- Estimating of the probability of occupying each possible mutually exclusive state at specified future times; and
- Discounting the value at a predetermined rate to get the present value of human resources.

### **MORSE MODEL (NET BENEFIT MODEL)**

This approach has been suggested by Morse (1973). According to this approach, the value of human resources is equivalent to the present value of net benefits derived by the organization from the service of its employees. The method involves the following steps:

- i. The gross value of services to be rendered in future by the employees in their individual as well as their collective capacity is determined.
- ii. The value of future payments (both direct and indirect) to the employees is determined.
- iii. The excess of the value of future human resources (as per 1 above) over the value of future payments (as per 2 above) is ascertained. This, as a matter of fact, represents the net benefit to the organization on account of human resources.

- iv. The present value of the net benefit is determined by applying a predetermined discount rate (generally the cost of capital). This amount represents the value of human resources to the organization.

### **C) NON- MONETARY VALUE -BASED APPROACHES:**

#### **Pekin Ogan (Certainty Equivalent Net Benefit Model)**

This approach has been suggested by Pekin Ogan (1976). This, as a matter of fact, is an extension of 'net benefit approach' as suggested by Morse. According to this approach, the certainty with which the net benefits in future will accrue should also be taken into account, while determining the value of human resources.

The approach requires determination of the following –

1. Net benefit from each employee as explained under 'net benefit approach'.
2. Certainty factor at which the benefits will be available
3. The net benefits from all employees multiplied by their certainty factor will give certainty equivalent net benefits. This will be the value of human resources of the organization.

In case of permanent exit on account of death, retrenchment etc. then the balance on the deferred revenue account of that year of that person should be written off against the income in the year of exit itself.

For the purpose of finding the present value of estimated payments the expected average after tax return on capital employed over the average tenure period should be taken as the discount rate.

As for disclosure of accounting information on human resources as an asset, he has suggested to include human assets under investments in the 'financial statement' of the organisation. He is not for taking it as 'fixed assets' as it will cause problems of depreciation, capital gains or losses upon exit etc.; neither it could be taken as 'current asset' as it will not be in conformity with the general meaning of the term.

The model is as follows:

$$V = \sum_{i=1}^n \left\{ N_i * \frac{AS_i}{(1+k)^n} \right\} + AC$$

Where

- V= Value of a category of employee
- N=Number of employees
- AS= average annual pay
- K= after tax return on capital employed
- i=1, 2, 3.....n years (average tenure of employed)

## 4.5 CONCLUSION

In conclusion, the effective management of compensation, incentive schemes, fringe benefits, human resource audit, and human resource accounting collectively forms a comprehensive framework for aligning organizational objectives with the needs and expectations of its workforce. Compensation management, with its intricate structure and theories, recognizes the multifaceted factors influencing remuneration, ensuring a fair and competitive reward system that attracts, motivates, and retains talent.

The strategic deployment of incentive schemes and fringe benefits further enhances employee engagement and satisfaction, acknowledging the diverse needs and preferences within the workforce. These elements contribute not only to financial well-being but also foster a positive work environment, promoting loyalty and productivity.

Human resource audit, as a reflective and evaluative process, provides organizations with insights into the effectiveness of their HR practices. Through systematic approaches, it enables businesses to identify strengths, areas for improvement, and compliance with regulations, fostering continuous enhancement of HR strategies and practices.

Human resource accounting, as an evolving discipline, recognizes the value of human capital as a key asset. By employing various methods, it attempts to quantify and communicate the economic impact of human resources, offering insights into the organization's investment in its workforce.

As organizations navigate the complexities of the modern business landscape, the integration of these practices becomes integral for sustaining a competitive edge. Compensation strategies, incentive schemes, fringe benefits, human resource audit, and human resource accounting collectively contribute to creating a workplace environment that values and optimally leverages its human capital. This comprehensive approach not only ensures financial stability but also nurtures a culture of fairness, transparency, and continuous improvement, positioning the organization for long-term success in the ever-evolving world of work.

## CHECK YOUR PROGRESS

### 1. Multiple Choice Questions (MCQ)

Q1.1 Which of the following is one of the forms of indirect compensation?

- A) Bonus
- B) Insurance provision
- C) Housing Rent Allowance
- D) Basic Salary

Q1.2 Which of the following is the internal factors influencing compensation decision?

- A) Labour market
- B) Going rate
- C) Business Strategy
- D) Government regulations

Q1.3 According to Equity theory of compensation which of the following relates to “The employee perceives the pay differentials among the individuals who are performing the same kind of a job and within the same organization.”

- A) Internal Equity
- B) Individual Equity
- C) External Equity
- D) None of the above

Q1.4 \_\_\_\_\_ is anything that attracts an employee and stimulate him or her to work.

- A) Incentive
- B) Salary
- C) Fringe Benefit
- D) Bonus

Q1.5 Which of the following is an example of group incentive plan?

- A) The Scalar Plan
- B) Priest Man Bonus Plan
- C) Scanlon Plan
- D) All the above

Q1.6 Which of the following has the three-piece rates for the beginner, average, and superior workers?

- A) Merrick Differential piece rate system
- B) Taylor's Differential piece rate system
- C) Straight piece rate system
- D) Halsey Premium plan

Q1.7 Financial incentives include:

- A) Educational Facilities
- B) Growth opportunities
- C) Harmonious superior-subordinate relationship
- D) None of the above

Q1.8 \_\_\_\_\_ involves the analytical experiment and assessment of programs, systems and procedures to the degree of human resource management.

- A) Human Resource Accounting
- B) Human Resource Management
- C) Performance Appraisal
- D) Human Resource Audit

Q1.9 \_\_\_\_\_ is the systematic process of identifying, measuring, and communicating data about human resources to stakeholders.

- A) Human Resource Accounting
- B) Human Resource Management
- C) Performance Appraisal
- D) Human Resource Audit

Q1.10 Which HR audit approach uses earlier research findings or the standards set by an outside consultant as a benchmark to conduct audit?

- A) Compliance approach
- B) MBO approach
- C) Outside authority approach
- D) Statistical approach

*Answer Keys: 1.1-B, 1.2-C, 1.3-B, 1.4-A, 1.5D, 1.6-A, 1.7-D, 1.8-D, 1.9-A, & 1.10-C.*

## **2. SHORT ANSWER TYPE QUESTIONS**

Q2.1 Define Compensation.

Q2.2 Explain the reinforcement and expectancy theories concerning compensation management.

Q2.3 Define fringe benefit.

Q2.4 What is an incentive?

Q2.5 State the rationales for HR Audit.

## **3. LONG ANSWER TYPE QUESTIONS**

Q3.1 Outline the components of a compensation structure.

Q3.2 Examine the factors influencing compensation decision.

Q3.3 Explain the different types of fringe benefits.

Q3.4 Describe the HR Audit process.

Q3.5 Evaluate the cost-based approach to Human Resource Accounting.

## **UNIT-V: EMPLOYEE SEPARATION**

- Lay off: Meaning, Conditions and Rights of workmen laid-off for compensation, Workmen not entitled to compensation in certain cases;
- Retrenchment: Meaning, Conditions precedent to retrenchment of workmen, Procedure of Retrenchment;
- Exit Policy: Concepts, Need, Voluntary Retirement Schemes Golden handshake;
- Absenteeism: Concept, Causes, Measures to control absenteeism;
- Labour turnover: Concept, Causes, Measures to control labour turnover.

### **5.1 LAY-OFF**

Section 2(kkk) of the Industrial Disputes Act, 1947, provides the definition of lay-off, encompassing various situations where an employer is unable to provide employment to a worker listed on the muster rolls of the industrial establishment without resorting to retrenchment. Lay-off is deemed to occur due to reasons such as shortages of coal, power, or raw materials, accumulation of stocks, breakdown of machinery, natural calamity, or other connected reasons.

Explanation: If a worker, whose name is on the muster rolls, presents himself for work



during normal working hours on any day and is not given employment within two hours, he is considered laid-off for that day. The provision includes a scenario where a worker is asked to present himself during the second half of a shift; in such a case, he is deemed laid-off for only one-half of that day. However, if the worker is not given employment even after presenting himself during the second half of the shift, he is not considered laid-off for that period and is entitled to full basic wages and dearness allowance for that part of the day.

## **5.2 LAY-OFF AND RETRENCHMENT UNDER CHAPTER VA OF THE ACT:**

Section 25A of the Industrial Disputes Act outlines exceptions to the application of Sections 25C to 25E, inclusive, and specifies the conditions under which these sections do not apply:

- Sections 25C to 25E do not apply to industrial establishments covered by Chapter VB.
- Additionally, these sections do not apply to:
  - (a) Industrial establishments where the average employment is less than fifty workers per working day in the preceding calendar month.
  - (b) Industrial establishments characterized by seasonal operations or where work is performed intermittently.
- In case of a dispute concerning whether an industrial establishment is of a seasonal character or work is performed intermittently, the decision of the appropriate Government on this matter shall be considered final.

### **5.2.1 CONDITIONS AND RIGHTS OF WORKMEN LAID-OFF FOR COMPENSATION**

Section 25C of the Industrial Disputes Act stipulates the compensation provisions for workers who have completed at least one year of continuous service and are laid off, excluding badli workers or casual workers. In the event of lay-off, whether continuous or intermittent, the employer is required to compensate the worker for all laid-off days, except for intervening weekly holidays. The compensation is set at fifty percent of the total of basic wages and dearness allowance that would have been payable if the worker had not been laid off.

The provision includes two important provisos:

If a worker experiences lay-off for more than forty-five days in a twelve-month period, compensation is not payable for any period beyond the initial forty-five days if there is an agreement between the worker and the employer to that effect.

In cases falling under the first proviso, the employer is permitted to retrench the worker according to the provisions, after the expiry of the initial forty-five days of lay-off. Compensation paid for lay-off during the preceding twelve months can be set off against the compensation payable for retrenchment.

For clarification, the section defines a "badli worker" as someone employed in place of another worker listed on the muster rolls but ceases to be regarded as such after completing one year of continuous service.

Section 25C further emphasizes the duty of every employer, notwithstanding lay-offs in an industrial establishment, to maintain a muster roll for the purpose of this chapter. The employer is required to facilitate the making of entries by workers who present themselves for work during normal working hours at the appointed time.

### **5.3 SPECIAL PROVISIONS RELATING TO LAY-OFF, RETRENCHMENT AND CLOSURE IN CERTAIN ESTABLISHMENTS UNDER CHAPTER VB**

Section 25K states that the provisions of this Chapter apply to industrial establishments, excluding those of a seasonal or intermittent nature, where not less than three hundred workers (or a higher number notified by the appropriate Government) were employed on average per working day in the preceding twelve months.

Section 25M outlines conditions for laying off workers in such establishments. No worker (excluding badli or casual workers) on the muster rolls of an industrial establishment covered by this Chapter can be laid off by the employer without prior permission from the appropriate Government, except in cases of power shortage, natural calamity, or, for mines, fire, flood, excess of inflammable gas, or explosion.

The application for permission must be submitted electronically or in a prescribed manner, stating reasons for the lay-off, with a copy served simultaneously to the concerned workers. In the case of mines, if workers are laid off due to fire, flood, or other specified reasons, the employer must apply to the appropriate Government within thirty days for permission to continue the lay-off.

The appropriate Government, after an inquiry and giving a hearing to the employer,

workers, and other concerned parties, can grant or refuse permission based on factors like genuineness of reasons and worker interests. If the Government doesn't communicate the decision within sixty days, permission is deemed granted.

The order of the Government is final and binding for one year, but it may be reviewed or referred to a Tribunal for adjudication within the prescribed time. If no application for permission is made, or if it is refused, the lay-off is deemed illegal, and workers are entitled to applicable benefits.

In exceptional circumstances, the appropriate Government can, by order, exempt establishments from the provisions of this section for a specified period. Section 25C (excluding the second proviso) applies to lay-offs under this section.

Explanation: A worker isn't considered laid off if the employer offers alternative employment, not requiring special skills or experience, in the same establishment or another belonging to the same employer within a reasonable distance, with wages matching those of the original appointment.

#### **SEC 25E. NO COMPENSATION SHALL BE PAID TO A WORKER WHO HAS BEEN LAID-OFF—**

- **Refusal of Alternative Employment:** The worker declines to accept alternative employment offered by the employer, either in the same establishment from which the lay-off occurred or in any other establishment owned by the same employer. The alternative employment is within the same town or village, or within a radius of eight kilometers from the worker's original establishment. The employer deems that the alternative employment does not require special skills or previous experience, and the wages offered are consistent with those the worker would have received in the original position.
- **Failure to Present for Work:** The worker does not present himself for work at the establishment at the appointed time during normal working hours at least once a day.
- **Lay-Off Due to Strike or Slowing-Down:** The laying-off of the worker is a result of a strike or a slowing-down of production initiated by workers in another part of the same establishment.

## 5.4 RETRENCHMENT

Section 2(oo) of the Act defines "retrenchment" as the termination of a worker's service by the employer for any reason other than as a disciplinary action. However, it does not include the following:

- **Voluntary Retirement:** The worker's voluntary decision to retire.
- **Retirement on Superannuation:** The worker's retirement upon reaching the age of superannuation.
- **Non-Renewal of Contract:** Termination of the worker's service due to the non-renewal of the contract of employment upon its expiry. It also include termination as stipulated in the contract of employment.
- **Completion of Fixed Term Employment:** Termination of service upon the completion of the agreed-upon tenure of fixed-term employment.
- **Termination due to Ill-Health:** Termination of the worker's service based on continued ill-health.

In essence, "retrenchment" refers to the termination of a worker's service by the employer for reasons other than those specified above, which are considered exceptions to the definition.

### 5.4.1 CONDITIONS PRECEDENT TO RETRENCHMENT OF WORKERS:

Section 25F of the Act lays down the conditions for the retrenchment of a worker employed in any industry who has completed not less than one year of continuous service under an employer. The employer cannot retrench the worker until the following conditions are met:

**(a) Notice or Payment in Lieu:** The employer must provide the worker with one month's written notice, indicating the reasons for retrenchment. Alternatively, the employer must pay the worker wages for the notice period in lieu of providing notice.

**(b) Compensation:** At the time of retrenchment, the employer must pay compensation to the worker. This compensation is equivalent to fifteen days' average pay for every completed year of continuous service, or the average pay for such days as notified by the appropriate Government. This calculation includes any part of a year in excess of six months.

**(c) Notice to the Appropriate Government:** Notice of retrenchment must be served on the appropriate Government or the specified authority, as notified by the appropriate

Government, in the manner prescribed.

Before retrenching a worker with at least one year of continuous service, the employer must provide notice or payment in lieu, pay compensation based on the specified criteria, and notify the appropriate Government or designated authority as per the prescribed procedure.

#### **5.4.2 PROCEDURE FOR RETRENCHMENT:**

According to Section 25G, when a worker in an industrial establishment, who is a citizen of India, is to be retrenched and falls within a specific category of workers in that establishment, the following procedure applies. In the absence of any prior agreement between the employer and the worker:

The employer is generally expected to retrench the worker who was the most recently employed in that particular category, unless, for recorded reasons, the employer decides to retrench another worker.

This provision ensures a systematic approach to retrenchment, giving priority to the worker who was the last to be employed in the relevant category, unless the employer provides documented justification for choosing another worker for retrenchment.

#### **5.5 CONDITIONS PRECEDENT TO RETRENCHMENT OF WORKERS TO WHICH CHAPTER VB APPLIES:**

According to Section 25N of the Act, specific conditions must be met before retrenching workers in any industrial establishment to which Chapter VB applies. These conditions are as follows:

- **Notice and Permission:** No worker with a continuous service of not less than one year under an employer in a covered industrial establishment shall be retrenched until:
  - The worker is given three months' written notice, indicating the reasons for retrenchment, and the notice period has expired; or the employer pays wages in lieu of the notice period.
  - The prior permission of the appropriate Government has been obtained through an application.

- **Application for Permission:** The employer must submit an application for permission electronically or through the prescribed manner, clearly stating the reasons for the intended retrenchment. A copy of this application must be simultaneously served on the affected workers as prescribed.
- **Government Decision:** The appropriate Government, after conducting a necessary inquiry and providing a reasonable opportunity for all concerned parties to be heard, may, by a written order, grant or refuse permission for retrenchment. This order is communicated to both the employer and the workers.
- **Deemed Permission:** If the appropriate Government does not communicate the order within sixty days of the application, permission is deemed to be granted, and the application is considered disposed of.
- **Finality of Order:** The order of the appropriate Government, whether granting or refusing permission, is final and binding on all parties involved. It remains in force for one year from the date of issuance.
- **Review or Tribunal Adjudication:** The appropriate Government, either on its own motion or upon application by the employer or any worker, may review its order within the prescribed time or refer the matter to a Tribunal for adjudication. The Tribunal must pass an award within thirty days of the reference.
- **Illegal Retrenchment:** If no application for permission is made or if permission is refused, the retrenchment is deemed illegal from the date of the notice, and the affected worker is entitled to all benefits as if no notice had been given.
- **Exceptional Circumstances:** The appropriate Government, in exceptional circumstances such as accidents or the death of the employer, may, by order, direct that the provisions of sub-section (1) shall not apply in relation to such establishment for a specified period.
- **Compensation on Retrenchment:** Workers employed in the establishment immediately before the application for permission are entitled to receive compensation, equivalent to fifteen days of average pay for every completed year of continuous service or any part thereof exceeding six months, at the time of retrenchment.

This section outlines a comprehensive set of conditions and procedures aimed at ensuring fair and transparent retrenchment processes in covered industrial establishments.

### **5.6 EXIT POLICY: CONCEPT**

An employee may be separated as consequence of resignation, removal, death, permanent incapacity, discharge or retirement. The employee may also be separated due to the expiration of an employment contract or as part of downsizing of the workforce. Organizations should never harass the employees, especially in the case of resignation, just because they are quitting the organization.

**Exit Policy** in the context of HRM may refer to the guiding principles that helps in smooth separation of employee from the organization with an objective of minimizing separation cost on the organization.

Exit Policies are principles, rules, and guidelines formulated or adopted by an organization to reach its long-term goals and typically published in a booklet or other form that is widely accessible.

Exit policy is basically a guideline for managing separation of the employees from organisation. This policy documents states the actions that need to be taken and clarifies the responsibilities of management when employees leave the organisation.

*Exit policy facilitates smooth separation of employee from organisation with dignity as well as help the organisation to protect its assets (HR).*

### **5.7 IMPORTANCE/NEED OF EXIT POLICY**

- **High turnover:** Identifies the causes of turnover and helps in reducing it.
- **Indicator of effectiveness of HR Practices:** the process of separation along with the exit interviews reflects the effectiveness HR practices in the organisation.
- **Saves resources:** The process of separation cost organisational resources. Exit policies help in reducing such costs.
- **Reduces anxiety and stresses:** The policy helps in reducing anxiety and stress of the employees who is leaving the organisation.

- **Counter Offer:** Opportunities of retaining the employees intending to leave the organisation.
- **Improve Image:** Improves the corporate image before the employees and ex-employees specifically, as well as society in general.

## **5.8 VOLUNTARY RETIREMENT SCHEME (VRS/GOLDEN HAND SHAKE)**

Efficient manpower management is a pivotal strategy for organizations navigating intensified competition. The process of right sizing, whether through reshaping or downsizing, is crucial in this regard. The Voluntary Retirement Scheme (VRS) emerges as a humane and effective technique for achieving an overall reduction in employee strength.

VRS is extended to employees as an opportunity to retire ahead of their scheduled retirement age. Employers typically implement VRS when anticipating layoffs, aiming to minimize the impact on employees by offering additional incentives to those opting for early retirement. Commonly known as the 'Golden Handshake,' VRS represents a golden opportunity for employees to gracefully exit the workforce.

In India, the Industrial Disputes Act of 1947 imposes constraints on employers seeking to reduce excess staff through retrenchment, closure, or other means. The retrenchment process involves intricate legalities and procedures, often facing strong opposition from trade unions. To address these challenges, VRS was introduced as a legal alternative. This allowed employers, including those in government undertakings, to offer voluntary retirement schemes, providing a mechanism to alleviate surplus manpower without applying undue pressure on employees.

The introduction of VRS was well-received due to its voluntary nature, avoiding confrontations with trade unions. Both public and private sectors adopted VRS, with public sector undertakings requiring prior government approval for its implementation.

### **ELIGIBILITY CRITERIA FOR VRS**

While eligibility criteria for VRS may vary, it typically includes employees aged 40 or those with at least 10 years of service. The scheme is inclusive, covering all employees, except company directors. An employee opting for voluntary retirement is entitled to compensation, calculated at forty-five days' emoluments for each completed year of



service or monthly emoluments at retirement multiplied by the remaining months of service until the normal retirement date—whichever is less. Additional benefits encompass provident fund and gratuity dues. Importantly, compensation received during voluntary retirement is tax-exempt under section 10 (10C) of the Income Tax Act, 1961, subject to specified conditions. Notably, the retiring employee is expected not to engage in employment with another company or concern under the same management.

In essence, VRS provides organizations with a strategic and legally compliant mechanism for workforce optimization, ensuring a harmonious transition for both employers and employees.

## **5.9 ABSENTEEISM AND LABOUR TURNOVER**

### **5.9.1 ABSENTEEISM**

Employee absenteeism is defined as the frequent absence of an employee from his or her work. This type of absence is often categorised as a habitual absence which excludes authorized leaves or paid time off. Absenteeism is what happens when an employee begins to chronically miss work.

### **5.9.2 REASONS FOR ABSENTEEISM**

The most common reasons why employees begin to be chronically absent from work:

- **Harassment:** If an employee is being singled out by co-workers or a supervisor in a way that is perceived as bullying or harassing, that employee is more likely to engage in absenteeism.
- **Chronic illness:** Issues related to health causes absenteeism.
- **Lack of motivation:** An employee stuck in a boring job – or even an interesting job that is overly challenging – can easily slide into dis-engagement and then into absenteeism.
- **Stress:** High stress in the workplace is a major cause of absenteeism. Stress can take the form of burnout, lack of motivation and other work-averse conditions.
- **Family issues:** This can be an especially prominent cause of absenteeism in households where both parents work. If the parents are shift-workers, the

possibility of absenteeism rises still further as caregivers struggle to supervise children or elders living under their roof.

- **Job interviews:** While less of a long-term cause of absenteeism, employees that begin to become chronically absent or late due to job interviews disguised as “traffic jams” or “illness” are often soon gone for good as well.
- **Depression:** Depression is still the reigning cause of absenteeism in the American workforce today. Yale researchers report that depression (whether work-related or not) makes an employee twice as likely to miss work.

### 5.9.3 OTHER SUBTLE FORMS OF ABSENTEEISM

Just because an employee does show up for work doesn't mean absenteeism isn't still taking place on a subtler level.

- **Breaks:** Taking long and frequent breaks that slowly get longer and more frequent amounts to a form of absenteeism.
- **Lateness:** Chronically arriving to work late and leaving early is another milder but (often) no less intentional form of absenteeism.
- **Lower productivity:** An employee that begins to produce less and less for the same hours worked is giving off warning signs of early absenteeism tendencies.

### 5.9.4 MEASURES TO REDUCE ABSENTEEISM

- **Providing incentives:** Providing incentives to show up at work is one newly popular way employers are trying to reduce absenteeism.
- **Providing mandatory paid sick leave days:** Offering paid sick leave is a good way to tell which employees are really sick when they are absent. It can also reduce genuine absences when a sick co-worker comes to work and contagious germs are passed around the office.
- **Workplace wellness programs:** There is some research that shows employers who assist employees with maintaining better health and fitness can also cut absenteeism in their workforce. Not only can wellness education teach employees how to stay healthier, but it can also communicate that an employer values their staff enough to invest in their wellbeing.

- **Vacation-friendly corporate culture:** An organisation can encourage employees to take their vacation days. This can lower absenteeism rates and also make employees feel more valued.
- **Track attendance:** Tracking attendance cautiously can also help employers with earlier identification of potential chronically late or absent workers. This provides a chance to fix the issues causing the absenteeism before it becomes even more costly.
- **A clear, written policy dealing with absenteeism and time off:** Every organisation must have a policy in writing concerning the absenteeism. This will create awareness about the issue and help the employees reducing absenteeism.

## **5.10 LABOUR TURNOVER**

Labour turnover is the ratio of the number of persons leaving in a period to the average number employed. *It is the change in the composition of the labour force in an organisation.* It can be measured by relating the engagements and losses in the labour force to the total number employed at the beginning of the period.

### **5.10.1 CAUSES OF LABOUR TURNOVER**

Causes of labour turnover: The main causes of labour turnover in an organisation/industry can be broadly classified under the following three heads:

- a. Personal Causes
- b. Unavoidable Causes, and
- c. Avoidable Causes

**(a) Personal causes are those which induce or compel workers to leave their jobs such causes includes the following:**

- i. Change of jobs for betterment.
- ii. Premature retirement due to ill health or old age.
- iii. Domestic problems and family responsibilities.
- iv. Discontentment over the jobs and working environment.

In all the above cases the employee leaves the organisation at his will and, therefore, it is difficult to suggest any possible remedy in the first three cases. But the last one can be overcome by creating conditions leading to a healthy working environment. For this,

officers should play a positive role and make sure that their subordinates work under healthy working conditions.

**(b) Unavoidable causes are those under which it becomes obligatory on the part of management to ask some or more of their employees to leave the organisation, such causes are summed up as listed below :**

- i. Seasonal nature of the business;
- ii. Shortage of raw materials, power, slack market for the product etc :
- iii. Change in the plant location;
- iv. Disability, making a worker unfit for work;
- v. Disciplinary measures;
- vi. Marriage (generally in the case of women).

**(c) Avoidable causes are those which require the attention of management continuously to keep the labour turnover ratio as low as possible. The main causes under this case are indicated below;**

- i. Dissatisfaction with a job, remuneration, hours of work, working conditions, etc
- ii. Strained relationship with management, supervisors or fellow workers;
- iii. Lack of training facilities and promotional avenues;
- iv. Lack of recreational and medical facilities;
- v. Low wages and allowances.

Proper and timely management actions reduce the labour turnover appreciably so far as avoidable causes are concerned.

### **5.10.2 EFFECTS OF LABOUR TURNOVER**

It increases the cost of production due to the following reasons:

- (i) Cost of selecting/replacing workers
- (ii) Cost of training imparted to new workers
- (iii) Production planning cannot be properly executed and this results in production loss
- (iv) Loss due to defectives and wastage
- (v) Loss due to mishandling of tools, equipment, breakages, etc.

### 5.10.3 COSTS OF LABOUR TURNOVER

The cost of labour turnover can be either preventive costs or replacement costs. Preventive costs are incurred to keep the workers satisfied and discourage them from leaving the concern. Replacement costs are incurred for recruiting and training labour and the loss arising due to wastages, reduced productivity of new labour force.

#### Examples of Preventive Costs

- (i) costs of providing medical services;
- (ii) personnel administration cost;
- (iii) cost of labour welfare activities;
- (iv) costs incurred for providing pension, provident fund and retirement schemes.

#### Examples of Replacement costs

- (i) Decline in output due to the inexperience of new workers.
- (ii) Decline in quality due to the lack of experience of new workmen.
- (iii) Loss of output during the time lost while recruiting new workers.
- (iv) Cost of recruitment/selection.
- (v) Cost of training.
- (vi) Cost of tool, equipment and machine breakages.
- vii) Waste, scrap and defectives arising due to lack of experience of new workers.
- (viii) Cost of accidents, compensation paid, damage to property, assets etc.

Measurement of Labour Turnover	
<i>Method</i>	<i>Labour turnover</i>
Separation Rate Method	$\frac{\text{Separation during a given period}}{\text{Average number of workers during the period}}$ <p>(The average of workers is calculated by taking a simple average of workers at the beginning and end of the period.)</p>
Net Labour Turnover Rate Method or Replacement Method	$\frac{\text{Number of replacements during a given period}}{\text{Average working force during the period}} \times 100$
Labour Flux Rate Method	$\frac{\left( \frac{\text{Number of separation during a period}}{\text{Average number of workforce during the given period}} \right) + \left( \frac{\text{Number of new employees during a given period}}{\text{Average number of workforce during the given period}} \right)}{\text{Average number of workforce during the given period}} \times 100$

#### **5.10.4 REMEDIAL STEPS TO MINIMIZE LABOUR TURNOVER**

The following steps are useful for minimizing labour turnover.

1. **Exit Interview:** An interview may be arranged with each outgoing employee to ascertain the reasons for his leaving the organisation.
2. **Job analysis and evaluation:** Before recruiting workers, job analysis and evaluation may be carried out to ascertain the requirements of each job.
3. **Scientific system of recruitment, placement and promotion:** The organisation should make use of a scientific system of recruitment selection, placement and promotion for employees.
4. **Enlightened attitude of management:** The management should introduce the following steps for creating a healthy working atmosphere. Service rules should be framed, discussed and approved among management and workers, before their implementation. Provide facilities for the education and training of workers. Introduce a procedure for settling workers grievance.
5. **Use of Committee:** Issues like control over workers handing their grievances etc., may be dealt with by a committee.

#### **5.11 CONCLUSION**

In conclusion, the comprehensive exploration of key aspects within the realm of industrial relations sheds light on the intricacies surrounding workforce management. The study delved into the concept of lay off, unraveling its meaning and the conditions governing the rights of workmen laid off for compensation, with specific insights into instances where compensation may not be applicable. The examination seamlessly transitioned into the nuanced understanding of retrenchment, encompassing its meaning, conditions precedent, and the procedural intricacies involved.

The discourse extended to the strategic domain of exit policies, elucidating the significance, need, and the role of Voluntary Retirement Schemes, often referred to as the 'Golden Handshake,' in facilitating a harmonious transition for both employers and employees. Absenteeism, a prevalent challenge in the workplace, was explored comprehensively, outlining its conceptual framework, identifying root causes, and proposing effective measures to control absenteeism.

The study culminated with a thoughtful analysis of labor turnover, encapsulating its conceptual essence, identifying contributing factors, and proposing strategic measures to curb the phenomenon. Collectively, these diverse facets underscore the intricate dynamics within industrial relations, providing valuable insights for organizations aiming to navigate the complexities of workforce management and foster a conducive and productive work environment.

### **CHECK YOUR PROGRESS**

#### **1. Multiple Choice Questions (MCQ)**

Q1.1 \_\_\_\_\_ is deemed to occur due to reasons such as shortages of coal, power, or raw materials, accumulation of stocks, breakdown of machinery, natural calamity, or other connected reasons.

- A) Retrenchment
- B) Lay-off
- C) Termination
- D) Dismissal

Q1.2 The definition of retrenchment does not include

- A) Voluntary Retirement
- B) Retirement due to age
- C) Termination due to continuous ill health
- D) All the above

Q1.3 Lay-off is deemed to occur due to reasons –

- A) Shortage of coal, power or raw material
- B) Accumulation of stocks, breakdown of machinery, natural calamity
- C) Both A & B
- D) Neither A nor B

Q1.4 What is a mandatory requirement for the retrenchment of a worker under Section 25F of the Act?

- A) One month's written notice or payment in lieu

- B) Completion of a training program
- C) Random selection process
- D) Verbal communication of retrenchment reasons

Q1.5 \_\_\_\_\_ in the context of HRM may refer to the guiding principles that helps in smooth separation of employee from the organization with an objective of minimizing separation cost on the organization.

- A) Exit interview
- B) Separation manual
- C) Exit Policy
- D) HR policies

Q1.6 What is the typical age criterion for eligibility in a Voluntary Retirement Scheme (VRS)?

- A) 30 years
- B) 40 years
- C) 50 years
- D) 60 years

Q1.7 The subtle forms of absenteeism:

- A) Frequent Breaks
- B) Chronic lateness
- C) Low Productivity
- D) All the above

Q1.8 Which of the following may cause absenteeism among the employees?

- A) Stress
- B) Motivation
- C) Challenges
- D) Promotion

Q1.9 Which of the following is preventive cost of labour turnover?

- A) Cost or recruitment
- B) Cost of training
- C) Cost of labour welfare activities



D) All the above

Q1.10 Which of the following cost can be attributed to high labour turnover situation?

- A) Sales promotion cost
- B) Cost of replacing the worker
- C) Both A & B
- D) Neither A nor B

*Answer Keys: 1.1-B, 1.2-D, 1.3-C, 1.4-A, 1.5C, 1.6-B, 1.7-D, 1.8-A, 1.9-C, & 1.10-B.*

## **2. SHORT ANSWER TYPE QUESTIONS**

Q2.1 State the conditions under which workmen are not entitled to compensation.

Q2.2 Briefly describe the procedure of retrenchment.

Q2.3 Write a short note on Voluntary Retirement Scheme (VRS).

Q2.4 What is absenteeism?

Q2.5 Define labour turnover.

## **3. LONG ANSWER TYPE QUESTIONS**

Q3.1 Explain the Conditions and Rights of workmen laid-off for compensation as per chapter VA of the Industrial Disputes Act.

Q3.2 Elaborate on the conditions precedent to retrenchment of workers to as per chapter VB of the Industrial Disputes Act.

Q3.3 Analyse the significance of an exit policy for an enterprise.

Q3.4 Discuss measures to reduce absenteeism.

Q3.5 Analyse the causes of high labour turnover.



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