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## **UNIT 1: DEFINITION OF HRM, ROLE, IMPORTANCE AND CHALLENGES OF HRM**

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### **Structure**

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### **1.1. INTRODUCTION**

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As one author has rightly said 1+1 makes an organization, i.e., where there are two or more persons there is in effect an organization. Some individuals prefer to work independently in isolated circumstances. But the vast majority of all work in today's environment takes place within the context of a structured organization- a grouping of individuals into a unified and common effort. To look after the various functions set for the organization adequate resources in men and materials have to be arranged by individuals who serve as managers or supervisors within organizations. Thus there emerged the term 'Human Resource Management'.

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### **1.2. OBJECTIVE**

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After reading this unit, you will be able to understand:

- Concept of HRM
- The role and importance of HRM
- The challenges of HRM

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### **1.3. CONCEPT OF HUMAN RESOURCE MANAGEMENT**

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Of all the factors of production namely M's of Management i.e Materials, Machinery, money, methods and Men, Man occupies an important place. The other 4 M's by themselves will not help the organization to achieve its goals unless there is an effective coordination and utilization of human resources. Rensis Libert says, all the activities of any enterprise are initiated and determined by the persons who make up the institution, plant or office and all else that make

a modern form are unproductive except for human effort and direction of all the tasks of the management.

In the past, people migrated from villages to towns seeking employment. They found themselves in totally different and new situations to which they were not used to. So whenever they feel frustrated, they return to their villages and this resulted in loss of trained labour. These people had no proper leader to guide them and even no proper masters to manage them. The necessity of proper personnel management was then felt. It was realized that a good personnel management will go a long way in making efficient the overall management of the organization.

The importance of human factor in any type of co-operative endeavor cannot be over emphasized. It is a matter of common knowledge that every business organization depends for its effective functioning not so much on its material or financial resources as on its pool of able and willing human resources. The overwhelming importance of human factor is due to its unique characteristics. This is only resource which is able to produce an output greater than its input. Man alone can produce through motivated creativity- an output greater than the sum of his inputs. No other resource can do this. Human resource appreciates in value with the passage of time. As time passes people become experienced and skilled. It is not so with other resources which generally depreciate as time goes on.

Human resource is most complex and unpredictable in its behavior. There is no cook book formula of guide a manager how to motivate his workers. A manager can buy his worker's time, he can buy his physical presence at a given place, he can buy a measured number of skilled muscular motions per hour or day, but he cannot buy worker's enthusiasm, he cannot buy his initiative, he cannot buy his loyalty, he cannot buy his devotion. Each individual has his own distinct background. This makes each individual unique in his psychological frameworks. Hence they cannot be interchanged, much less standardized. This implies that all individuals in an organization cannot be treated alike. In employing and supervising people and in endeavoring to reach their motivation, a manager must follow tailor-made approach based on his understanding of the actions, attitudes, needs and urges of the worker concerned. This is a very formidable and challenging task.

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### **1.3.1 PEOPLE WHO MANAGE**

To look after the various functions set for the organization adequate resources in men and materials have to be arranged by individuals who serve as managers or supervisors within organizations. Such people have to make things happen to aid in the achievement of the organizational objectives, to co-ordinate the resources of the organization- 4 important Ms. Viz., money, material (raw or semi-manufactured), machinery (or fixed assets and plants), and men (or human resources). It is an effective combination and dovetailing of these factors on which the success or failure of the organization depends. The resources by themselves will not help the organization to accomplish the objective, unless there is an effective co-ordination and utilization of these human and non-human resources.

While the human resources available to management in an organization are only one part of resources which must be co-ordinated, it is through the combined efforts of the people that monetary and material resources are utilized for organizational objectives. Without human efforts, organizations cannot accomplish their objectives. Rensis Likert rightly observes, "All the activities of any enterprise are initiated and determined by the persons who make up that institution, plants, offices, computers, automated equipment, and all else that make a modern firm uses are unproductive except for human effort and direction of all the tasks of management, managing the human component is the central and most important task, because all else depends on how well it is done."

Consequently, the managers have a central responsibility not only for the behavior and performance of other people but also of their own behavior. Managers are appointed at various levels to organize and co-ordinate the activities of the team members or fellow work associated. This constitutes a hierarchy of management, where individuals perform different roles: some are at the top level management; others are at the intermediate and lower levels of the management group. Those at the lower levels are responsible to persons at a higher organizational level. The greater the commitment of the members to organizational objectives, the greater is the degree of effectiveness with which the organization works.

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### 1.3.2. PEOPLE AT WORK

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The principal component of an organization is its 'human resources' of 'people at work'. Human resources have been defined as "from the national point of view, the knowledge skills, creative abilities, talents and aptitudes obtained in the population; whereas from the viewpoint of the individual enterprise, they represent the total of the inherent abilities, acquired knowledge and skills as exemplified in the talents and aptitudes of its employees." Jucius calls these resources, 'human factors', which refer to "a whole consisting of inter-related, inter-dependent and inter-acting physiological, psychological, sociological and ethical components."

It is the human resource which is of paramount importance in the success of any organization, because most of the problems in organizational settings are human and social rather than physical, technical or economic. Failure to reorganize this fact causes immense loss to the nation, enterprise and the individual. In the words of Oliver Sheldon, "No industry can be rendered efficient so long as the basic fact remains unrecognized that it is principally human. It is not a mass of machines and technical processes, but a body of men. It is not a complex of matter, but a complex of humanity. It fulfills its function not by virtue of some interpersonal force, but a human energy. Its body is not an intricate maze of mechanical devices but a magnified nervous system."

'People at work' comprise a large number of individuals of different sex, age, socio-religious group and different educational or literacy standards. These individuals in the work place exhibit not only similar behavior patterns and characteristics to a certain degree, but they also show much dissimilarity. Each individual who works has his own set of needs, drives, goals, and experiences. Each has his own physical and psychological traits. Each human being is not only a product of his biological inheritance but also a result of interactions with his environment. Family relationships, religious influences, racial or caste

backgrounds, educational accomplishment, the application of technological innovations, and many other environmental influences affect the individual as he works. Among the environmental factors that influence work behavior are various organizational elements (authority relationships, organizational goals, procedures, rules and policies: informal group relationship, the type and manner of supervision received by the employee, etc.). People come to work with certain specific motives to earn money, to get employment, to have better prospect in future, to be treated as a human being while at the place of work. They sell their labour for reasonable wage/ salary and other benefits. It is these people who provide the knowledge and much of the energy through which organizational objectives are accomplished.

The management must, therefore, be aware not only of the organizational but also employee needs. None of these can be ignored. The achievements for the organizations, the 'people at work', 'the people who manage them' (i.e., managers themselves), and other groups of the public (such as the consumers, shareholders, the entrepreneurs, the governments, the suppliers, etc.) are possible through a concerted effort. The employee develops four dimensional relationships: **(i)** those between management and workers; **(ii)** those among the workers themselves; **(iii)** those among the managerial personnel; and **(iv)** those among different members of the organization and the community. In other words, he develops "human relations" the purpose of which is not to enable him to discover clever techniques for winning friends and influencing people through personality development; nor to enable him to manipulate people as though they are puppets, but to assist him in working more effectively with other people in organization."

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### 1.3.3. DEFINITIONS OF HUMAN RESOURCE MANAGEMENT

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Different authors have given different definitions of the term "Human Resource Management". Some of these are reproduced below:

"The personnel function is concerned with the procurement, development, compensation, integration and maintenance of the personnel of an organization for the purpose of contributing toward the accomplishment of that organization's major goals or objectives."

- Edwin B. Flippo

"Personnel administration is a method of developing the potentialities of employees so that they get maximum satisfaction out of the work and give their best effort to the organization."

-Pigors and Myres

"Personnel Management is the specialized intelligent handling of the human factor by a separate department which could devote its full time for research along the line of improvement in industrial relations."

- R.G.Gokhale

" Personnel administration is the art of acquiring, developing and maintaining a component work force in such a manner as to accomplish maximum efficiency and economy in the functions and objectives of the organization."

-American Society for Personnel Administration

"Personnel Management is the part of the management function which is primarily concerned with human relationships within an organization. Its objective is the maintenance of those relationships on a basis which, by considering of the

well-being of the individual, enables all those engaged in the undertaking to make their maximum personnel contribution in the effective working of the undertaking.”

- Indian Institute of Personnel Management

“Manpower management effectively describes the process of planning and directing the application, development and utilization of human resources in employment.”

- Dale Yoder

On the basis of the various definitions given above, a few basic facts and characteristics may be noted about Human resource Management.

First, HRM is concerned with managing people to “rank employees at work. Such people or personnel do not simply refer to “rank and the employees” or “unionized labour” but also include “higher personnel” and “non-unionized labour”. In other words, it covers all levels of personnel, including blue-collared employees (craftsmen, foremen, operatives and labourers), and white-collared employees (professional, technical and kindred workers, managers, officials and proprietors, clerical workers and sales workers). The shape and form that personnel administrative activity takes, however, may differ greatly from company to company; and to be effective, it must be tailored to fit the individual needs of each organization.

Second, it is concerned with employees, both as individuals as well as a group, the aim being to get better results with their collaboration and active involvement in an organization’s activities, i.e., it is a function or process or activity aiding and directing individuals in maximizing their personal contribution.

Third, personnel management is concerned with helping the employees to develop their potentialities and capacities to the maximum possible extent, so that they may derive great satisfaction from their job. The task takes into consideration four basic elements, namely, the capacities, interests, opportunities and personality of the employees.

**Capacities-** referring to those abilities or attainments, inherited or acquired, that a worker has, is capable of and must to a certain degree at least exercise in his work.

**Interests-** not only an individual’s desires and ambitions, but also his instinctive impulsive tendencies, vague yearnings, and ill-defined cravings that may or may not stir him to his fullest action in performing his duties.

**Opportunities-** not only opportunities for advancement, but opportunities to exercise his capacities and satisfy his interests.

**Personality-** the sum total of a worker’s reaction to his experiences and environment, personality is manifest by an individual’s reception by others. The workers’ personality has great influence upon his opportunities.

Since the employee is both a social and economic entity, possessing different characteristics in various work situations; there can be a perfect adjustment of the workers in his work unit if the worker possesses the exact capacities required for the work. The work similarly affords the opportunity for exercising these capacities, and the worker’s interests are generally satisfied in the performance of his job. However, a happy combination of the four elements are seldom achieved in actual practice; and a lack of balance forms one of the major causes of waste in production. The best or ideal personnel management, therefore,



recognizes the individual differences involving these elements and tries to eliminate or reduce them.

Fourth, since recruitment, selection development and utilization of, and accommodation to people are an integral part of any organized effort, Personnel Management is inherent in all organizations. It is not confined to industry alone; it is equally useful and effective in government departments, military organizations, and non-profit institutions. It is a major part of the general management function and has roots and branches extending throughout and beyond each organization. Therefore, it is rightly the central pervasive system of all organizations. This point has been summarized by Pigors and Myers in these words: "Personnel administration permeates all types of functional management, such as production management, financial management, sales management and research management. It applies in non- industrial organizations, government, non-profit institutions, and armed services. Unless these managers themselves expect to perform all the duties for which they are responsible, they have to secure the co-operation of other people within their part of the total organization. In short, every member of the management group, from top to bottom, must be an effective 'personnel administrator' because he depends on the co-operative efforts of his subordinates."

As Bakke says: "Human relations, industrial relations and personnel relations are just new names for an aspect of the general managerial function as old as management itself." It is more than the management of people by supervisors; and it is also more than the responsibilities assigned to the personnel department. As a field of discipline, personnel management is faced with many challenging problems centering around social responsibility, work design, staffing, style of leadership and supervision, compensation and appraisal, collective bargaining, organizational development and organizational climate.

Fifth, personnel management is of a continuous nature. In the words of George R. Terry: "It cannot be turned on and off like water from a faucet; it cannot be practiced only one hour each day or one day a week. Personnel management requires a constant alertness and awareness of human relations and their importance in everyday operations."

Finally, personnel management attempts at getting the willing co-operation of the people for the attainment of the desired goals, for work cannot be effectively performed in isolation without the promotion and development of an esprit de corps.

Taking the above characteristics into consideration, it may be observed that personnel management is an approach; a point of view; a new technique of thinking and a philosophy of management, which is concerned not only with managing people, but also with solving the human problems of an organization intelligently and equitably, and in a manner which ensures that employees' potential is properly developed, that maximum satisfaction is derived by them from their work, that the objectives of the organization are achieved and that good human relations are maintained within the organization.

Personnel management can be of full value to an organization only when it is consistently thought out and applied at all levels and to all management functions; in corporate policies, in the systems, procedures and in employment practices, etc. This integrative aspect of personnel management is, therefore, of vital importance.

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**1.3.4. MANAGEMENT OF MEN IS A CHALLENGING JOB**

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“The management of Man” is a very important and challenging job; important because it is a job, not of managing ‘men’, but of administering a social system. The management of men is a challenging task because of the dynamic nature of the people. Now two persons are similar in mental abilities, traditions, sentiments, and behavior; they differ widely also as groups, and are subject to many varied influences. People are responsive; they feel, think and act; therefore they cannot be operated like a machine or shifted and altered like a template in a room layout. They, therefore, need a tactful handling by management personnel. If manpower is properly utilized, it may prove a dynamic motive force for running an enterprise at its optimum results and also work as an elixir for maximum individual and group satisfaction in relation to the work performed.

Manpower management is a most crucial job because “managing people is the heart and essence of being a manager.’ It is concerned with any activity relating to human elements or relations in organization. Material elements, however, are beyond its domain. This view has been rightly summed up by J.M.Dietz (of Chicago). He observes: “A business or an industry can be thought of as an inter-weaving of human elements as the warp; while inter-locking and inter-weaving with this element are the material elements- the woof of the fabric. The warp of the fabric is the human element appearing and reappearing, the strength giving element holding the entire fabric together, and giving it life and a character of continuity.” A business cannot succeed if this human element is neglected.

Aldrich has expressed the importance of personnel management thus: “The nearest analogy is in the human body. Personnel management is not the brain, the controller, not only just a limb, a member: not yet the bloodstream, the energizing force; it is the nervous system. It is a line channel, not just a duct, and in some respects has automotive force. It is used in enemy action; if it atrophies, partial paralysis results, if it gets out of balance, there issues instability, chaotic action, disequilibrium which can be found in all stages of advancement, in close parallel with neurosis. But, above all, it is inherent in the whole body and intimately connected with its every movement. The nervous system can never be thought of as an adjunct of the body, no more can personnel management be an extraneous or superimposed element on the structure of an organization. The personnel function lies embedded in the structure, is inherent in the dynamism of that structure, and is an integral part of the process of management itself.”

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**1.3.5. FEATURES OF HUMAN RESOURCE MANAGEMENT**

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Human Resource Management is the process of bringing people and organization together so that the needs of each are met. It is that part of the management process which is concerned with the management of human resources in an organization. It tries to secure the best from people by winning their whole-hearted co-operation. In short, it may be defined as the art of procuring, developing and maintaining competent work force to achieve goals of an organization in an effective and efficient way.

Human Resource management is concerned with the most effective use of people to achieve organizational and individual goals. It is a way of managing



people at work, so that they give their best to the organization. It has the following features:

1. **Action Oriented:** Human Resource management focuses attention on action, rather than on record keeping, written procedures or rules. The problems of employees at work are solved through rational policies.
2. **Individuality Oriented:** It tries to help employees develop their potential fully. It encourages them to give out their best to the organization. It motivates employees through a systematic process of recruitment, selection, training and development coupled with fair wage and policies.
3. **Integrating Mechanism:** Human Resource Management tries to build and maintain cordial relations between people working at various levels in the organization. In short, it tries to integrate human aspects assets in the best possible manner in the service of an organization.
4. **Pervasive Force:** Personnel Management is pervasive in nature. It is present in all enterprises. It permeates all levels of management in an organization.
5. **Auxiliary Service:** Personnel departments exist to assist and advise the line or operating managers to do their personnel work most effectively. Human Resource manager is a special advisor.

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**CHECK YOUR PROGRESS**

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**Q1.** Write down the features of HRM.

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**1.4. ROLE OF HUMAN RESOURCE MANAGEMENT**

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The Human Resource Manager has been playing a variety of roles at different stages in the past, like that of a police agency, a legal defender of rights and a negotiator, a catering man meeting the welfare needs of the employees. But the theme has always been set by the thinking at the top level management. Looking back at the historical manifestation of the role of a Personnel Manager in industry, it may be said that by and large it reflected the top management's own concept of the personnel function and the methods of managerial control they believed in. the personnel manager has been playing a variety of roles at different stages in the past, like that of a police agency, a legal defender of rights and a negotiator, a catering man meeting the welfare needs of the employees. But the theme has always been set by the thinking at the top level management. It is difficult precisely to relate the present day functions of human resource manager to his role as conceptualized earlier. If the human resource management is what HR Managers do, the picture that emerges is indeed confusing, for what HR managers do can be compared to a Sunday morning

jumble sale- a collection of incidental chores, fire-fighting tasks, welfare functions, and a watch-dog function.

As profesoor Chatterjee puts in: "The personnel man first appeared as a low powered functionary who was no better than a files clerk or record keeper concerned with the payment of the dues of the workers. Out of this arose a kind of role as a liaison man or channel of communication between the boss and the man. To start with he was essentially an odd-job-man. Then came the next stage when he administered the welfare schemes which were being gradually provided for in the statutes. As the workers were organizing themselves into strong unions and industrial conflicts were multiplying the employer used the Personnel Man as a kind of trouble shooter or fire-fighting- either to advise him on how to find loopholes in the labour laws or other statutes so that the union demands could be resisted with a measure of legitimacy or to come to a settlement where concessions were inescapable. There was a tendency at this stage to make him responsible for handling all kinds of labour trouble. Gradually his work was realized as more of the nature of staff function rather than the line function; and that he was an expert rather than a controller or manager of men."

In the modern era, the HR Manager typically performs a variety of roles, such as the role of conscience, of a counselor, a mediator, a company spokesman, a problem-solver and a change agent. He performs many miscellaneous roles in accordance with the needs of a situation, such as-

1. **The Conscience Role:** Under this role, the HR Manager reminds the management of their moral and ethical obligations towards employees.
2. **The Counsellor Role:** Under this role he encourages the employees to meet him frequently for consultation and discussion of their mental, physical and career problems and at times even their family problems.
3. **The Mediator Role:** Under this role, he tries to settle disputes between labour and management as also those between an individual and a group. He is not only a peace maker but also serves as a liaison and communicating link.
4. **The Spokesman Role:** under this role, he works as a spokesman for or as a representative of his organization. This he is able to do as he deals intimately with many key organizational activities and functions and has a better overall picture of his company's operations.
5. **The Problem-Solver Role:** He is a problem-solver in respect of issues involving human resource management and overall long-range organizational planning.
6. **The Change- Agent Role:** He serves as a change agent in respect of introduction and implementation of major institutional changes.

It has been now fully recognized that the basic role of the Human resource manager is "the management of manpower resources". Such management is concerned with "leadership" both in group and individual relationship, and labour management relations. It effectively describes the process of planning and directing the application, development and utilization and is now considered as one of the four main functions, viz. finance, production, marketing and human relations.

The functions of the HR Manager are very comprehensive and varied and are determined and influenced by such factors as the size, nature and location of

organization, business or industry, its short and long term objectives, nature of industry and product, market conditions, degree of competitiveness among rivals, economic, cultural, political and legal environment, the structure of the executive and administrative officers, the mental makeup of the HR Managers, and the over-all organizational philosophy of business.

The HR Manager undertakes all those functions which are concerned with “Human elements” or “relations in organization as well as in material elements”. Whatever items are listed therein (as the functions), the main objective is to see that human resources are purposefully utilized for the optimum good of the organization and there should be meaningful co-operation for achieving the objectives of management. Expertise is brought together in a scientific manner and attitudes so created that motivate the group to achieve the organizational goals economically, effectively and speedily, and also fulfill and satisfy its physiological, psychological and social needs and realize its potential abilities.

The role of a HR Manager is been expanding and is strengthened by greater interest shown in human relation problems by specialists such as behavioral scientists, industrial engineers, social psychologists, labour and legal advisers, industrial and computer technologists- all of whose researches have enriched the field of HR Management, its functions changed their nature making them wide and humanitarian.

The ideal HR Manager is not a “decision maker” but a counselor not a “collector of responsibilities” but “an advisor” to help line management make more reliable personnel decisions. In any enterprise it is these “line men” who determine the “personnel climate” for the entire organization. If the HR Man can meet the challenge of “staff role” he would make the most effective contribution to industry.

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### CHECK YOUR PROGRESS

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**Q2.** Name the various roles of Human resource Manager.

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## 1.5 IMPORTANCE OF HUMAN RESOURCE MANAGEMENT

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The importance of human resource management can be discussed, after Yodder, Hemerman and other from three standpoints, viz. social, professional and individual enterprise.

**(a) Social Significance**

Proper management of personnel, enhances their dignity by satisfying their social needs. This it does by **(i)** maintaining a balance between the jobs available and the job seekers according to the qualification and needs, **(ii)** Providing suitable and most productive employment, which might bring them psychological satisfaction; **(iii)** making maximum utilization of the resource in an effective manner and paying the employee a reasonable compensation in proportion to the contribution made by him; **(iv)** eliminating waste or improper use of human resource, through

conversation of their normal energy and health; and (v) by helping people make their own decisions, that are in their interests.

**(b) Professional Significance**

By providing healthy working environment, it promotes team work among the employees. This is done by **(i)** maintaining the dignity of the employees as a “human being”; **(ii)** providing maximum opportunities for personal development; **(iii)** providing healthy relationship between different work groups so that work is effectively performed; **(iv)** improving the employees’ working skill and capacity; **(v)** correcting the errors of wrong posting and proper reallocation work.

**(c) Significance for Individual Enterprise**

It can help the organization in accomplishing its goals by: **(i)** creating right attitude among the employees through effective motivation; **(ii)** utilizing effectively the available resources and **(iii)** securing willing co-operation of the employees for achieving goals of the enterprise and fulfilling their own social and other psychological needs of recognition, love, affection, belongingness, esteem and self actualization.

HRM is more relevant in today’s context due to the following compulsions:

**1. Change Management:**

Today, terms such as “Learning Organization”. “Managing Organizational Change”, “Change Agents” and the like are being increasingly encountered. It is now an accepted fact that any organization can survive in today’s socio-economic environment only if it is proactive to environment changes. Advances in information technology too are focusing organizations to change their very way of thinking.

**2. Competence:**

It is often said, “Give a man a job that he excels at and he would not have to work.” In the organizational context, it may not be always feasible to allocate tasks to individuals at which each one excels, but surely we can enhance competence of individuals for specific tasks through well-designed training programmes. It is equally important to take note of the interests of the individual. It is much easier to train him in tasks closer to his inherent liking. It is, however, seen that many managers do not realize the importance of this aspect and would prefer sub-optimal performance from an employee rather than spare him for training/ retraining because in the latter case the employees would not be available for work during that manager’s tenure. What is not appreciated is that without the required competence, an employee would either shirk from the assigned tasks or would do a lousy job. After a while such an employee would attempt recognition through destructive means because he is unable to make a mark as a good performer.

**3. Commitment:**

The extent to which the employees are committed to their work and organization has a significant bearing on an organization’s performance. Commitment levels can be assessed in a number of ways. One can make use of informal interviews and questionnaires, statistics on absenteeism, grievances, and voluntary separations. Transparency in organizational functioning, employees’ perception of various HRM policies, channels of

communication, and role models played by superiors strongly influence employee commitment.

**4. Congruence of objectives:**

Even well-qualified and committed employees could pursue goals at variance to the organizational objectives. It is, therefore, essential that all newcomers to the organization are properly socialized into the existing community and are made aware to the organizational values, work ethos, customs and traditions. It is important that they know what the organization stand for and what it wants to achieve and in the process, what is expected from each individual, so that he can find reason and meaning for his existence in the organization. This exercise is commonly referred as socialization.

**5. Motivation:**

Another aspect of human behavior is the employee's willingness to work and the desire to constantly improve his performance. There are different schools of thought on motivation but essentially, all agree that work is not inherently distasteful. People want to contribute to meaningful goals, particularly, those they have in setting. Most people can exercise far more creativity, self-direction and self-control than their present jobs demand. It is, however, necessary to create an environment in which all members can contribute to the limits of their ability. Subordinates must be encouraged to participate in the process of decision-making, continually broadening their self-direction and self-control as this would not only lead to direct improvement in operating efficiency but would also ensure their grooming for higher responsibilities.

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### CHECK YOUR PROGRESS

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**Q1.** Give the significance of HRM.

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## 1.6 CHALLENGES OF HUMAN RESOURCE MANAGEMENT

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Changes in socio-economic and political conditions are bound to bring about changes in the environment within the organizations. The personnel managers of today may find themselves obsolete because of the rapidly changing business environment, and therefore they should constantly update their knowledge and skills by looking at the organization's needs and objectives. Some of the important challenges are:

**(i) Vision penetration:** Evolving the right vision is an entrepreneurial or top management function, but its utility increases immensely if it percolates, and is understood and accepted down the line. Vision not only provides the fuel and direction to business strategy, but also helps managers evaluate management practices and make decisions. Penetration of vision shall therefore become an important, integral part of man management in future.

- (ii) **Internal environment:** Creating an environment, which is responsive to external changes, providing satisfaction to the members of the organization, and sustaining it through culture, useful traditions, practices, and even systems, will become another important dimension of managing managerial personnel.
- (iii) **Change in industrial relations:** The practice of IR has undergone sea change. The notion that workers must be disciplined at the manager's will have to be buried. Development of workers may need simpler and appropriate inputs, but both the workers and managers must be managed and developed by the same set of assumptions and HRM philosophy of the company.
- (iv) **Building organizational capabilities:** The paradigm of managing managers would include not only assisting them to acquire new skills and knowledge and to evaluate environmental changes to evolve business strategies, but also to live in a psychological state of readiness to continually change.
- (v) **Job design and organizational structure:** In designing organizations, we will, hopefully, soon give up uncritical acceptance of foreign concepts and fads like quality circles, TQM, etc. Instead of these, organizational structure and design will primarily be based on (i) task approach, i.e. understanding of the intricacies of technology, jobs and functions to be performed to achieve organizational tasks, and (ii) people approach, which takes cognizance of their strengths, idiosyncrasies, aspirations and relationships at work.
- (vi) **Increasing size of workforce:** The organizations are ever increasing in size and complexity, multiplying the number of people working therein. The management of an increased workforce poses serious problems and challenges especially since the workers are becoming more conscious of their rights.
- (vii) **Changing psycho-social system:** In the traditional bureaucratic mode, the organizations were designed to perform technical functions with strict compartmentalization of work functions. But in future, human participation will be required not only in technical functions but also in establishing the democratic humanistic system.
- (viii) **Satisfaction of higher level needs:** The workers are becoming much aware of their higher level needs. The awareness is likely to intensify further in the future workforce. Therefore managers would be required to evolve appropriate techniques of motivating the workers and getting work from them.
- (ix) **Equalitarian social system:** Major developments that have taken place in the last four decades have been due to the desire of the organization's members to have greater say and influence in organizational functioning. Thus, contemporary organizations are putting lesser emphasis on the hierarchical structures and thus moving towards a more equalitarian social system. This is going to be more common in days to come.
- (x) **Technological advances:** In the wake of technological advances new jobs will be created and many jobs will become redundant. Unemployment resulting from modernization could be liquidated by properly assessing manpower needs and training of redundant employees in alternate skills.
- (xi) **Computerized information system:** It will play a revolutionary role in managerial decision making. It will also have an increasing impact in coordination and at strategic levels.
- (xii) **Changes in legal environment:** To meet with the increasing changes in the legal environment, necessary adjustments will have to be made so that greater utilization of human resources can be achieved.



(xiii) **Management of human relations:** The new generation workforce comprising educated and conscious workers will ask for higher degree of participation and avenues for self-fulfillment. It is rather difficult to motivate many of the new generation workers than their predecessors. This is partly due to change in their value system and higher levels of professional competency.

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## 1.7. SUMMARY

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Though personnel management is part of management and hence the personnel function has a specialist role in industry, it has a special responsibility to be the conscience keeper of all parties in the Industry as a social institution. As a member of the management team, the personnel man has his own expertise. But because of his professional training in social behavioral sciences, he alone can take the total perspective of all management skills and evolve a policy, taking into account the totality of objectives.

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## 1.8 GLOSSARY

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**Human Resource Management:** HRM is that it is the process of managing people in organizations in a structured and thorough manner. This covers the fields of staffing (hiring people), retention of people, pay and perks setting and management, performance management, change management and taking care of exits from the company to round off the activities.

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## 1.9 ANSWER TO CHECK YOUR PROGRESS

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1. Action-oriented, individually oriented, integrating mechanism, pervasive force and auxiliary service. (refer 1.3.5)
  2. Conscience role, Counselor role, Mediator role, Spokesman role, Problem-solver role and Change-agent role. (refer 1.4)
  3. Social significance, professional significance and significance for individual enterprise (refer 1.5)
- 

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## 1.11 TERMINAL QUESTIONS

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**Q1.** Define Personnel Management and describe its role.

**Q2.** "A good Personnel Manager is no longer just a hirer and firer of men."  
Explain this statement and state the desirable traits of an effective Personnel Manager.

**Q3.** Explain in detail the challenges of HRM.

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## **UNIT 2: DIFFERENCE BETWEEN HRM AND HRD, MEANING AND IMPORTANCE OF HRD**

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### **Contents**

- 2.0 Objectives
- 2.1 Introduction
  - 2.2 Defining HRM & HRD
    - 2.2.1 What is HRD? Evolution of the Field
- 2.3 Importance of HRD
- 2.4 HRM vs HRD
- 2.5 HRD: Meaning, Purpose and Importance
- 2.6 HRD Mechanisms, Processes and Outcomes
- 2.7 Human Resource Development Cycle
- 2.8 HRD Competence Framework
- 2.9 Responsibilities in HRD
- 2.10 References
- 2.11 Check your progress
- 2.12 Answer to check your progress

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### **2.0 OBJECTIVES**

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After studying this chapter, you should be able to:

- Discuss the place of HRD within human resource management (HRM)
- Understand the connections between HRD and HRM
- Understand the importance, meaning and importance of HRD
- Understand the frameworks of HRD

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### **2.1 INTRODUCTION**

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The development and growth of people at work is, and always will be, a necessary and vital part of successful economic and productive activity. The long term relationship between HRD and performance at the individual, organisational and national level is at long last becoming accepted. A well trained, flexible and committed workforce is an integral and enduring element of economic success. These attributes are the product of planned, well thought out and professionally managed opportunities to learn, and of the application of this learning to support and facilitate higher levels of individual effectiveness at work.

The importance of organisations having a comprehensive and effective approach to HRD which provides the kind of skilled and motivated staff that managers require, is increasingly difficult to deny. More and more are beginning to look towards developing their own staff as a way of providing the labour resources they need, at a price they can afford. The economic case for organisations realizing the potential that exists within their own labour force is becoming the driving force behind the recent upsurge interest in HRD.

- It is easier to say "People are our greatest asset!" than it is to put that belief into "measurable action!"

- There is no doubt that in many industries the next major competitive edge will be in maximizing people resources.
- Companies that learn to continuously "develop human resources" not only stand a greater chance to survive in the next century, but will also be more profitable.

A definition of HRD is "**organized learning activities arranged within an organization in order to improve performance and/or personal growth for the purpose of improving the job, the individual, and/or the organization**".

HRD includes the areas of training and development, career development, and organization development. This is related to Human Resource Management -- a field which includes HR research and information systems, union/labor relations, employee assistance, compensation/benefits, selection and staffing, performance management systems, HR planning, and organization/job design. The goal of HRD is to improve the performance of the organizations by maximizing the efficiency and performance of the people.

HRD is an organization's investment in the learning of its people and acts as a powerful signal of its intentions:

- By replacing the words 'training cost' with 'investment', there is an indication that a longer-term view is being taken, particularly with respect to the outcomes of HRD.
- HRD acts as a triggering mechanism for the progression of other HRM policies that are aimed at recruiting, retaining and rewarding employees who are recognized as the qualitative difference between organizations.
- HRD is crucial for organizations seeking to adopt a 'high-road' HRM strategy engendering the conditions whereby loyalty and commitment towards an organization's aims can be encouraged.

In recent years, HRD has moved beyond a narrow conception of training and development and many organizations now attempt to take a holistic view that embraces the idea of learning at individual and organizational levels as a crucial source of competitive advantage.

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## 2.2 DEFINING HRM & HRD

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**HRM:** The Human Resources Management (HRM) function includes a variety of activities, and key among them is deciding what staffing needs you have and whether to use independent contractors or hire employees to fill these needs, recruiting and training the best employees, ensuring they are high performers, dealing with performance issues, and ensuring your personnel and management practices conform to various regulations. (*Carter McNamara, MBA, PhD (Authenticity Consulting, Inc.)*)

**HRD:** Human Resource Development (HRD) involves and requires human interaction of a caring, supportive, useful nature-- that is, counseling. At the core of developmental training, mentoring or coaching activities, assessment and feedback efforts, employee assistance, and career planning programs, each of us needs some interaction that can be characterized as counseling. (*Richard E. Boyatzis, Ph.D., The Heart of Human Resource Development: Counseling Competencies*)

The HRM function and HRD profession have undergone tremendous change over the past 20-30 years. Many years ago, large organizations looked to the "Personnel Department," mostly to manage the paperwork around hiring and paying people. More recently, organizations consider the "HR Department" as playing a major role in staffing, training and helping to manage people so that people and the organization are performing at maximum capability in a highly fulfilling manner.

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### 2.2.1 What is HRD? Evolution of the Field

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In 1970 Len Nadler published his now-classic book *Developing Human Resources*, in which he coined the term "human resource development" (HRD). The term HRD provided a conceptual umbrella under which the field began to unify, using the three-fold notion of training, education, and development. HRD provided purpose and direction for the continued growth of the field: organized learning to provide the possibility of performance change. It further identified a core discipline from which a field of study could develop: adult learning in the workplace. McLagans HRD studies in 1983 and 1989 reflected a shift taking place in HRD work. In 1983 the assumptions in the competency models focused on change in technology. In 1987 Patricia McLagan proposed the following narrative definition of HRD:

*HRD is the integrated use of training and development, career development, and organization development to improve individual effectiveness*

In 1989 there were signs of an emerging concern for economic impact. The field began to move from focusing to what is performed to what is produced. One of the forces in 1989 was an increased use of systems approaches in HRD. Another shift in the field that took place was that the focus on individual learning was shifting to organizational learning as the primary activity and goal of the field. Patricia McLagan's role and competency study *Models for HRD Practice* described in 1989 a broadened scope of various roles in the competency models. The definition of HRD expanded beyond training and organization development. The move was toward HRD responsiveness and relevance.

Arriving at the final countdown to the 21st century HRD remains an important force for the future. In her article on HRD competencies and future trends in HRD Pat McLagan (1996) identified nine important roles for HRD practitioners to perform. As HRD practitioners create rather than just respond, they will seek leverage and ways to help managers, teams, and individuals take charge of their own human resource practices. According to McLagan "HRD may be the only function in a clear position to represent human ethics and morality". ***It is in the following roles that the present HRD professionals are challenged to create new ways to address the human resource issues:***

- 1. HR strategic advisor:** In this role the issues and trends concerning an organization's external and internal people are brought to the attention of the strategic decision makers.
- 2. HR systems designer and developer:** This role involves designing and preparing HR systems for implementation so that HR systems and actions are mutually reinforcing and have maximum impact on organizational performance, development and endurance.
- 3. Organization change consultant:** This role means facilitating the development and implementation of strategies for transforming organizations.

- 4. Organization design consultant:** This role involves identifying the work required to fulfill organizational strategies. It also involves organizing the work so that it makes efficient and effective use of resources.
- 5. Learning program specialist:** In this role learning needs are identified to design and develop structured learning programs and materials in a variety of media formats for self-study and workshop or electronic delivery.
- 6. Instructor/facilitator:** This is an increasingly difficult role. In it information is presented, structural learning experiences are lead and group discussions and group processes facilitated.
- 7. Individual development and career consultant:** This role involves helping people assess their competencies, values and goals so they can identify, plan, and implement development actions.
- 8. Performance consultant:** This role means assisting a group or individuals to add value in the workplace. It's a coaching and consulting role in which HRD people perform both analytical and systems-design work.
- 9. Researcher:** This role involves assessing HRD practices and programs and their impact empirically. It also means communicating results so that the organization and its people accelerate their change and development.  
In an organizational context HRD is a process by which the employees of an organisation are helped in a continuous and planned way to:
  - acquire or sharpen capabilities required to perform various functions associated with their present or expected future roles
  - develop their general capabilities as individuals and discover and exploit their inner potential for their own and /or organisational development purposes
  - develop an organisational culture in which supervisor- subordinate relationships, teamwork and collaboration among sub units are strong and contribute to the professional well being, motivation, and pride of employees
  - HRD process is facilitated by mechanisms (instruments or subsystems) like performance appraisal, training, organisational development, feedback and counseling, career development, potential development, job rotation and rewards.
  - Employees are continuously helped to acquire new competencies through a process of performance planning, feedback, training, periodic review of performance, assessment of the developmental needs and creation of development opportunities through training, job rotation, responsibility definitions and such other mechanisms.

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## 2.3 IMPORTANCE OF HRD

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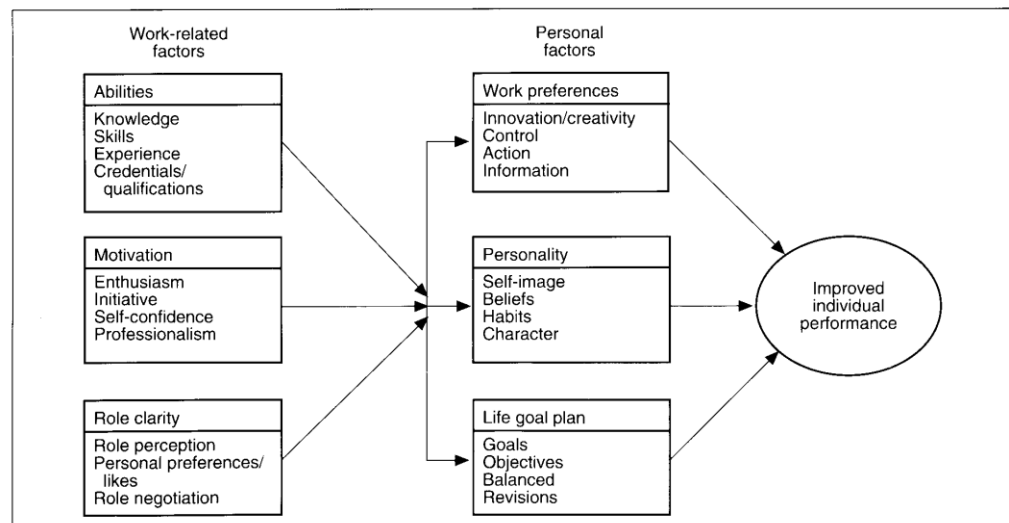
The importance of human resources development (hereafter referred to as "HRD") is obvious when one considers that in any economic activity it is the human element that the factors of production. The quality of people appropriate to the particular level and complexities of the activity determines how well or poorly, these tasks are accomplished.

- commands
- directs
- organizes
- controls
- maximizes

People need competencies (knowledge, attitudes, values and skills) to perform tasks. Higher degree and quality of performance of tasks requires higher level or degree of skills. Without continuous development of competencies in people an organisation is not likely to achieve its goals. Competent and motivated employees are essential for organisational survival, growth and excellence. Any organisation that is interested in improving its services and its effectiveness in ways like cost reduction, reduction in delays, increased customer satisfaction, improved quality and promptness of services, market image etc. needs to develop its employees competencies to perform the tasks required to bring about each improvement. Thus HRD is needed by every organisation that is interested in

- Stabilizing itself
- Growing
- Diversifying
- Renewing itself to become more effective
- Improving its systems and services
- Change and becoming more dynamic
- Playing Leadership roles

The HRD Model has been depicted in Figure 1 below. It shows that the various work related factors and personal factors lead to improved individual performance.



**Fig 1: HRD Model**

## 2.4 HRM vs HRD

Some people distinguish a difference between HRM (a major management activity) and HRD (Human Resource Development, a profession). Those people might include HRM in HRD, explaining that HRD includes the broader range of activities to develop personnel inside of organizations, including, eg, career development, training, organization development, etc.

Human Resource Management (HRM) and Human Resource Development (HRD) each have their own unique purpose in the functionality of a company.

Human Resource Management (HRM) is the management of company PERSONNEL. It is defined as: "Staffing function of the organization. It includes



the activities of human resources planning, recruitment, selection, orientation, training, performance appraisal, compensation, and safety.”

“HRM means just what it says -- human resource management – the management of people or resources in an organization. Almost every working organization has to have some form of HRM staff to take care of basic employee management tasks. HRM encompasses the traditional areas that most people think of as HR, including compensation and benefits, recruiting and staffing, employee and labor relations and occupational health and safety.

An HRM professional might start out as a generalist, then choose a specialty area of HRM such as benefits and become a benefits manager. After that, she may choose to remain in the specialty area, perhaps running all benefits programs at an organization, or move into an HR leadership role as an HR director or VP overseeing both HRM and HRD tasks.

Human Resource Development (HRD) is the development and management of company RESOURCES. It is defined as: “The development of human capabilities, abilities, knowledge and know-how to meet people's ever-growing needs for goods and services to improve their standard of living and quality of life. It is a process in which the citizens of a nation acquire and develop the knowledge and skills necessary for occupational tasks and for other social, cultural, intellectual and political roles that form part of a vibrant democratic society.”

On the other hand, HRD -- human resource development -- is the development of the resources in a company: organization development, performance management, training and learning, and coaching. HRD includes evaluating the performance of employees, helping employees learn and develop new skills, and assisting them with weaknesses or areas of development. HRD also includes helping an organization develop -- diagnosing problems with how people work together in certain areas of an organization. An HRD professional's career might begin with an analyst role, working as a consultant on a company's organization development (OD) team. The HRD professional may then choose to specialize, focusing specifically on performance programs in the organization, or may become an OD manager, in charge of several analysts or consultants working on OD projects. After that, he may choose to remain in the specialty area running the OD function, or move into an HR leadership role as an HR director or VP overseeing both HRM and HRD tasks.

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## 2.5 HRD: MEANING, PURPOSE AND IMPORTANCE

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Human Resource Development has improved performance as its ultimate goal in order to enhance the competitiveness and efficiency of an organisation (Gilley and Egglund 1989:5). The term HRD is made up of three core components:

Training to improve the performance of employees in their current job,

Education to develop the whole person for future roles and responsibilities which as yet remain unknown,

And Development, which prepares people for their responsibilities in the short to medium term of their career.

As tourism and hospitality is one of the largest and fastest growing industries in the world, it has, in the view of the WTTC (1994: ii), a need to address increased and improved tourism education in the region. This step is necessary in order to accommodate and adapt to ever increasing pressure on tourism and hospitality resources in the region. According to Yee (1992:14) HRD is one of the most widely used terms in Asia-Pacific gatherings because it is seen as central to the competitive edge of the economy of a nation?

The key HRD stakeholders in any country are its HRD providers, supporters and users in terms of government, employers, and educational institutions. Tourists also are indirectly stakeholders in that they receive the benefit or otherwise of the outcomes and effectiveness of HRD initiatives. Governments will not become involved in HRD initiatives unless they believe tourism can make a positive contribution to their economy (Yee, 1992:6). As tourism employs 1 in 9 of the work force of the world, and it is predicted by 2005 to contribute some 2.0 trillion dollars from travel and gross output in the Asia Pacific region (WTTC, 1994:2), it would seem good economic sense for government to support well constructed arguments for quality improvements in the industry.

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## **2.6 HRD MECHANISMS, PROCESSES AND OUTCOMES**

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HRD in organisations is a continuous process. The nature of efforts and investments put in to develop human resources may vary from organisation to organisation depending on its need, nature, size etc. This may also vary from time to time in the same organisation depending on the nature of capabilities the organisation wants to build within it. There are many methods or instruments available for organisations to develop employee competencies.

The instruments of HRD are many. The HRD instruments should lead to the generation of HRD processes like role clarity, performance planning, development climate, risk taking, dynamism etc in employees. Such HRD process should result in more competent, satisfied and committed people that would make the organisation grow by contributing their best to it. Such HRD outcomes influence the organisational effectiveness.

Organisational effectiveness depends on a number of variables like environment, technology, competitors etc. However other things being the same an organisation that has competent, satisfied, committed and dynamic people is likely to do better than an organisation that scores low on these HRD outcome variables. Similarly, an organisation that has better HRD climate and processes is likely to be more effective than an organisation that does not have them. This is because a number of HRD processes simultaneously operating in an organisation should normally result in the HRD outcomes like more competent people, better developed roles, higher work commitment & Job Involvement, More problem solving, better utilization of human resources, higher job satisfaction and motivation, better generation of internal resources, better organisational health and more team work and respect for each other.

The objective of any HRD effort is to build human competencies, to build a climate and to improve employee satisfaction with work, i.e. 'competency development', 'climate building' and 'innovation development'. In competency development again the objectives are many. These include: development of competencies of individuals (both in relation to work and as individuals and their

potential for future), developing competencies of dyads (boss-subordinate dyads from top to bottom), of teams and for inter team collaboration for organisational health. In every organisation a group of people are needed to think constantly in terms of the above objectives, assess the extent to which the above objectives are being achieved, generate mechanisms to achieve the above objectives and keep reviewing the processes and rejuvenating the instruments. This group is the HRD group or the HRD department. Those organisations that recognize this have started HRD departments and recruited HRD staff.

The most frequently used development instruments are 'Performance Appraisal' and 'Training Programmes'. Development-oriented performance appraisals have gained momentum in the last two decades. Those organisations that emphasize 'performance review discussions', 'counselling sessions' etc. rather than 'appraisal ratings', 'promotions' and 'rewards' seem to achieve HRD goals far more and far better. However accomplishing HRD goals through performance appraisals is less visible and much slower than achieving HRD goals through training. Role analysis exercises have helped a great deal in some organisations to bring about role clarity and setting the climate for development. Some organisations have used role analysis exercises to generate basic information about key functions associated with each role and the key competencies required to perform these functions. Such basic data is being used for recruitment, promotion decisions and potential appraisal, performance planning and performance development through training. Training needs are also being identified using these data. Some organisations also use Job Rotation as an HRD mechanism. In an HRD oriented job rotation there is a development philosophy. Some organisations also use OD exercises for developing team spirit and interdepartmental collaboration.

## 2.7 HUMAN RESOURCE DEVELOPMENT CYCLE

A company's HR activities are typically organized according to the HR development life cycle. A firm has processes for each phase of the life cycle. Many aspects of these processes can be automated and can communicate with the firm's other systems.

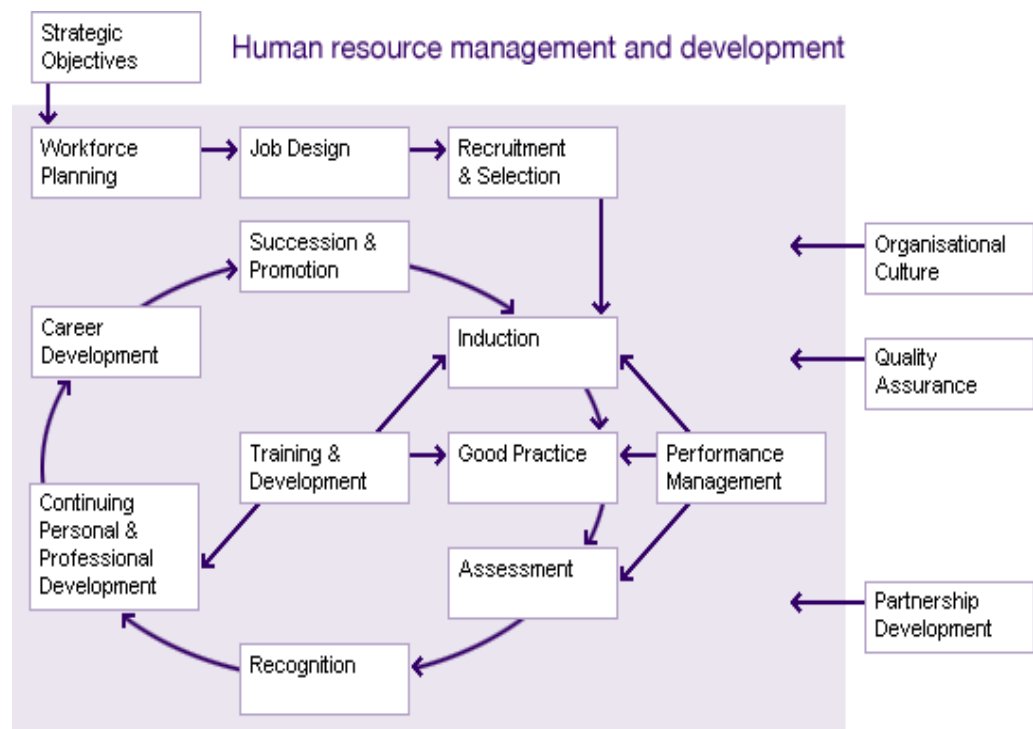


Fig. 2: HRD Cycle

## 2.8 HRD Competence Framework

The HRD Competence Framework can be used in workforce planning to:

- plan the workforce needed to deliver the organisation's, or partnership's, strategic objectives
- design jobs, and create job descriptions, taking account of strategic objectives and individual competences
- redesign roles and identify the competences required for new roles
- develop person specifications, based on the knowledge and skills requirements in the competence framework, that can be used for assessing and selecting candidates during recruitment or for promotion.



**Fig. 3: HRD Competence Framework**

The HRD Competence Framework can then be used throughout the human resource management and development cycle to:

- identify what people new to posts need to find out and what skills they need to develop during their induction period
- provide practitioners with guidance on what is expected of them and a model of good practice when carrying out unfamiliar activities
- develop objectives with individual practitioners and teams and support them in developing their performance and achieving their objectives
- assess whether practitioners are performing to the required standards, and, if not, where the problems may lie
- identify learning needs, design training and development activities and evaluate the impact of training and development on the individual's knowledge and skills, on their performance and on the achievement of strategic objectives

- recognise competent performance through feedback, certification or reward
- provide a clear framework so that individuals can plan, manage and evaluate their own continuing personal and professional development
- help individuals understand what is involved in new posts they might like to apply for, what competences they could bring to these posts, and what new knowledge and skills they would need to develop
- Prepare practitioners to take over from others when they leave or retire, and select the right individuals for the jobs.

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## **2.9 RESPONSIBILITIES IN HRD**

The effective management of training and development requires a clear and shared vision of specific responsibilities which, when taken together, represent the foundation for building a range of learning opportunities. The following can be some of these responsibilities:

1. Senior Managers: To establish a broad policy framework, linking HRD with other aspects of HRM in ways which clearly support current and future requirements.
2. Training Specialists: To work with senior managers in establishing the policy framework, and to design and implement detailed proposals for learning against specified objectives
3. Line Managers: To ensure that the policy framework detailed proposals reflect operational requirements and actively to support subordinate learning with particular emphasis given to its applications and utilization.
4. Employees: To commit themselves to their own continuing development and to support management's attempts to relate this to enhanced organisational effectiveness.

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## **2.10 HRD STRATEGY IN THE SERVICE SECTOR**

Achievement of the Strategic Objectives is only possible when proper attention is paid to HRD Strategies. A strategic HRD approach has the following important aspects to it, these are:

- Establishing Direction : A common goal and vision should be set so as to create a direction for the organisation in which it should move
- Aligning People : The vision for the future should be shared by all the employees, this would create a direction in which it is necessary to work to be successful and would align all the employees in moving towards the same direction i.e. achievement of the Strategic Objectives of the organisation.
- Create Opportunities to Develop: Within the organisation there should be opportunities for growth and development for this it is essential that there should be training and retraining from time to time. The aim should be to multiskill the employees so that they are able to cope with the changes taking place and at the same time do not feel lost in the turbulence created by this change. An open and innovative environment should be encouraged, this would improve the work culture of the organisation, and learning should be made as one of the missions of the organisation, so as to fight stagnation and create opportunities for growth.

- **Motivating and Inspiring People:** It is essential that the employees should be highly motivated and inspired, because only then will they give their 100% to the organisation. Motivating the employees can be done when there is proper understanding for the employees and attention is paid to their specific needs. When employees feel themselves to be a part of the organisation, and have a sense of belonging towards it, will they perform in a manner most beneficial for his organisation?
- **Provide Multi Skill training:** All the employees of the organisation should be given multiskill training, this would not only be beneficial for the organisation, but it would be of benefit for the individual employees also, as it would create more opportunities for them in the future and makes career progress easier and fast for them.
- **Move Towards Achievement of Strategic Objectives:** The direction which was set right in the beginning, combined with growth opportunities, motivation and multiskill training makes achievement of Strategic Objectives an easier task.

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## 2.12 CHECK YOUR PROGRESS

### Objective Questions (Note: State Whether True or False)

1. A well trained, flexible and committed workforce is an integral and enduring element of economic success
2. The goal of HRD is to improve the performance of the organizations by maximizing the efficiency and performance of the people.
3. The holistic view of HRD embraces the idea of learning at individual and organizational levels as a crucial source of competitive advantage
4. Human Resource Department mostly to manages the paperwork around hiring and paying people.
5. The term HRD was first used by Fredrick Taylor
6. Pat McLagan (1996) identified nine important roles for HRD practitioners to perform
7. HRD process is facilitated by mechanisms (instruments or subsystems) like performance appraisal, training, organisational development,



feedback and counseling, career development, potential development, job rotation and rewards.

8. An organisation's productivity is not at all affected by the state of motivation and competency of its employees
9. Human Resource Management (HRM) and Human Resource Development (HRD) each have their own unique purpose in the functionality of a company.
10. Human Resource Development has improved performance as its ultimate goal in order to enhance the competitiveness and efficiency of an organization.

---

**2.13 ANSWERS TO THE OBJECTIVE TYPE QUESTIONS**

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1. True
2. True
3. True
4. False
5. False
6. True
7. True
8. False
9. True
10. True

---

## **UNIT 3 - HRM IN TOURISM INDUSTRY IN INDIA – TRAVEL AGENCIES, HOTELS**

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### **Contents**

- 3.0 Objectives
- 3.1 Introduction
- 3.2 Tourism & Hospitality Industry and the HR Needs
- 3.3 India – HR requirements in the Travel & Hospitality Industry
  - 3.3.1 Some Case Studies
- 3.4 Some Unique HR Strategies adopted by Various Travel Agencies and Hotel Chains
  - 3.4.1 ITC HOTELS
  - 3.4.2 International Travel House
  - 3.4.3 Oberoi Hotels
  - 3.4.4 Stic Travels
  - 3.4.5 Taj Group of Hotels
  - 3.4.6 Kuoni India
  - 3.4.7 HR initiatives at SITA
  - 3.4.8 HR at Thomas Cook
  - 3.4.9 McDonald's
  - 3.4.10 Pizza Hut
- 3.5 Conclusion
- 3.6 References
- 3.7 Check your progress
- 3.8 Answers to check your progress

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### **3.0 OBJECTIVES**

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After studying this chapter, you should be able to:

- Understand the uniqueness of the Indian Tourism and Hospitality Industry.
- Understand the HR requirements in the Travel & hospitality industry
- Understand the concept of HR and HRD as applicable in various Travel and Hospitality organisations, through the various case studies

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### **3.1 INTRODUCTION**

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Tourism sector industries generate a large number of highly diversified jobs in different branches of activities such as hotels, restaurants, travel agencies, tour operators, leisure activities and passenger transport. Human resources are a key element in ensuring the quality and content of tourism products. There is a growing need for skilled manpower able to meet the needs of a changing environment and to maintain the competitiveness of tourism enterprises. In a competitive labour market, the tourism sector suffers from a relatively poor image and finds it difficult to retain employees on a long-term basis.

In the light of these changes and challenges, strategies for managing and promoting human resources have a central role to play in a sustainable development approach to tourism. The understanding of labour markets in the tourism sector remains inadequate. The effects of the new practices introduced by certain governments and the industry to improve skills and enhance the competitiveness of the sector in the labour market have not been widely shared and assessed. The pursuit of strategies to promote the skills needed in a globalising tourism industry must be continued. Lastly, in a context of liberalisation and globalisation of tourism services, the possibility of harmonising the differing regulatory approaches to the labour market in the tourism sector should be discussed in depth with all actors on national and international labour markets. As a labour intensive industry, tourism is offering many opportunities for employment in the economy and has the potential to continue in future. Given its very nature, it also generates induced and indirect jobs throughout the whole economy and in specific places like distressed and remote areas. Human resources are a key element for ensuring sustainable development in tourism and for increasing the competitiveness of the sector through more attention for quality in products and services and hence management and staff.

Tourism also offers many opportunities for low level qualification workers to enter the labour market; it thus contributes to improving the overall situation and flexibility of the labour market.

The development of human resources in tourism is however subject to a number of obstacles. Recruiting and retaining a qualified workforce remains a challenging task for many large and small enterprises due to the characteristics of the tourism labour market (seasonality, working conditions, high segmentation of the sector). Many of the tourism enterprises are not investing enough in human resources training and development. The high variability of tourism demand and the increasing competition among destinations drive more and more to dual or segmented labour markets one with core staff looking for careers in tourism and the other one with casual workers.

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### **3.2 TOURISM & HOSPITALITY INDUSTRY AND THE HR NEEDS**

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Tourism and Hospitality industry is no different from any other service industry and therefore is also bound to face the challenges of the 21<sup>st</sup> century along with all other global industries. The Human Resource aspect of this service industry has been undergoing a change for quite some time but now it is essential that this change should be faster paced to keep pace with the speed of the 21<sup>st</sup> century. HRD is a process by which the employees of an organisation are helped, in a continuous planned way to:

- Acquire or sharpen capabilities required to perform various functions associated with their present or expected future roles;
- Develop their general capabilities as individuals and discover and exploit their inner potentials for their own and / or organisational development purposes;
- Develop an organisational culture in which supervisor-subordinate relationships team work, and collaboration among subunits are strong and contribute to professional well being, motivation and pride of employees.

In the service industry where the human touch can make an organization successful, proper HRD strategies and their implementation play a very crucial role. Strategic Human Resource Management places a great emphasis on an organization's capacity to learn from its environment. It stresses on the capability of its employees to develop and redevelop in the event of change, so as to meet the performance standards and objectives of the organisation. It is an approach which deals with taking those decisions of an enterprise which deal with the people. It covers those decisions and actions, which concern the management of employees at all levels in the business and which, are directed towards creating and sustaining competitive advantage, it can also be expressed as a plan to achieve relative advantage against the competition

HR Strategy has to eventually emanate from the business strategy, which in turn is conceived from environmental turbulence, this strategy is liable to periodic changes so as to sustain the organisation in an ever changing environment.

The Travel and Hospitality industry is faced with various challenges in the field of Human Resources, one of the crucial issues in this regard is the issue of quality of manpower. The industry is vitally faced with the demand for qualified quality personnel. The biggest challenge in this regard is that though the demand for quality personnel needed by this industry has reached its maturity level the Institutes and Universities conducting courses to meet these demands are just about beginning to mature, due to which it is a difficult task to find candidates with the right technical qualifications.

In both the travel and hospitality industry, dependence on people is excessive. A great deal of time, money and effort is spent in identifying prospective employees, identifying their training needs, motivating them and making them productive, in other words identifying people who have the potential and drive to strive and innovate. Enormous emphasis has come to be placed not only on what people do and how they do it but on who these people are and why they work.

The travel industry in its truest essence is all about 'movement' of people to different places (any travel plan) and experiences (holidays). It makes the people who work in that industry restless by nature and this makes loyalty a very rare quality. The challenge for the industry is not to create loyalty but to get people of a high quality, who can take on growth opportunities and challenges early on and who can maximize their potential even during a short tenure with the company. This requires recruitment strategies and training policies, which are able to make not just the right choice of employee during the selection stage but also make policies which are able to train the selected employees and make them multiskilled, employees who meet the requirements of the industry as far as possible, and have the right person at the right place at the right time.

In today's fast changing, challenging and competitive environment, HRD has to take a pro active and not a reactive approach. Organisational Survival and Growth, especially in the service industry depends on the efficiency and effectiveness of the role of HRD as a dependable, accountable and pro active function.

As HRD becomes proactive in nature, maximisation of efficiency and productivity could be achieved through qualitative growth of people with capabilities and potentialities to grow and develop. There should be proper utilization of creative opportunities and available environment through acquisition of knowledge, skill and attitudes necessary for productive efforts. Proactive HRD holds the key to

develop valuable resources of an organisation i.e. human resources, who spend the greater part of their working lives making their organisations work effectively. HR managers have to pay special attention to bringing about a reasonable reconciliation of individual, organisational and societal interests. HRM, in the coming days will have to face the challenge of creating positive work climate where employees visualize themselves as members of a team and honestly put in dedicated efforts to accomplish the desired goals. Attention also needs to be focused on the relationships that are formed within an organisation between employees, customers, executives and various other groups. HRD efforts should concentrate on achieving relational harmony, rather than relational hierarchy, and motivating personnel to work together cooperatively and productively.

The Tourism and Hospitality industry is composed of three main ingredients, People, Service and Processes, and they are interdependent on each other. For the success of an organisation it is essential that the HR strategy of the organisation is directed towards the fulfillment of the Strategic Objectives of the Organisation. The Strategic Objectives of this service industry could be aimed towards, Making Profits, Increasing Market Share, Creating Employee Satisfaction and thus getting Tourist/Client Satisfaction, Provide Innovative Services, Creating/Discovering New Tourist Destinations, and working towards New Hotel Development.

Human capital is considered to be one of the pillars on which the development of tourism rests. It goes without saying then, that lack of trained and skilled manpower could deal a significant blow to the growth of tourism owing to its labour-intensive nature. Within Asia and the Pacific region, governmental laxity and corporate profit-conscious attitudes towards tourism education and training, as well as lack of trainers and teaching staff, have been identified as some of the factors responsible for inadequate professionalism in its tourism industry.

Accelerated tourist growth rates projected for the New Millennium calls for an equally accelerated preparedness with respect to workforce. Human Resource Development in Asia and the Pacific, the product of a WTO/ESCAP high-level technical seminar on challenges for human resource development in tourism in the Asia-Pacific region in the New Millennium, analyses the current situation of tourism manpower in the region and sets forth some policies and strategies to be adopted if Asia-Pacific tourism is to be in a position to face the challenges posed by the expected growth rates.

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### **3.3 INDIA – HR REQUIREMENTS IN THE TRAVEL & HOSPITALITY INDUSTRY**

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According to the Department of Tourism, Government of India, there were some 12 million people employed directly in the tourism sector at the beginning of this decade. The point was made that tourism has a very positive capital to labour ratio, with 89 jobs being created in the hotel and restaurant industry per 1 million rupees of investment, compared with 45 jobs in agriculture and 13 jobs in manufacturing.

By 2010, the Government of India has identified that as many as 6 million additional jobs in the tourism sector may be created, most of which will be generated by domestic tourism demand (which, very much along the same lines as in China, far outweighs the importance of international tourism; in 2001 some

190 million domestic trips were made in comparison to international tourist arrivals of 2.5 million). Thus the need for tourism training and education could become a key issue in the expansion of the sector.

Tourism employment can be categorised as (Mathieson & Wall, 1982)

- direct employment resulting from visitor expenditure in tourist services,
- indirect employment in the tourist sector, not resulting directly from visitor expenditure, and
- Induced employment, resulting from the effects of the tourism multiplier.

In the international tourism research literature, different employment categories have been created on the basis of different definitions of tourism. The most commonly used definition is the following: "Tourism is the temporary movement of persons to destinations outside their normal home and workplace for leisure, business and other purposes, the activities undertaken during the stay and the facilities created to cater for the needs of tourists." (WTO, 1989). For the purpose of investigating the economic impacts of tourism, the definition of the WTTC seems to be more appropriate, though, in our case, too wide to apply (due to temporal and financial constraints): "The Travel and Tourism industry is defined by the economic activities (personal, investment, government, business and net export) associated with travel as measured by the wide variety of current and capital expenditures made by or for the benefit of a traveller before, during and after a trip" (WTTC, 1995).

Though expenditures before and after tourist trips may arise as a consequence of travelling, most services provided to the tourists have to be delivered at the time and place at which they are produced (Hansen & Jensen, 1996). If we define tourism's economic impacts as economic benefits and costs which accrue to destination areas as a consequence of tourism development, tourist expenditures should be considered from the perspectives of the local, regional and national economies of tourist destinations. For them, the essential factors are the tourists' expenditures during their stay. In this research, we accept this approach, and, in defining tourism employment, we only consider expenditures made by or for the benefit of a traveller during a trip.

Tourism is generally known as one of the sectors where the costs of a new job are significantly less than in other industries, though some researches have come to a contrasting conclusion. Obviously, the characteristics of employment and the effects of tourism development vary according to the type of tourist activity, some types of tourism being more labour-intensive than others. Accommodation facilities and the hospitality sector in general employ a substantial proportion of the tourism labour force, but they also require relatively large capital investments. The financial resources required to generate employment also vary with the size of companies, the types of skills needed, the economic development of the destination area, etc.

Due to the lack of a widely accepted categorisation of tourist employment, together with the complexity of factors to be taken into consideration, the main contributing factors to the overall cost of employment creation in tourism are not clearly defined. Thus one of the main purposes of our research is to define the set of factors determining the costs of tourism employment generation and to incorporate them into a model that is able to present their respective role and their interrelationships.



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**3.3.1 SOME CASE STUDIES**

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The Tourism And Hospitality Industry, to keep pace with the changes all around needs to incorporate some fundamental requirements regarding the HRD Competencies and Roles necessary for the 21<sup>st</sup> century, some of these roles and skills which need to be created and nurtured amongst the Personnel of this service industry are as follows:

- Role of a Facilitator
- Role of a Development manager
- Role of a Change agent
- Interpersonal relationship skills
- Leadership skills
- Coping skills
- Coaching skills
- Visioning Skills
- Stress Management Skills
- Problem Solving skills
- Negotiation Skills

Training in travel and tourism has been a neglected area in India. Most staff members employed by the agencies are trained on the job. There are only a few institutional arrangements for training and most are operated by the government. Private sector training institutions with varying levels of competence have been established in recent years.

Training for people in the travel trade is mainly in specialized areas for certain types of activities such as winter sports, water sports, trekking and wildlife tourism. The Ministry of Tourism has set up special institutes for training in travel tourism, including the Indian Institute of Tourism Travel Management, the National Institute of Water Sports and the Indian Institute of Skiing and Mountaineering. Various organisations in the Tourism and Hospitality sector have been especially considerate towards the Human Resources aspect of Management, here is a brief outline of the HR Strategies of various Travel and Hospitality organisations.

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**3.4 SOME UNIQUE HR STRATEGIES ADOPTED BY  
VARIOUS TRAVEL AGENCIES AND HOTEL CHAINS**

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For tourism, human resources are imminently important as part of the product offering. Service quality attracts tourists and supports repeat visits. At the same time, human resources are a significant portion of operational costs compared to many other industries. Tourism is an experiential product – service and interaction with people are integral to the product itself. The quality of the product offerings are highly dependent on the quality of service provided by staff. An overall economic growth strategy for tourism therefore needs to include market development, product development and human resources development.

Managing human resources in tourism is particularly challenging as a result of the broad range of occupations, seasonality of demand, competitive wage

environments and high customer expectations largely driven by international trends and non-traditional sources of labour such as youth, immigrants and senior.

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**3.4.1 ITC HOTELS**

- Career management at ITC Hotels revolves around the objective of unification of the organisation around key business challenges
- The Company works towards creation of a competitive cultural mindset.
- A large percentage of managers in ITC Hotels today are those who have risen from the ranks, some having gone up to positions of general managers and vice president positions, the common thread running through them not so much a question of style but substance
- Careers are not merely viewed as a sequence of positions occupied by a person but more as an amalgam of changing drives that are constantly monitored, discussed and systematized.
- Carefully structured cross functional movements are more the rule rather than the exception at ITC Hotels. Every manager in operations is expected to move across the entire gamut of hoteliering before he gravitates to general management positions. Assignments are plotted in a yearly exercise.
- The organisation is toying with the idea of Assessment Centers to formalize the process of potential assessment.
- Welcomgroup Management Institute is the central training and learning institution of ITC Hotels and plays a significant role in supporting the growth processes of the organisation. Retraining for managers and structured induction programmes for new recruits are conducted here.
- Welcomjawan is a pioneering scheme to capitalise on potential of short service commission officers. The company sources Housekeepers from Service Officer's wives. Another scheme to harness entrepreneurial spirit of ex serviceman is by providing training and assistance to enable them to set up their own catering establishments to offer standardized levels of service to travelers.

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**3.4.2 INTERNATIONAL TRAVEL HOUSE**

- ITH's inherent strength lies in its long term vision and the realization that people give it the cutting edge.
- ITH believes that it is Human Resource Management, which will help them, establish themselves successfully as apart of the service industry in the 21<sup>st</sup> century.
- ITH is perhaps the first company in the industry to have focussed equally on all employees who come in direct interaction with customers as well as the management.
- ITH has initiated a number of well designed HR initiatives like MBO based appraisal, suggestion scheme, star performers, recognition schemes, career planning etc.
- ITH has placed particular emphasis on training so as to create a multiskilled workforce across all managerial levels to meet the travel related requirements of the industry.

- The process of imparting training for multiskilling has been done in a phased manner so as to make acceptability of this change easier for all the people concerned. Multiskilling is expected to help employees deal with queries of the clients related to travel, transport, foreign exchange, facilitation and tour packages.
- ITH has started the unique concept of a 'Chauffeur Academy', with a mission to mould a driver into a savvy person. Fixed selection criteria, an elaborate recruitment process, and an intensive induction training programme are unique features of the 'Chauffeur Academy' This innovative step has given ITH an edge over other car rental companies in the industry.
- The HR department at ITH has recognised the fact that it has to take large steps to keep pace with the changes of the industry, it has to keep its focus on people development to do so.
- Clear and precise person profiles have also been made for all the positions in the company so as to facilitate the recruitment process.

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### 3.4.3 OBEROI HOTELS

- The annual satisfaction survey conducted by the Oberoi Hotels among both its guests and employees indicates career growth opportunities, learning opportunities and pride in the organisation have a direct relationship to customer satisfaction.
- The Oberoi's place emphasis on career growth at the time of recruiting new employees.
- They look for the right attitude, the enthusiasm to deliver, and the willingness to go beyond the boundaries of one's job.
- Stress is laid on the ability to be multifunctional and to deliver service of the highest quality. The company has developed plans for facilitating lateral moves. Emphasis has also been put on proper position competencies and position guidelines.
- Promotions within the hotel take place by using the Assessment Center which identifies the candidates suitable for promotion and develops plans for employees growth.
- It encourages lateral movements for employees who would want to shift from one specialist area to something totally different.
- Amongst perks offered to the employees are Sabbaticals from work to meet demands at home and to take the much needed rest.

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### 3.4.4 STIC TRAVELS

- Believes in thorough professionalism with a humanistic face
- Management treats its team as members of the Stic Family and encourages them to treat each other with trust and understanding
- Has designed several schemes for their development and welfare and follows the principle of participative management
- Stic has a training cell within the organisation, which is continuously conducting refresher classes for the staff on the various products Stic markets and the trends in the travel and tourism trade

- A regular newsletter is circulated to continuously remind, motivate and inform the staff of products, strategies, and etiquette pertaining to handling of customers (both direct and indirect i.e. through travel agents)

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### 3.4.5 TAJ GROUP OF HOTELS

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- The senior management team provides a role set and combines it with a paternal style of management, resulting in a strong sense of belonging within the employee
- The Taj Group of Hotels is amongst the best paymasters in the industry, wherein the compensation packages are designed to provide quality life to all employees
- Periodic compensation benchmarking surveys are conducted, based on which alignment decisions are taken
- Employee Stock Option Program has been introduced from this year
- The Human Resource Department continually monitors the Turnover figures and does a root cause analysis
- The performance appraisal system follows the Key Result Area system for objective goal setting, this means that each manager mutually agrees with his superior on key result areas related to financial, operational and human resources aspects of the job, this is followed by a mid year review to ensure alignment
- Each employee is placed at the place where he fits in best, and he is given a sense of empowerment and belonging
- A good career planning system is also implemented, which identifies opportunities based on competencies of people and gives them growth opportunities in line with their individual aspirations
- 360 degree feedback system is already implemented for the higher level managers and very shortly the same is also planned for the lower levels of management. This is done with the help of external consultants so as to maintain confidentiality and keep its integrity intact
- The Taj group is in the process of initiating a Balanced Score Card that will help it to link individual performance to organisation's performance in a clear manner.

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### 3.4.6 KUONI INDIA

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Kuoni-India is committed to building 'A Fellowship of Winners'. An environment of inspiration, motivation and performance, where every Kuoni-India employee is given the opportunity and the means to grow. A culture of dignity, respect, transparency and equity, where potential is consistently recognised, channelised, nurtured and rewarded.

Kuoni-India's business activities cut across a range of travel and travel related segments, producing a highly dynamic work environment. The Kuoni work environment is therefore a dynamic balance of yin and yang. Kuoni employees are trained to master and balance a range of management styles. Maintaining discipline of thought and action, and yet encouraging creativity and lateral thinking. Using cutting-edge technology and yet staying deeply sensitive to human needs. Understanding the difference between corporate and

entrepreneurial approaches to business problems and recognising the freedom to use either approach to create market defining solutions.

Standard HR policies and processes are followed across all divisions within the group. The HR philosophy hinges on treating people with dignity and respect. Every Kuoni-India employee is empowered and encouraged to aspire for extraordinary growth. The company's commitment to building 'A Fellowship of Winners' is reflected in the fact that today most Business Unit Heads are young, talented individuals holding positions of great responsibility. The first point of action involved synergy across all business divisions, through centralizing Finance, HR and IT systems and processes, allowing a common platform for the creation of a 'Kuoni Identity'.

An HR roadmap has been drawn up, aligning business objectives and HR strategy. This includes creating a common HR platform on which all divisions function. A new Human Resource Information System has been put in place and workshops branded the 'Fellowship of Winners' has been instituted to help disseminate these new policies. The objective is to allow employees to test their limits creatively at the workplace. To achieve this, we are focused on communicating and enforcing a set of policies and practices that reflect our standards and ensure ownership at all levels. In today's continuously changing environment high value from the HR function will be those associated with implementing the strategic objectives of the business. The "best HR practices" will be those that help the organization stay competitive and capable to adapt quickly to the dynamic business environment. And for any business to succeed, we must first recognize that our people are our greatest asset, and customer service our most valuable product. We have started a journey with a strong team of winners; let us step into 2006 rejuvenated and raring to go to new heights. "Every drop counts that makes an ocean" and you are the winners that make this great organization. Together we need to focus our energy on growing our organization and creating a "Happy Work Place" where people want to contribute & work, and not have to work.

A second step in HR integration has been to ensure raising the bar of managerial excellence across divisions. To cater to this requirement, the 'Fellowship of Winners Management Development Programme' (MDP), a customized 16-day MBA programme, was designed and imparted to key managers. The creation of a leadership talent pool is critical for the company. The focus is to initiate 'Potential Development Centres', which reveal hi-potential managers and help devise development plans for each individual.

Finally, the Performance Management System (PMS), previously skewed towards only achieving financial parameters or EBITA, has been reworked into a more balanced scorecard. Thus the PMS will now include both a Customer Satisfaction Index (CSI) and an Employee Satisfaction Index (ESI).

These are exciting times for the company, and a range of initiatives and programmes have been charted out to help consolidate its undisputed leadership position in India. It is now up to every employee to actively participate in making this future happen.

The MDP, Kuoni India's first ever Management Development Programme has been specially designed and customized to cater to all the basic management knowledge needs of senior management. The programme aims at equipping participants across diverse parameters, including becoming better Leaders and

Managers. Various modules within the MDP include General Management, Marketing and Sales, People Management and Strategy & Application. The methodology used included Class Room Sessions, Case Studies, Group Discussions and Experience Sharing Sessions.

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### 3.4.7 HR initiatives at SITA

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- The Employee Referral Scheme “Buddy gets Buddy” has resulted in phenomenal hiring cost optimization and has had a positive effect on employee retention.
- Inhouse training sessions were conducted on operations process and customer service modules for Team Associates & Team Consultants.
- Behavioural & Attitudinal programs by Vijay Batra were organized for various levels.
- Employees can voice their opinions, suggestions & concerns at HR Inbound's employee e-helpdesk “expressurself@sitaindia.com”
- “SITA STAR” a monthly reward program has been implemented to encourage employees' performance & conduct on parameters like contribution to business, customer service and cost consciousness.

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### 3.4.8 HR AT THOMAS COOK

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Working at Thomas Cook (India) Ltd. means working for one of the most dynamic businesses of the world, mainly, Travel and Tourism. Globally, an average of 10% of a family's income is spent on leisure travel and outbound travel has definitely emerged as one of the fondest aspirations for the Indian family as well.

Working at Thomas Cook (India) Ltd. Makes an employee a part of a young, enthusiastic and professional with most employees in the age group of 25-35 years. Employees will find numerous development opportunities since the company believes in advertising all vacancies internally first. If a candidate is open to the challenge of expanding his/her span of experience across businesses and geographies, he/she can apply for numerous positions that are advertised from time to time. Some internal applicants have undertaken successful cross-business and cross-geography moves several times in their career span. Some have also been selected through intense internal competition to serve stints in the companies international subsidiary at Mauritius.

The company is committed to rewarding its employees for their performance. This takes place through a performance linked appraisal process and variable bonus plan, which ensures that your success and growth is linked with the success of your business and the company.

The company has several cross-functional teams working together on various initiatives such as setting up a new business, implementing a new software application, working together to crack a new corporate account and so on. This goes a long way in not only achieving company objectives but also in providing a varied work environment characterised by diversity of experiences, thoughts and ideas which in turn hones the capabilities of the team members.

Employees are assured of the opportunity to develop through numerous training and learning opportunities. The companies internal programs range from training in service strategy, customer service, team building, leadership skills and managerial effectiveness as well as various fun filled outdoor programs.



Service Leadership is the key to market leadership. Managerial training in this arena encompasses presenting contemporary service leadership paradigms, case studies, building financial acumen, increasing personal effectiveness through psychometric testing and work style analysis, managing teams, etc. All followed by specific Action Planning.

Service Skills form the foundation of a service organisation such as Thomas Cook. From time to time, workshops are organised to provide practical solutions to challenges that we face in our daily business

A most natural way to learn, is learning Outdoors – Whether it is building our team skills, conceptual skills, creativity skills, or simply testing endurance, the company often rushes outdoors to hone latent talents / skills in specific teams / businesses / groups. Such outdoor events strengthen bonds between executives in a completely natural atmosphere

The company also nominates its executives to numerous external training programs both in India as well overseas to Thomas Cook AG.

And finally, to empower employees to take up ownership of their own skill and competency development, all employees have the opportunity to nominate themselves for relevant training upto a specified amount every year.

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#### **3.4.9 McDonald's**

Guarding a 47 year old legacy in the fast food business with unfailing commitment to quality and customer service, McDonalds has successfully moulded its product to suit the taste buds of 126 countries worldwide, while retaining a universal flavour of the inimitable burger. The company's USP is its creative challenging work environment. The company believes in empowering employees and giving them opportunities for professional growth. Avenues for international exposure add to the attraction.

The average age of the employees in the restaurant operations at McDonalds is 18 to 28 years. Hiring and managing this young and restless group has its own set of challenges. For starters, they come from diverse educational backgrounds, from under graduates to post graduates, all working on the same service floor, towards the same career path. McDonalds unique philosophy of providing 'learning, earning and growing' options for youth is reflected in flexible part time openings for the '18 to 20 something's'. Much of the crew one sees on the service floor belongs to this group. But there are an equal number of MBA's and hotel management graduates at McDonalds. Career moves for both groups are laid out through separate customized and focused training plans.

McDonald's is known for its Globalised Training System, which it alters to suit local requirements of the host countries where it operates. Training sessions hinge more on interactive teaching system. Sharing and exchanging experiences are an important part of these sessions. Most programs are updated and modified under the continuously changing scenario to exceed internal and external customer expectations. Operational training is extremely well defined.

Under the first stage of operational training, the probationary crew goes through pictorial, on the job training at several stations, (for example French fries is a separate station). At this stage, Observation Check Lists are used as measurement tools> A quality, service & cleanliness book, containing a training session plan is issued to the trainees. Depending on his performance and

potential, the trainee is enrolled for a module on Basic Supervision, to prepare him for the Floor Management course on Area Management. The next module makes him eligible for Basic Operation course, after clearing which, he becomes Second Assistant Manager. At this stage, he is taken through a Management Development Programme. Then he needs to clear an Intermediate Operations course (IOC) to work in the level of the First Assistant Manager. Here, he learns Planning and Advance Supervision, Quality Service Cleanliness, People Management, Sales & Profitability Management. To be eligible for the position of Restaurant Manager, one has to complete another advanced course. Management Scheduling and Sales Projections are taught during this course. Once he is promoted to the level of Restaurant Manager he is eligible for Restaurant Leadership Programme (RLP) conducted at the Hamburger University in Australia or Middle East.

At McDonalds, all employees can look forward to a life time of commitment, except crew members who generally work with a 'part time associates'. We have a highly scientific performance management and review system, directly proportionate to the horizontal and vertical movement of people. Career Plans are prepared in advance to meet our future and existing needs.

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#### **3.4.10 PIZZA HUT**

Pizza Hut has come a long way from the days when its first restaurant came up in 1958 in Wichita, Kansas. Today this is the world's largest pizza restaurant company with nearly 12,000 restaurants and 7,25,000 employees worldwide. The brand comes under the umbrella of Tricon Restaurants International, which also operates KFC and Taco Bell restaurant brands in over 100 countries.

The organisation looks out for people who have the aptitude and the attitude for the service industry and its challenges. A structured recruitment process includes an automated screening programme to determine capabilities in key competencies.

Once recruited, the team member undergoes intensive training. This involves an orientation to the vision, belief and Tricon's "how we work together" culture. CHAMPS is a training programme built around six critical areas of the restaurants that affect the customer, and is designed to make the trainee understand and meet customer expectations. They also go through a sectional specific training 'EXPERT', which walks the candidate through the workflows of the restaurant. On completion of the training they get certified.

At manager positions, new entrants are taken through training modules on various aspects of the restaurant business. Moving up the career ladder, managers undergo training to build their capabilities for new roles. Workshops and training sessions are organised regularly to equip managers with latest tools and processes. They also gain exposure through international conferences. Critical functional and core process training is also provided to the employees through the Tricon YUM University, which is the corporate training and development arm of TRI. Pizza Hut trains and equips people to meet their career aspirations and offer a wide variety of career path options. The organisation provides a work environment that emphasizes coaching and development as a basis for learning and growth. Peers are in the same age group and that makes for a challenging and fun environment.

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### 3.5 CONCLUSION

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To maximise the socio-economic benefits of tourism in the future and overcome obstacles in the development of human resources in tourism, the following recommendations are being made:

- To support sustained and quality growth in tourism, all efforts regarding human resources development should be customer oriented;
- To maximise the creation of lasting and high quality jobs, governments, industry, workers representatives, education and training organisations should co-operate to better assess the future needs for and of skilled labour, find ways to avoid a growing shortage of skilled labour in certain occupations and more generally to promote the image of employment in the tourism industry;
- To increase the productivity and competitiveness of the sector, the qualifications of employees should be enhanced in coherence with market needs and the level of development of the country; new skills required by the industry should be integrated in the tourism curriculum of the future (communication and problem solving skills, information and communication technologies, sustainability or management skills);
- To help enterprises, in particular small ones, with capacity building in human resources development, best practices should be disseminated (for example, in the area of career promotion schemes, recognition of vocational training, foreign workers programmes) and networks associating large enterprises, small ones, workers representatives and local authorities should be encouraged;
- To better handle exogenous factors, like major geopolitical events, human resources should be recognised as an essential factor to deal with crisis issues, and adequate training should be provided;
- To improve the understanding of the functioning of the tourism labour market and support policy and business initiatives, governments, the industry and international organisations should further develop instruments to measure quantitative and qualitative information related to human resources in tourism; specific analysis should be undertaken at international level (for example, in the area of mobility, careers development, seasonality or return on investment in training).

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### 3.7 CHECK YOUR PROGRESS

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#### Objective Questions

**Note: State Whether True or False**

1. Human resources are a key element in ensuring the quality and content of tourism products
2. As a labour intensive industry, tourism is offering many opportunities for employment in the economy and has the potential to continue in future
3. Strategic Human Resource Management places a great emphasis on an organization's capacity to learn from personnel management
4. In both the travel and hospitality industry, dependence on people is medium
5. The travel industry in its truest essence is all about 'movement' of people
6. As HRD becomes reactive in nature, maximisation of efficiency and productivity could be achieved through qualitative growth of people with capabilities and potentialities to grow and develop
7. By 2010, the Government of India has identified that as many as 6 million additional jobs in the tourism sector may be created
8. Career management at ITC Hotels revolves around the objective of unification of the organisation around key business challenges
9. Concept of 'Chauffeur Academy' is at Oberoi Hotels
10. Kuoni-India is committed to building 'A Fellowship of Winners'.

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### 3.8 ANSWERS TO THE CHECK YOUR PROGRESS

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1. True
2. True
3. False
4. False
5. True
6. False
7. True
8. True
9. False
10. True

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## **UNIT4: ORGANIZATIONAL STRUCTURE OF HR DEPARTMENT IN TOURISM INDUSTRY WITH THE HELP OF CASE STUDIES**

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### **STRUCTURE**

- 4.1 OBJECTIVE
- 4.2 INTRODUCTION
- 4.3 DEFINITION
- 4.4 ELEMENTS OF ORGANIZATION STRUCTURE
- 4.5 CHARACTERISTICS OF ORGANIZATION STRUCTURE
- 4.6 SIGNIFICANCE OF ORGANIZATION STRUCTURE
- 4.7 PRINCIPLES OF ORGANIZATION STRUCTURE
- 4.8 DETERMINING THE KIND OF ORGANIZATION STRUCTURE
- 4.9 FORMS OF ORGANIZATION STRUCTURE
- 4.10 ORGANIZATIONAL STRUCTURE OF HUMAN RESOURCE DEPARTMENT
- 4.11 SUMMARY
- 4.12 GLOSSARY
- 4.13 CHECK YOUR PROGRESS
- 4.14 REFERENCES
- 4.15 SUGGESTED READING
- 4.16 LONG TERM QUESTIONS
- 4.17 ANSWERS TO CHECK YOUR PROGRESS

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### **4.1 OBJECTIVE**

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- Define organization structure and its elements
- Understand the principles and significance of organization structure
- Describe various forms of organization structure.

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### **4.2 INTRODUCTION**

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According to Etzoni an organization is a social unit or human grouping, deliberately structured for the purpose of attaining specific goals, i.e. it is a structural framework for carrying out the function of planning, decision making, control, communication, motivation etc. The formal structure of an organization is two dimensional – horizontal and vertical. The horizontal dimension depicts differentiation of the total organizational job into re different department .The vertical dimension refers to hierarchy of authority relationship with a number of levels from top to bottom.

Authority flows downward along these lines.Higher the level greater the authority vice versa. The usual way of depicting a formal organization s by means of organizational chart, It is a snapshot of an organization at particular point in time which show the flow of authority, responsibility and communication along various department which are located at different level of hierarchy. The connecting lines

show who will report to whom, and organizational structure is framework on which an organization is patterned for coordinating and carrying out organizational task. It denotes the authority and responsibility relationship between various positions in the organization by showing who reports to whom with the help of organizational chart.

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### 4.3 DEFINITION

An organizational structure defines how job task are formally divided, grouped and coordinated. It may also be defined as a framework on which an organization is patterned for coordinating and carrying out organizational task.

An organization structure denotes the authority and responsibility relationships between the various positions in the organization by showing who reports to whom. It is a set of planned relationship between group of related function and between physical factors and personnel required for the achievement of organization goal.

The framework, typically hierarchical, within which an organization arranges its lines of authority and communications, and allocates rights and duties. Organizational structure determines the manner and extent to which roles, power, and responsibilities are delegated, controlled, and coordinated, and how information flows between levels of management.

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### 4.4 ELEMENTS OF ORGANIZATIONAL STRUCTURE

There are six key elements that HR managers need to address when they design their organizational structure. These are work specialization, departmentalization, chain of command, span of control, centralization and decentralization and formalization

- ❖ **Work Specialization:** It is defined as the degree to which task in the organization are subdivided into separate job. The essence of work specialization is that, rather than an entire job being done by one individual, it is broken down into number of steps with each step being completed by a separate individual. Thus individual specialize in doing one kind of activity rather on the entire work.
- ❖ **Departmentalization:** Once the jobs are divided through work specialization, you need to group these jobs together so that common tasks can be coordinated. The basis by which jobs are grouped together is called departmentalization. One of the most popular way to group activities is by function performed. For e.g. manufacturing manager may organize his plant by separating engineering, accounting, manufacturing etc into common department.
- ❖ **Chain of Command:** The chain of command is an unbroken line of authority that extends from the top to the organization to the lowest echelon and clarifies who reports to whom. It answers the question of the employee that "whom I should report", "To whom should I go if I have any problem" and "To whom I am responsible".

With chain of command come two complementary concepts that are authority and unity of command.



Authority refers to the right inherent in a managerial position to give orders and to expect the orders to be obeyed. That is in the organization each manager is given a degree of authority in order to meet his responsibilities. The unity of command principle helps preserve the concept of an unbroken line of authority. It states that a person should have one and only one superior to whom he or she is directly responsible.

- ❖ **Span of Control:** It suggests the number of subordinates a manager can efficiently and effectively direct. This question of span of control is important because to a large extent, it determines the number of levels and managers an organization has. All things being equal, the wider or larger the span, the more efficient the organization.
- ❖ **Centralization and Decentralization:** In some organization top managers make all decision and lower level managers are there to merely execute this decision while in other extreme there are organization in which decision making is pushed Down to the managers who are closet to action. The former organization is highly centralized which means the degree to which decision making is concentrated at a single point in an organization and the latter is decentralized.

Within recent scenario management efforts to make organization more responsive and flexible there has been a marked trend towards decentralization decision making.

- ❖ **Formalization:** Formalization refers to the degree to which jobs within the organization are standardized. If the job is highly formalized than the job holders have little amount of discretion over what to do, how to do, they will only be required to do things in the set pre described manner with no decision or innovation of their own, i.e. there will be lot of organizational rules, explicit job descriptions and clearly defined procedures to do particular job thus such jobs are highly formalized. When formalization is low job behavior are non programmed and employees have great deal of freedom to exercise their own discretion in their work.

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## 4.5 CHARACTERISTIC OF ORGANIZATION STRUCTURE

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Despite the wide variety of organizational structures that can be found in the business world, the successful ones tend to share certain characteristics. Indeed, business experts suggest a number of characteristics that separate effective organizational structures from informal organizational structure of their enterprises:

- Relative strengths and weaknesses of various organizational forms.
- Legal advantages and disadvantages of organizational structure options.
- Advantages and drawbacks of departmentalization options.
- Likely growth patterns of the company.
- Reporting relationships that are currently in place.
- Reporting and authority relationships that you hope will be implemented in the future.
- Optimum ratios of supervisors/managers to subordinates.
- Suitable level of autonomy/empowerment to be granted to employees at various levels of the organization (while still recognizing individual capacities for independent work).

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- Structures that will produce greatest worker satisfaction.
  - Structures that will produce optimum operational efficiency
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#### 4.6 SIGNIFICANCE OF ORGANIZATION STRUCTURE

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Sound organization structure can help in achieving enterprise objectives in following ways:

1. **Clear Cut Authority Relationships:** Organization structure allocates authority and responsibility. It specifies who is to direct whom and who is accountable for what results.
2. **Pattern of Communication:** Organization Structure determines the location of decision making in the organization.
3. **Location of Deciding Centers :** Organizational structure determines the location of decision making in the organization
4. **Balancing of Activities:** Organizational structure creates the proper balance and emphasis of activities. Those more critical to the enterprise's success might be placed higher in the organization.
5. **Stimulating Creativity:** Sound organization structure stimulates creative thinking and initiative among organizational members by providing well defined patterns of authority.
6. **Encouraging Growth :** An organization structure provides the framework within which an enterprise functions
7. **Making use of Technological Improvements:** A sound organization structure which is adaptable to changes can make the best possible use of latest technology.

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#### 4.7 PRINCIPLES OF ORGANIZATION

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As a tool of management, organization is expected to facilitate the achievement of certain objectives. In order to facilitate the achievement of objectives, management thinkers have laid down certain principle, the important principles of organization are:

1. **Consideration of Objectives:** Every enterprise has certain objectives to achieve and organization serves as a tool to attain these objectives. The objectives must be stated in clear terms as they play an important role in determining the structure which should be developed
2. **Division of Work & Specialization:** The entire work in the organization should be divided into various parts so that every individual is confined to the performance of single job as far as possible according to his abilities and aptitudes.
3. **Definition of Jobs:** Every position in the organization should be clearly defined in relation to other positions in the organization. The duties and responsibilities assigned to every position and its relationship with other positions should be clearly defined so that there may not be any overlapping of functions.
4. **Separation of Line & Staff Functions:** Whenever possible, line function should be separated from staff activities. Line functions are those which accomplish the main objectives of the company, like manufacturing, marketing are the main functions or line functions and others like personnel, plant maintenance are the staff functions

**5. Chain of Command:** There must be clear line of authority running from top to bottom of the organization. The organization structure should facilitate delegation of authority.

**6. Parity of Authority & Responsibility:** Responsibility should always be coupled with corresponding authority. Each subordinate must have sufficient authority to discharge the responsibility entrusted to him.

**7. Unity of Command:** No one in the organization should report to more than one supervisor i.e. everyone should have only one boss. Everyone in the organization should know whom he reports to and who reports to him.

**8. Exceptional Matters:** This principle requires that organization structure should be designed that managers are required to go through the exceptional matter only all the routine decisions should be taken by subordinates.

**9. Span of Supervision:** The span of supervision means the number of persons a manager or a supervisor can direct. If too less number of employees are reporting to a supervisor his time will not be utilized properly.

**10. Balance of Various Factors:** There should be proper balance in the formal structure of the organization in regards to factors having conflicting claims.

**11. Communication:** A good communication network is essential to achieve the objectives of an organization. Line of authority provides ready-made channels of communication upwards, downwards etc.

**12. Flexibility:** The organization should be flexible so that it can be easily and economically adapted to the changes in the nature of business as well as technical innovations.

**13. Continuity:** Change is the law of nature. Many changes take place outside the organization. These changes must be reflected in the organization.

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## 4.8 DETERMINING THE KIND OF STRUCTURE

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Organizational Structure is an indispensable means towards business objective. Wrong structure will seriously deter the enterprise from achieving its objectives. Thus it is essential that a great deal of care should be taken while determining organization structure. Peter Drucker has suggested three specific ways to find out what kind of structure is needed to attain the objectives of the organization which are:-

- **Activities Analysis:** It is the first stage in building an organization structure which involves finding out what activities are needed to attain the objectives of enterprises. Each business undertaking has a set of functions to perform such as manufacturing, purchasing etc, these functions can be identified after proper analysis. After the activities have been identified and classified into functional areas they should be listed in order of importance. It is better to divide and subdivide the whole work into smaller homogeneous units so that the same may be assigned to different individuals. The departmental manager may be assisted by deputy manager, deputy manager by assistant manager and so on. It should be remembered that the job constitutes the basic building block in designing an organization structure.
- **Decision Analysis:** What decision is needed to obtain the performance necessary to attain objectives? What kind of decision are they? On what level of organization they are made? What activities are involved in or affected by them? Etc, though it is difficult to predict the content (kind) of decision

problem which will arise in future, yet the subject matter has a high degree of predictability. Analysis of foreseeable decisions shows the structure of top management the enterprise needs and the nature of authority and responsibility different levels of operating management should have.

Peter Drucker has given four basic characteristics:-

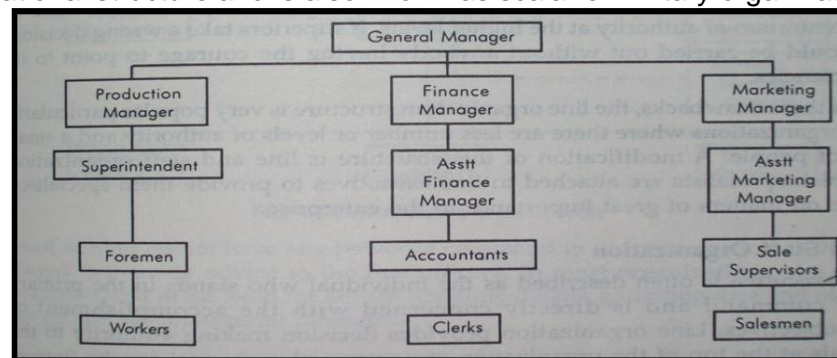
- 1) The decision degree of futurity in the decision
  - 2) The impact that decision has on other function
  - 3) The character of the decision as determined by number of qualitative factors such as conduct, ethical values
  - 4) Whether the decision are periodically recurrent or rare as recurrent decision may require general guidelines whereas a rare decision to be treated as a distinctive events
- **Relations Analysis:** With whom will a manager in charge of an activity have to work? Such other questions of relation eg line & Staff relations, relation between subordinates and superior will also help in deciding the structure of the organization. Downwards, upwards, and sideways relation must be analyzed to determine the organization structure.

## 4.9 FORMS OF ORGANIZATION STRUCTURE

Organization requires certain structural relationship among different departments and the individual working there for the accomplishment of desired goals. The establishment of formal relationship among the individual working in the organization and to coordinate the efforts of different individual in an efficient manner. In order to organize the efforts of different individual in an efficient manner. In order to organize the efforts of different individual any of the following types of organization structure may be set up by the Human Resource department:-

1. Line Organization
2. Line & Staff Organization
3. Functional Organization
4. Committee Organization
5. Project Organization
6. Matrix Organization.

❖ **Line organization:** The line organization represents the structure in a vertical relationship through which authority flows. It is the simplest form organizational structure and is also known as scalar or military organization



Line Organization

In this line of authority flows from top to bottom throughout the organization. The power or quantum of authority is highest at the top and reduces at each successive level down hierarchy.

Every person in an organization is in the direct chain of command where every person position comes under hierarchy and thus line of authority not only becomes the avenue of command to operating personnel, but also provide the channel of communication, coordination and accountability in enterprise.

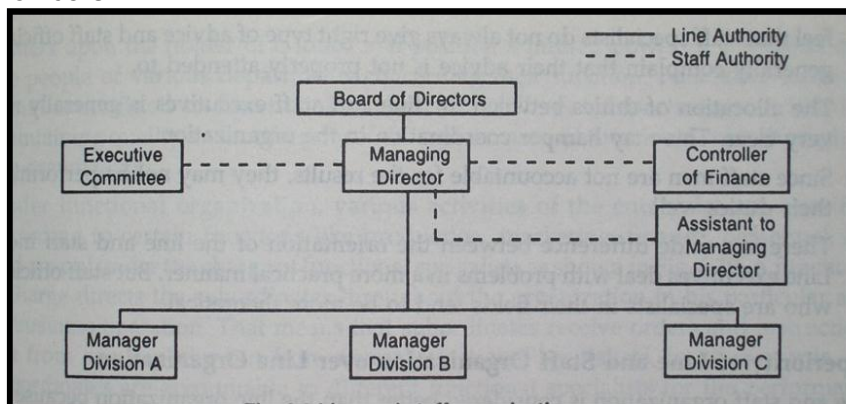
#### Merits of line organization

- i) It is easy to establish and easily understood by employees
- ii) It facilitates unity of command thus confirms scalar chain of organization
- iii) There is clear cut identification of authority and responsibility relationship
- iv) It ensures excellent discipline in the organization because every individual knows whom he is responsible to.
- v) It facilitate easy and quick decision making as there is definite authority at every level.

**Demerits of line Organization:** With growth the line organization put too much work load on superiors.

- i) There is concentration at the top i.e. if the top bosses are not capable the organization will not be successful
- ii) Line organization is not suitable to big organization because it does not provide specialist in the structure
- iii) There is practically no communication from bottom upwards because of too much concentration of authority at the higher level.
- iv) In spite of these drawback, the line organization structure is very popular particularly in small organization where there are less number or levels of authority and small number of people.

❖ **Line & Staff organization:** Line organization give the power of decision making authority remains to the individual at the top of the organization. Whereas in line and staff organization the line authority remains the same as it does in the line organization. Authority flows from top to bottom. The main difference is that specialist is attached to line managers to advise them on important matters. These specialists stand ready with their specialty to serve line men and when their services are called for to collect information and to give help which will enable the line official to carry out their activities better. The staff officers do not have any power of command as they are employed to provide expert advice to the line officers.



**Line & Staff organization**



Line and staff organization has gained popularity because certain problem of management has become very complex and in order to deal them, expert knowledge is necessary which can be provided by staff officers.

### **Merits of Line & Staff organization**

- i) Specialized knowledge: Line manager get the benefit of specializes knowledge of staff specialize at various level.
- ii) Reduction of burden: Staff specialist relieve the line managers of the botheration of concentrating on specialized functions like accounting etc.
- iii) Proper weight age: Many problems that are overlook in the line organization will be taken care in the line and staff organization by staff specialist.
- iv) Better Decision: Staff specialist helps the line executive to take right and better decision by providing adequate information at the right time.
- v) Flexibility: Line and staff organization are more flexible than line organization.
- vi) Unity of Command: Under this system, the expert provides special guidance without giving orders. It is the line managers who only have got the right to give orders. The result is that enterprise takes advantage of functional organization while maintain the unity of command i.e. one subordinate receiving from one boss only.

### **Demerits of line and staff function organization**

- i) There is generally conflict between the line and staff executives. There is conflict between the line executives and the staff specialist that line executive feels that staff specialist do not always give right advice while the staff specialist feels that there advice are not properly attended to.
- ii) The allocation of duties between the line and the staff specialist is generally not clear.
- iii) Since staff men are not accountable for the results they may not be performing their duties well.

<b>Line Organization</b>	<b>Line &amp; Staff Organization</b>
1. Line refers to those positions which have the responsibility of achieving the primary objectives of the organization	1. Staff refers to those position which have responsibility for providing advice and service to the line in attainment of organizational objectives.
2. There are no experts to assist and advice the line official.	2. There are experts known as staff to assist and advice the line official
3. There is strict discipline	3. There is loose discipline
4. There is no scope of friction between line and staff.	4. There is always a risk of friction between line and staff people over their respective roles.
5. It is not based upon planned specialization	5. It is based upon planned specialization
6. Certain line men become key man as they occupy those positions on which the survival of the organization depends.	6. This is not possible in case of line & staff organizations as staff officials always share credit with line officials.



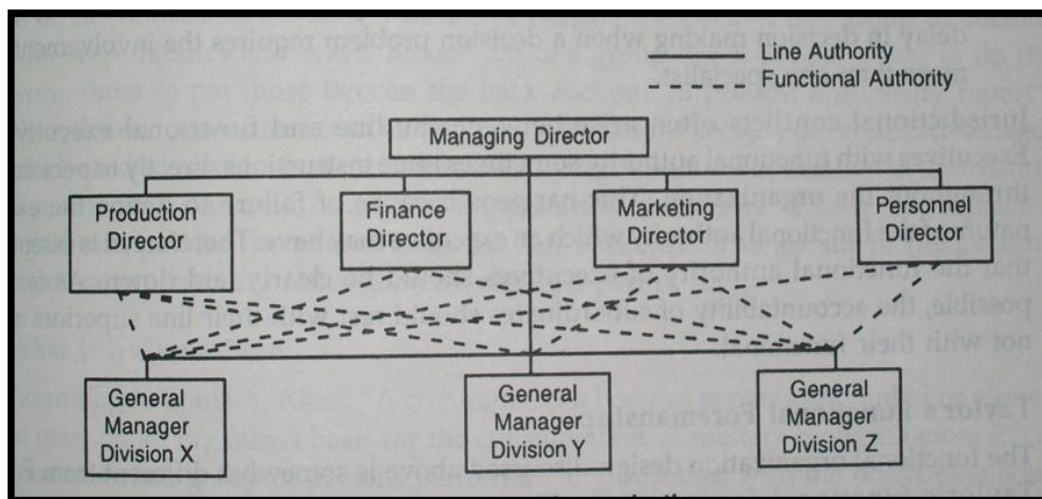
❖ **Functional Organization:** Functional authority occupies a midway position between line and staff authority. It is a means of putting the specialist in top position throughout the enterprise.

Under functional organization various activities of the organization are classified according to certain functions like production, marketing, finance etc. and are put under the charge of functional specialist. A functional in charge directs the subordinate throughout the organization in his particular area of business operation that means the subordinate will receive orders and instructions not from one superior but from several functional specialists. In other words the subordinate are accountable to different functional specialist for the performance of different function.

It was F. W. Taylor who evolved functional organization for planning, controlling, manufacturing operations on the basis of specialization. But in practice functionalisation is restricted to top of the organization and is not carried to the lowest level in the organization as recommended by Taylor.

Features of Functional organization are as follows:

- i) The entire organizational activities are divided into specific functions eg operations, finance etc.
- ii) Each Functional area is put under the charge of functional specialist. The specialist has authority to give orders regarding his function anywhere in the organization
- iii) If anybody in the enterprise has to take any decision related to particular function, it has to be in consultation with the functional specialist.



**Functional Organization**

### Merits of Functional Organization

- i) **Specialization:** Functional Organization helps in achieving the benefits of specialization of work.
- ii) **Executive Development:** A functional manager is required to have expertise in one function only.
- iii) **Reduction of Workload:** Functional Organization reduces the burden on the top executives, as there is joint supervision in the organization.

iv) Scope for Expansion: Functional Organization offers great scope for expansion as compared to line organization.

v) Better Control: The expert knowledge of functional manager facilitates better control and supervision in the organization.

#### **Demerits of Functional Organization**

- i) Functional Organization violates, the principle of unity of command as one person is accountable to several bosses
- ii) The working of Functional Organization is too complicated to be understood by workers.
- iii) Functional Organization develops specialist rather than generalist.
- iv) There is generally lack of coordination among functional executives and delay in decision making as it involves more than one specialist.

❖ **Committee:** According to Louis A Allen, “A committee is a body of person appointed or elected to meet on an organized basis for the consideration of matters brought before it.” A committee is a group of person performing a group task with the object of solving certain problems. A committee may formulate plans, make policy decision or review the performance of certain units. In some cases it may only have the power to make recommendation to a designated official. Whatever may be their scope committee must be considered as the important instrument of the business and non business organization. They help in decision making, coordinating the affairs of different departments and meeting communication requirements in the organization.

It is difficult to give a precise definition of committee as there are many kinds of committee and the concept of committee vary widely from one organization to another. Generally committees are constituted to achieve one or more following objectives:

- To give participation to various group of people
- To secure cooperation among different departments
- To coordinate the functioning of different department and individuals by bringing about unity of direction

#### **Types of Committees**

- **Line & Staff Committee:** If a committee is vested with the authority and responsibility to decide and whose decisions are implemented invariably. It is known as Line Committee. On the other hand when a committee is appointed merely to counsel and advice it is known as staff committee.
- **Formal & Informal Committee:** when a committee is constituted as a part of the organizational structure and has clear cut jurisdiction, it is a formal committee. On other hand informal committee is formed to advice on certain complicated matters on which management does not want to set up formal committee.
- **Standing & Adhoc Committee:** Formal committees which are of permanent characters are known as standing committee. On other hand Adhoc committee are temporary bodies which may be formal or informal
- **Executive Committee:** it is a committee which has the power to administer the affair of business.
- **Coordinating Committee:** Such committee is generally constituted to coordinate the functioning of different departments.

**Why are committee Used**

A committee is used to carry out responsibilities which cannot be undertaken by single person. The merits of committee are:

- i) **Pooled Knowledge & Experience** : A committee is a effective method of bringing the collective knowledge and experience of number of person to solve most difficult problems
- ii) **Enforces Participation** : A committee tend to enforce participation by different people in the organization
- iii) **Facilitates Coordination**: When it is necessary to integrate several view points which cannot be coordinated individually, committee can be used.
- iv) **Overcoming Resistance**: The committee is an effective way of cooling the temper and agitation of the people.
- v) **Check against misuse of powers**: It acts as a check and safeguard against the misuse of powers.

**Limitation of committee:** It include

- **Evasion of decision making responsibility** : When manager knows that decision can be taken to committee, he will not take the decision and will be send to committee thereby manager is skipping
- **Slow decision making**: committee take more time on procedural matters before any decision is taken.
- **Costly Device**: Committees are expansive both in terms of money and time.
- **Lack of Definite Decision**: When the committee findings represent a compromise of different viewpoints, they may be found to be weak and indecisive.
- **Incompetent Membership**: When a committee is formed, it is implied that the individual members of the committee will exert pressure on the ideas, suggestions, comments and judgment of other members. But this may not happen in practice. The chairman or any other strong member of the committee may force the committee and change the conclusion on the basis of his own thinking and incompetent member may remain silent.
- **Source of Misunderstanding**: The committee meetings may prove to be a source of misunderstanding instead of proving a forum for team work and settlement of problems. The chairman of the meeting may prove to be ineffective in bringing about reconciliation of ideas of different individual.

**Making better use of Committees**

For the successful operation of the committees, the management should keep the following points:

1. The committee should have a clearly stated purpose.
2. Members of the committee should be carefully selected.
3. The committee should be of proper size.
4. The committee should have a capable chairman
5. There should be adequate preparation for the committee meeting.
6. There should be adequate follow up.

❖ **Departmentation**: There is a limitation on the number of person an enterprise can manage directly. This limitation will restrict the size of enterprise if it does not opt for the device of departmentation. Grouping activities and employees into departments makes it possible to expand the activities of

enterprise. That is why, departmentation is an integral part of the process of organizing.

**Meaning:** - A department is a work group combined together for performing certain functions of similar nature. The process of division of the enterprise into different part is broadly called Departmentation or departmentalization. The various parts or division go by the name of departments. Departmentation leads to grouping of both functions and personnel who are assigned to carry out allocated functions.

### Merits of Departmentation

The main advantages of departmentalization are as follows:

- 1. Increase in efficiency:** The efficiency of management and enterprise increase because everyone knows precisely his duties and authority.
- 2. Fixation:** Since jobs are well defined and responsibilities are clearly mentioned, it is easy to fix accountability for the results.
- 3. Development of Managerial Faculties:** Departmentation divides the entire enterprise into various departments. The departmental managers are given the opportunity to take initiative.
- 4. Performance Appraisal:** Departmentation presupposes the existence of goals or standards of performance.
- 5. Better Control:** Departmentation facilitates better control because standards of performance are well known.

### Methods of Departmentation

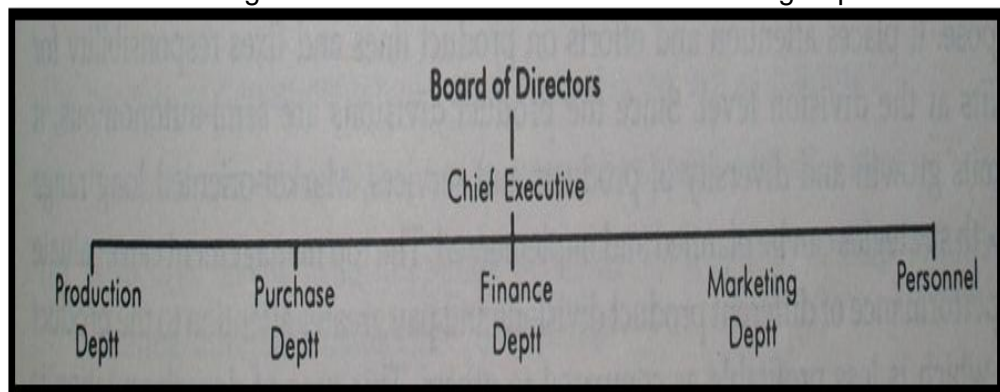
Departmentation is the process which is used to group the activities of the enterprise into various units for the purpose of efficient management. There are certain methods of creating departments in an enterprise which are discussed below:

#### 1. Departmentation by Numbers

Departmentation by simple numbers has been an important method in organization of armies. It involves placing specific number of undifferentiated persons at the direction of an executive or a manager. The success of such departments depends upon the quality manpower.

#### 2. Departmentation by Function

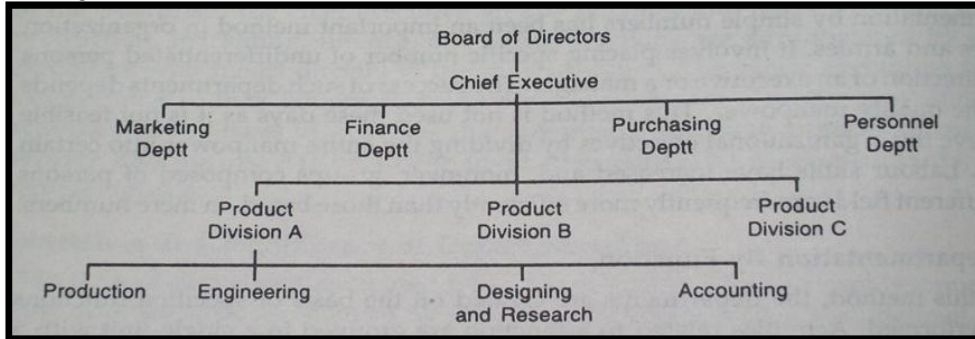
Under this method, the departments are created on the basis of specified functions to be performed. Activities related to a function are grouped in a single unit with a view to give a well defined direction to the whole group.



Departmentation by Function

### 3. Departmentation By Product

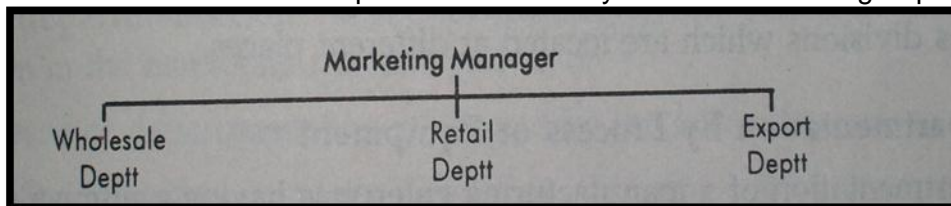
The grouping of activities on the basis of product or product lines is followed in multi product large organization. All the activities related to a particular product line may be grouped together under the direction of a semi autonomous division manager.



**Departmentation by Product**

### 4. Departmentation by Customer

Departmentation by customer may be followed in enterprise engaged in providing specialized services to different classes of customers. Under this customers are the guide for grouping the activities. The management groups the activities on this basis to cater to the requirements of clearly defined customer groups.



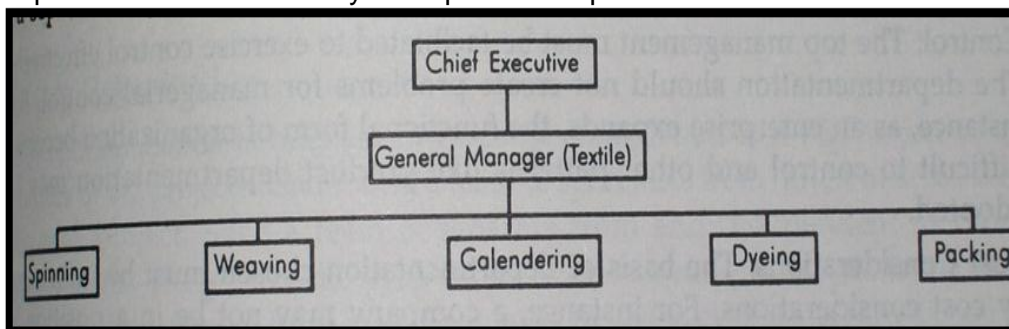
**Departmentation by Customer**

### 5. Departmentation by Territory

Departmentation based on territory or geographical area is often used when several units of an enterprise are geographically dispersed in different location. Under this all activities in a given area or territory are grouped together.

### 6. Departmentation by process or Equipment

The Departmentation of a manufacturing enterprise having a number of production processes may be done on the basis of production process or equipment involved. The manpower and materials are brought together in such a department in order to carry out a particular operation.



**Departmentation by process or Equipment**



**Choice of a method of Departmentation:** The choice of basis of Departmentation is affected by the following factors:

**1. Degree of Specialization:** Specialist helps in raising efficiency and thereby productivity. Top management must create departments on the basis of those methods which facilitates specialization

**2. Adequate Attention to key Areas:** Divisionalisation should ensure that sufficient attention is given to the key areas on which the survival and success of the enterprise depends.

**3. Coordination:** Coordination is the essence of management. The top management managers should see that the method of Departmentation chosen will ensure proper coordination not only in the department but also in the the enterprise.

**4. Control:** The top management must facilitates to exercise control effectively. The Departmentation should not create problems for managerial control.

**5. Cost Considerations:** The basis of Departmentation chosen must be influenced by cost considerations.

**6. Human Considerations:** Departmentation should not only consider the technical aspect of the organization, but should also give due attention to the human factor.

❖ **Project Organization:** Project Organization is formed for creating a team of specialist to work on and complete a particular project. It is oriented towards the completion of a big project or a small number of big project. Under this team of specialist from different areas is created for each project, such team is separate from and independent of functional departments and their size varies from one project to another. The activities of the project team are coordinated by project manager who can obtain advice and assistance from experts from both inside and outside the organization. It has been developed to deal with situation where production, marketing strategies does not fit into pure functional organization. The project organization is felt when an organization is to execute a project or programme which is subject to high standards of performance and if the project organization is created for one time project, it will have temporary set up and will be disbanded when the project is completed.

#### **Merits of Project Organization**

1. Project Organization facilitates concentrated attention on the complex project.
2. Project Management requires specialist in various fields. Specialist gets higher satisfaction while working on complex project.
3. Project Organization provides flexibility in handling specialized projects.
4. Project Organization facilitates timely completion of project without disturbing the normal activities of the organization.

#### **Demerits of Organization**

1. The job of project manager becomes very difficult because of lack of clearly defined responsibility.
2. Uncertainty in project structure arises because the Project Manager has to deal with specialist from number of diverse areas.
3. Decision making gets highly complicated because there are unusual pressures from specialist from diverse fields.
4. Motivation of specialist may pose another problem for the Project Manager.



❖ **Matrix Organization:** This is one of the latest types of organizational designs which have been developed to establish flexible structure to achieve a series of project objectives. Matrix organization also known as grid, has been designed as an answer to the growing size and complexity of undertakings which require an organization structure more flexible and technically oriented than the traditional line and staff or functional structure.

Matrix organization is created by merging two complementary organizations – the project and the functional. It represents a combination of functional and departmental organization. In it, projects cut across the functional departments who are assigned to the project for a specific period or for the duration of the project. When their assignment is complete, they return to the functional department to which they belong.

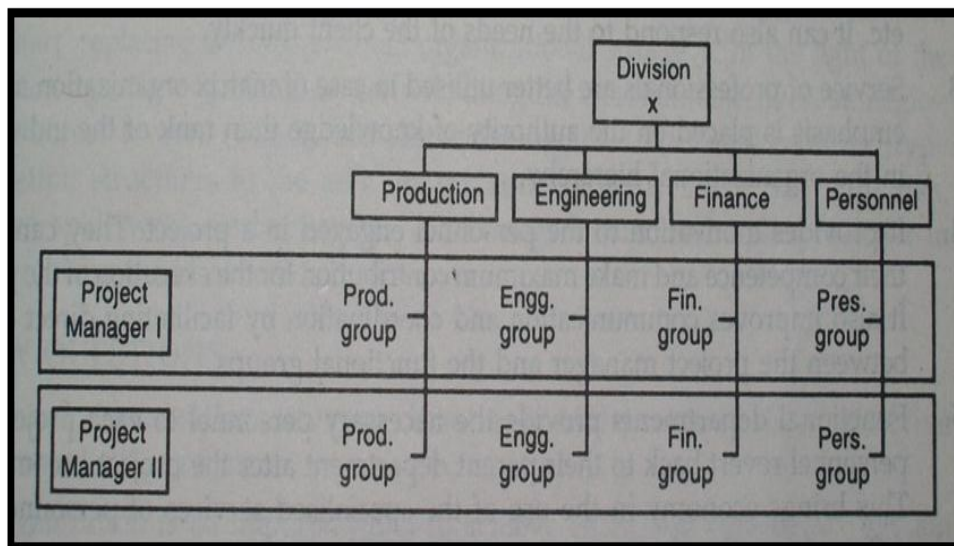
1. Matrix organization is built around a specific project
2. The project manager draws personnel from various functional departments. He assign work to the various functional group. Upon completion of the project the functional groups return to their functional departments for reassignment to other projects. The project manager himself is also available for reassignment by the divisional manager.
3. In matrix organization the project and the functional manager have different roles. The project manager follows a general management viewpoint with regard to his project. Each functional manager is responsible for maintaining the integrity of his function.

Project Managers have to determine:

- i) What efforts are required to accomplish the given project
- ii) When will it be performed
- iii) How much is budgeted

Functional managers determine:

- i) Who will perform the specific task
- ii) How will they be accomplished
- iii) How well they are accomplished



**Matrix Organization**

**Merits of Matrix Organization**

- 1) It focuses attention on resources of each project separately which facilitates better planning and control.
- 2) It is more flexible than the traditional functional organization. It can be applied more usefully to an organization involved in project ranging from small to large.
- 3) Service of professional are better utilized in case of matrix organization as more emphasis is placed on the authority of knowledge than rank of the individual in the organizational hierarchy.
- 4) It provides motivation to the personnel engaged in a project. They can utilize their competence and make maximum contribution for the execution of the project.
- 5) Functional departments provide the necessary personnel to each project. The personnel revert back to their parent department after the project is completed.

**Demerits of Matrix Organization**

1. It violates the principle of unity of command as personnel receive orders from the project manager and the functional boss.
2. Apart from formal relationships informal ones also operate in the matrix organization.
3. Functional groups generally visualize the significance of their respective functions. This may lead to conflict between the functional group.
4. In matrix organization personnel are drawn temporarily from different departments and the project manager does not have line authority over them, this may lead to lack of commitment to project objectives on the part of the personnel.
5. Matrix organization can't constitute a homogenous and compact group. The multiplicity of horizontal and vertical relationship may impair organizational efficiency.
6. Deputation of personnel from functional departments to a number of projects over a period of time makes it difficult for the functional heads to appraise employee performance.

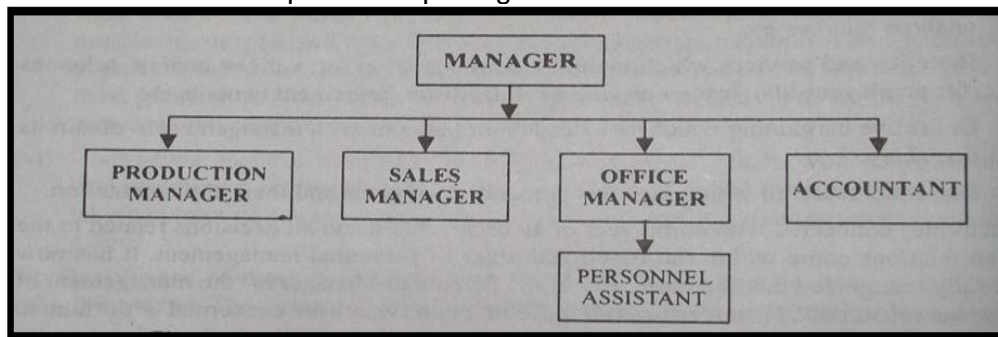
**Project Organization Vs Matrix Organization**

<b>Project Organization</b>	<b>Matrix Organization</b>
<p>1. In this the complete responsibility for the project as well as the resources needed for its completeness are usually assigned to one person known as project manager, and in case of large project its structure resembles a regular autonomous division</p> <p>2. It is employed by companies dealing with one or two big projects. A separate project team is created to handle each project.</p>	<p>1. Here the project manager has to share the resources with the rest of the enterprises i.e. it requires two lines of authority to exercise shared influence over the same resources. It combines functional departmentation with project structure, i.e. the individual working on a project under matrix structure has a continuing dual assignment to the project and their parent (functional) department.</p> <p>2. Matrix organization is often required when an organization has variety of projects, ranging from small to large.</p>

#### 4.10 ORGANIZATION STRUCTURE OF HR DEPARTMENT

HR organizational structure is the framework within a human resources department that divides the decision making functions within HR into specific groups with distinct job functions. Examples of the internal structure may be employee/labor relations, compensation/performance management, training and development, recruiting, benefits administration, health and safety, payroll/HRIS, time and staffing, records, etc. Some aspects of the HR function may be outsourced or decentralized within the organization. This may result in specialist HR "Head Office" functions and decentralized (e.g. divisional) generalist HR functions that may not report directly to "Head Office" HR.

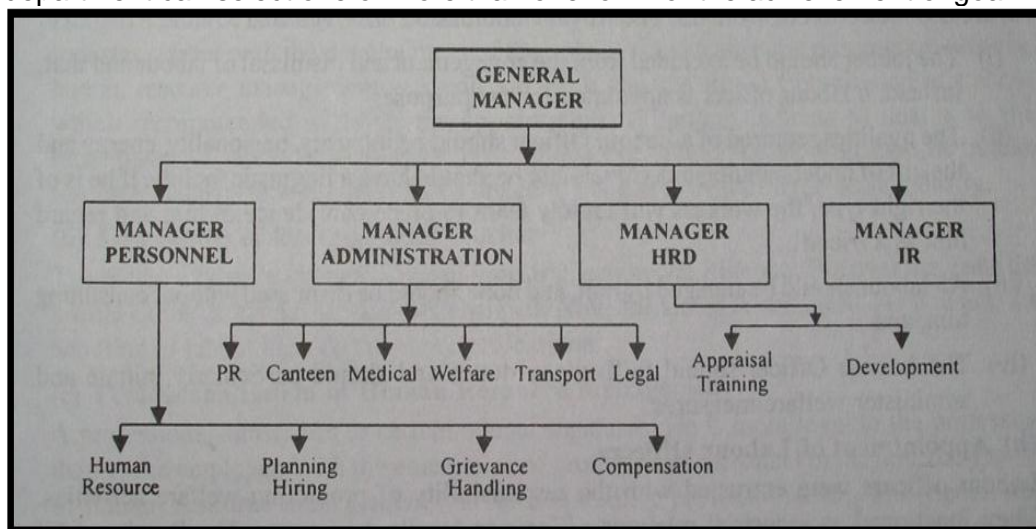
The HR organizational structure establishes specialist groups to work together within their specialty to manage tasks within the HR organization. Each division may have a manager or team leader depending on the size of the organization to coordinate efforts and perform reporting tasks.



##### Composition of HR Department in Small Hotel

Major HR projects and activities may require significant overlap and cooperation between HR functions and the ability to temporarily adapt the function to operate on a cross functional team basis. In smaller companies, there may only be a few employees in HR handling multiple tasks

As discussed above there are several forms of organizational structure and HR department can select one or more than one form for the achievement of goal.



##### Composition of HR Department in Large Hotel

### 4.11 SUMMARY

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We have understood that an organizational structure is the pattern or arrangement of jobs and groups of jobs within an organization. This pattern pertains to both reporting and operational relationships, provided they have some degree of permanence. The individual elements of an organization structure typically include a variety of components. Ideally, organizational structures should be shaped and implemented for the primary purpose of facilitating the achievement of organizational goals in an efficient manner. Indeed, having a suitable organizational structure in place one that recognizes and addresses the various human and business realities of the company in question is a prerequisite for long term success.

All sorts of different organizational structures have been proven effective in contributing to business success. Some firms choose highly centralized, rigidly maintained structures; while others perhaps even in the same industry sector develop decentralized, loose arrangements. Both of these organizational types can survive and even thrive. Generally, organizational theorists believe that no one structure, set of systems, or method of staffing is appropriate for every organization. Organizations operate in different environments with different products, strategies, constraints, and opportunities."

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### 4.12 GLOSSARY

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- **Organizational structure:** It is a formal system of job relationship that coordinates employees to achieve a company's goals
- **Departmentalization:** It is the grouping of related functions into manageable units to achieve the objectives of the enterprise in the most efficient and effective manner.
- **Delegation:** It is the work a manager performs to entrust others with responsibility and authority and to create accountability for results. It is an activity of the organizing function.
- **Scalar principle (chain of command):** a clear definition of authority in the organization. This authority flows down the chain of command from the top level to the first or lowest level in the organization.
- **Centralization:** occurs in an organization when a limited amount of authority is delegated.
- **Decentralization:** occurs when a significant amount of authority is delegated to lower levels in the organization. Organizational structure depends on the situation, consisting of the particular technology, the environment.
- **Matrix organization:** It represents a combination of functional and departmental organization where projects cut across the functional departments who are assigned to the project for a specific period or for the duration of the project. When their assignment is complete, they return to the functional department to which they belong.

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### 4.13 CHECK YOUR PROGRESS

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**Q1** Define Organization Structure?

**Q2** Discuss the elements of organization structure?

**Q3** What are the different characteristics of organizational structure?

**Q4** \_\_\_\_\_ suggested that an organization is a social unit or human grouping, deliberately structured for the purpose of attaining specific goals.

**Q5** An \_\_\_\_\_ denotes the authority and responsibility relationships between the various position in the organization by showing who reports to whom.

**Q6** Project Organization is temporary in nature develop for particular project, (True/False)

**Q7** \_\_\_\_\_ requires two lines of authority ie functional departmentation and project structure to exercise its influence.

**Q8** \_\_\_\_\_ is the grouping of related functions into manageable units to achieve the objectives of the enterprise.

**Q9** Organization structure allocates authority and responsibility. It specifies who is to direct whom and who is accountable for what results (True/False)

**Q10** In \_\_\_\_\_ type of organization structure where there is specialist to guide the line organization.

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**4.16 LONG QUESTION & ANSWERS**

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**Q1** “Sound organization structure is an essential prerequisite of effective Management”. Comment.

**Q2** Discuss the basic principles or considerations to be kept in mind while designing organizational structure. State the usefulness of organizational structure?

**Q3.** Define and distinguish Line, Line & Staff, and Functional relationship?

**Q4** Explain the concept of matrix organization. How does it differ from Project Organization?

**Q5** Define departmentation, list the methods of creating departments and also mention its advantage?

**Q6** Why are committees widely used in business management? What limiting factors make them ineffective? Give suggestion for better use of committee?

**Q7** What are the different points to be kept in mind while selecting the type of organization structure?

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**4.17 ANSWER TO CHECK YOUR PROGRESS**

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**Ans1** Sec 4.3

**Ans 2** Sec 4.4

**Ans 3** Sec 4.5

**Ans 4** Etzoni

**Ans 5** Organization Structure

**Ans 6** True

**Ans 7** Matrix organization

**Ans 8** Departmentalization

**Ans 9** True

**Ans 10** Line & Staff Organization



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## **UNIT 5: HUMAN RESOURCE PLANNING: MEANING, NATURE AND NEEDS OF HUMAN RESOURCE PLANNING, PLANNING PROCESS**

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### **STRUCTURE:**

- 5.1 OBJECTIVES
- 5.2 INTRODUCTION
- 5.3 DEFINITION
- 5.4 NATURE OF HUMAN RESOURCE PLANNING
- 5.5 NEED OF HUMAN RESOURCE PLANNING
- 5.6 OBJECTIVES OF HUMAN RESOURCE PLANNING
- 5.7 IMPORTANCE OF HUMAN RESOURCE PLANNING
- 5.8 HUMAN RESOURCE PLANNING AT DIFFERENT LEVELS
- 5.9 PROCESS OF HUMAN RESOURCE PLANNING
- 5.10 TYPES OF HUMAN RESOURCE PLANNING
- 5.11 STRATEGIES OF HUMAN RESOURCE PLANNING
- 5.12 ADVANTAGES OF HUMAN RESOURCE PLANNING
- 5.13 LIMITATIONS OF HUMAN RESOURCE PLANNING
- 5.14 GUIDELINES FOR MAKING HRP EFFECTIVE
- 5.15 RESPONSIBILITY OF HRP
- 5.16 SUMMARY
- 5.17 GLOSSARY
- 5.18 CHECK YOUR PROGRESS
- 5.19 REFERENCES
- 5.20 SUGGESTED READING
- 5.21 LONG TERM QUESTIONS
- 5.22 ANSWERS TO CHECK YOUR PROGRESS

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### **5.1 OBJECTIVES**

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- Understand the meaning, nature and importance of HR Planning
- Identify and describe the factors affecting HR Planning
- Explain the process of HR Planning
- Identify different stages in the process and describe each step
- Understand the essential features of successful HR Planning and list various barriers which render planning ineffective and guidelines to overcome barriers.

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### **5.2 INTRODUCTION**

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A Human Resource (HR) department carries on a number of different functions, all of which are related to a company's employees. This can include recruiting talent, hiring workers, finding candidates for promotions and keeping tabs on future potential hires. For this it becomes compulsory for the HR department to

keep a estimation of the number and the type of person required during the coming period .After this only people can be hired to fill the jobs, finding the right man for the right job and developing him into an effective team member is an important and crucial function of the HR Department, it requires thorough planning and a certain amount of zeal and commitment to convert the rhetoric into concrete action.

This Human Resource department's role in securing right type and right number of employees for a company is called human resource planning.

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### 5.3 DEFINITION

In simple words HRP can be understood as the process of forecasting an organization's future demand for, and supply of the right type of people in the right number. It is only after this that the HRM Department can initiate recruitment and selection process. HRP is a subsystem in the total organizational planning which can be defined as -

**HRP** has been defined by Geisler (1967),

- As a process of forecasting, developing and controlling human resources in an enterprise. This process helps the enterprise to ensure that it has right number of people and the right kind of people at the right place at the right time performing tasks for which they are most effective.
- Similarly Wilkstorm (1971) defines it "As a process involving; forecasting of future requirements, inventorying the present resources and assessing the extent to which these resources are optimally utilized and also planning of necessary HR programmes.
- Vetter defines it as "the process by which management determines how the organization should move from its current manpower position to its desired manpower position.

#### **Some Other Definitions**

- The ongoing process of systematic planning to achieve optimum use of an organization's most valuable asset - its human resources. The objective of human resource (HR) planning is to ensure the best fit between employees and jobs, while avoiding manpower shortages or surpluses. The three key elements of the HR planning process are forecasting labor demand, analyzing present labor supply, and balancing projected labor demand and supply.
- According to R. Wayne Mondy's in "Human Resource Management," human resource planning is the systematic process of matching the internal and external supply of candidates with job openings that a company anticipates over a certain period of time. Put simply, human resource planning is keeping an up-to-date compilation of candidates inside and outside the company for future positions
- **Human resource planning** is concerned with the flow of people into, through and out of the organization. HR planning involves anticipating the need for labor and the supply of labor and then planning the programmes necessary to ensure that the organization will have the right mix of employees and skills when and where they are needed. Forecasting the future can be very inexact science, so human resource planning may also include multiple scenarios and contingency plans.

There are many ways to define HR planning, or explain what it is, but the following definitions, taken from the Government of Canada human resources site, is a good, useful working definition:

- Rigorous HR planning links people management to the organization's mission, vision, goals and objectives, as well as its strategic plan and budgetary resources. A key goal of HR planning is to get the right number of people with the right skills, experience and competencies in the right jobs at the right time at the right cost.

Note the emphasis on linkage to strategic planning and business planning in the first sentence, and the emphasis on the arrangement and alignment of staff and employees in the last sentence.

- Here's another definition, perhaps a bit simpler:

“The processes by which management ensures that it has the right personnel, who are capable of completing those tasks that help the organization, reach its objectives”

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## 5.4 NATURE OF HUMAN RESOURCE PLANNING

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From the above definition we can get some general characteristics or nature of Human Resource Planning they are:

1. HR Plan must incorporate the human resource needs in the light of organizational goal
2. HR Plan must be directed towards well defined objectives
3. HR Plan must ensure that it has right number of people and the right kind of people at the right time doing right work for which they are economically most useful
4. HR Planning should pave the way for an effective motivational process
5. Adequate flexibility must be maintained in HR Planning to suite the changing needs of the organization.

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## 5.5 NEED OF HUMAN RESOURCE PLANNING

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Human resource Planning is a two-phased process which involves not only analyses of the current human resources but also makes manpower forecasts and thereby draws employment programmes. Human Resource Planning is required to firm in following manner:

1. Shortages and surpluses can be identified so that quick action can be taken wherever required.
2. All the recruitment and selection programmes are based on manpower planning.
3. It also helps to reduce the labour cost as excess staff can be identified and thereby overstaffing can be avoided.
4. It also helps to identify the available talents in a concern and accordingly training programmes can be chalked out to develop those talents.
5. It helps in growth and diversification of business. Through manpower planning, human resources can be readily available and they can be utilized in best manner.
6. It helps the organization to realize the importance of manpower management which ultimately helps in the stability of a concern.

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## 5.6 OBJECTIVES OF HUMAN RESOURCE PLANNING

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The basic purpose of having a manpower plan is to have an accurate estimate of the number of employees required with matching skills requirement to meet organizational objectives. It provides information about the manner in which existing personnel are employed, the kind of skills required for different categories of job and manpower needs over a period of time in relation to organization objectives. It would also give an indication of the lead time that is available to select and train the required number of additional manpower.

More specifically human resource planning is required to meet the following objectives:

- **Forecast Personnel Requirements:** HRP is essential to determine the future manpower needs in an organization in the absence of which it would be difficult to have the services of right kind of people at the right time.
- **Cope with Changes:** HRP is required to cope with changes in market conditions, technology, products and government regulations in an effective way.
- **Use existing manpower productivity:** By Keeping an inventory of the existing personnel in an organization by skills, level, training, qualification, work experience, it will be possible to utilize the existing resources more effectively in relation to the job requirements. This also helps in decreasing wages and salary cost in the long run.
- **Promote employees in a systematic manner:** HRP provides useful information on the basis of which management decides the promotion of eligible personnel in the organization. In the absence of which it may be difficult to ensure regular promotions to competent people on a justifiable basis.

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## 5.7 IMPORTANCE OF HUMAN RESOURCE PLANNING (HRP)

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**1. Future Requirement:** Planning is essential as it helps in determining personnel needs. Surplus or deficiency in staff strength is the result of the absence of or defective planning

**2. Creating Highly Talented Personnel/Reservoir of Talent:** As jobs nowadays are becoming more intellectual and incumbents are getting vastly professionalized it is the duty of the HR manager to attract and retrain qualified and skilled personnel for this they need to be very effective in planning and utilization of manpower available. Therefore the organization can have a reservoir of talent at any point of time. People with requisite skills are readily available to carry out the assigned tasks.

**3. Prepare People for Future:** People can be trained, motivated and developed in advance and this helps in meeting future needs for high quality employees quite easily. Likewise manpower shortages can be met comfortably through proper Human Resource Planning.

**4. Expand or Contract:** If the organization wants to expand its scale of operations, it can go ahead easily. Advance Planning ensures continuous supply of trained manpower who can handle challenges in the job easily.

**5. Cut Costs:** Planning facilitates the preparation of an appropriate manpower budget for each department or division. This in turn helps in controlling manpower cost by avoiding shortages/ excess in manpower supply.

**6. Increasing Investment in Human resources:** One another a reason for HRP is the investment an organization makes in its human resources. Human are considered as assets for the organization and an employee who gradually develops his/her skills and abilities becomes more valuable resource.

**7. Managerial functions:** The four managerial functions, i.e., planning, organizing, directing and controlling are based upon the manpower. Human resources help in the implementation of all these managerial activities. Therefore, staffing becomes a key to all managerial functions.

**8. Foundation for Personnel Function:** Manpower Planning provides essential information for designing and implementing personnel functions, such as recruitment, selection, promotion, transfer etc.

**9. Efficient utilization:** Efficient management of personnel becomes an important function in the industrialization world of today. Setting of large scale enterprises requires management of large scale manpower. It can be effectively done through staffing function.

**10. Motivation:** Staffing function not only includes putting right men on right job, but it also comprises of motivational programmes, i.e., incentive plans to be framed for further participation and employment of employees in a concern. Therefore, all types of incentive plans become an integral part of staffing function.

**11. Better human relations:** A concern can stabilize itself if human relations develop and are strong. Human relations become strong through effective control, clear communication, effective supervision and leadership in a concern. Staffing function also looks after training and development of the work force which leads to co-operation and better human relations.

**12. Higher productivity:** Productivity level increases when resources are utilized in best possible manner. Higher productivity is a result of minimum wastage of time, money, efforts and energies. This is possible through the staffing and its related activities Performance appraisal, training and development, remuneration

**13. Succession Planning:** HRP as proved prepares employees for future challenges thus the stars are picked up and kept ready for future promotions whenever the need arises, these candidates are constantly being assessed and assisted and when time comes they take the charge without causing much losses.

**14. International Strategies:** HRP facilitates international expansion strategies. The HR department needs to fill key jobs with experts, motivate them and compensate them.

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## 5.8 HRP AT DIFFERENT LEVELS

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Different institution makes HRP at different levels for their own purposes which are:-

- **National Level:** Generally Government at the centre plan for human resource at the national level. It forecast the demand for and supply of human resource for the entire nation.

- **Sectoral Level** :Manpower requirements for a particular sector like agricultural sector, industrial sector or tertiary sector are projected based on the government policy, projected output/operations etc.
- **Industry Level**: Manpower needs of particular industry like cement, textile, chemical is predicted taking into account the output/ operational level of that particular industry.
- **Unit Level**: This covers the estimation of human resource needs of an organization or company based on its corporate/ business plan.
- **Departmental Level**: This covers the manpower needs of a particular department in a company
- **Job Level**: Manpower needs of particular job within a department is determined like chemical engineers are forecasted at this level.

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## 5.9 PROCESS OF HRP

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There is no one approach to HRP as pointed out by Keith Davis “all organization should identify their short run and long run employee needs by examining their corporate strategies”. Short range plans point out job openings that must be filled over a one year period time and long range estimates HR needs over a three to four year period time. Each organization must find a blend of practices that work within the company culture and the realities of business. The process of HRP usually followed in large organization consists of the following steps:

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### Forecasting the Demand for Human Resources

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Most firms estimate how many employee they require in future. The demand for human talent at various levels is primarily due to following factors:

- a) **External Challenges** : These changes arises from three different sources:
  - i) **Economic Development**: Liberalization and opening up of several new sectors have created huge demand for the professionals in India.
  - ii) **Political, Legal & Technological Changes**: The demand for certain categories of employees and skills is also influenced by changes in political, legal and social structure in an economy. Likewise firms employing latest technology in construction, power, automobiles, software etc have greatly enhanced the worth of technicians and engineers during the last couple of years.
  - iii) **Competition**: Companies operating in fields where a large number of players are present and are ready to compete with each other often reduce their workforce. Competition is beneficial for customers but suicidal for companies operating on thin margins. They generally look for multi talented and multi skilled employees.
- b) **Organizational Decision**: The organizations strategic plan, sales and production forecasts and new ventures must all be taken into account in employment planning.
- c) **Workforce Factors**: Demand is modified by retirements, resignations, death and leaves of absence. Past experience, however makes the rate of occurrence of these actions by employees fairly predictable.
- d) **Forecasting Techniques**: The manpower forecasting techniques commonly employed by modern organization are given below:
  - **Expert Forecasts**: This includes informal decisions, formal expert surveys and Delphi technique.



- **Trend Analysis:** Manpower needs can be projected through extrapolation (projecting past trends), indexation (using base year as basis), and statistical analysis (central tendency measure). Mostly HR needs can be projected through past trends.
- **Work Load Analysis:** It is dependent upon the nature of work load in a department, in a branch or in a division.
- **Work Force Analysis:** Whenever production and time period has to be analyzed, due allowances have to be made for getting net manpower requirements.
- **Other methods:** Several Mathematical models, with the aid of computers are used to forecast manpower needs, like budget and planning analysis, regression, new venture analysis.

### Preparing Manpower Inventory (Supply Forecasting)

The basic purpose of preparing manpower inventory is to find out the size and quality of personnel available within the organization to fill various positions. Every organization will have two major sources of supply: Internal & External

**Internal Sources:** The organization needs to examine if they have enough staff to meet the demand of labour. Is training available within the firm to meet future labour needs? What percentage of workers are about to retire and are they going to be replaced? Do terms and conditions of services currently keep staff motivated?

When examining internal labour needs, these issues do need to be taken into account.

**External Sources:** When any organization grows rapidly and diversifies into newer areas of operations or when it is not able to find the manpower internally to fill the vacancies it has to look into outside resources. Keeping the market trends in mind and identifying the number of manpower required in future the organization can find the right personnel with appropriate skills at the required time.

The supply of manpower thus may be obtained from internal or external sources. Generally speaking this step is influenced by various internal as well as external factors:

Internal Supply Forecast	External Supply Forecast
<ul style="list-style-type: none"> <li>• <b>Manning Table:</b> Shows the number of employees in each job. Tries to classify employees on the basis of age, qualification skills etc. A study of the table indicates whether current employees are properly utilized or not.</li> <li>• <b>Replacement Chart:</b> Shows the profile of job holders, department wise and reveals those who could be used as replacements whenever the need arises.</li> <li>• <b>Skill Inventory:</b> Indicates the routine and strategic skills of an employee before or since joining the organization.</li> </ul>	<ul style="list-style-type: none"> <li>• Labour Market, condition such as local employment, trends of relevant categories of employees, competition for such skills, availability of part time labour, migration trends of labour etc.</li> <li>• Macro level Factors such as non availability of certain category of job to outsiders; cultural factors, custom and social norms; training schemes of Government etc.</li> </ul>

**Determining Manpower Gaps**

The existing number of personnel and their skills from manpower inventory are compared with the forecasted manpower needs (demand forecasting) to determine the qualitative and quantitative gaps in the workforce. A reconciliation of demand and supply forecast will give us the number of people to be recruited or made redundant as the case may be. This forms the basis for preparing the manpower plan.

Box showing demand and supply forecast over a period of three year.

Year	1	2	3
1. Number required at the beginning of the Year			
Demand			
2. Changes to requirements forecast during the year			
-----			
3. Total requirements at the end of the year (1+2)			
4. Number available at the end of the year			
5. Additions (transfers, promotions)			
Supply			
6. Separations (retirements, wastage, promotions out and other losses)			
7. Total available at the end of the year (4+5+6)			
-----			
8. Deficit or surplus(3-7)			
Reconciliation of			
9. Losses of those recruited during the year			
the above			
10. Additional numbers needed during the year (8+9)			
Manpower Needed			

**Determining Manpower Needs**

- ❖ **Formulating Manpower Plan:** Organization operates in the changing environment; consequently manpower needs also changes continuously. Changes in product mix, union agreements, and competitive actions are some of the important things that need special attention. The human resource requirements identified along the procedure outlined in the above box need to be translated into a concrete manpower plan, backed up by detailed policies, programmes and strategies (for recruitment, selection, training, promotion, retirement, replacement etc).

**Manpower Plan: Strategies**

**Recruitment Plan:** Will indicate the number and type of people required and when they are needed; special plans to recruit right people and how they are to be dealt with recruitment programme.

**Redeployment Plan:** Will indicate the programmes for transferring or retraining existing employees for transferring or retraining existing employees for new jobs

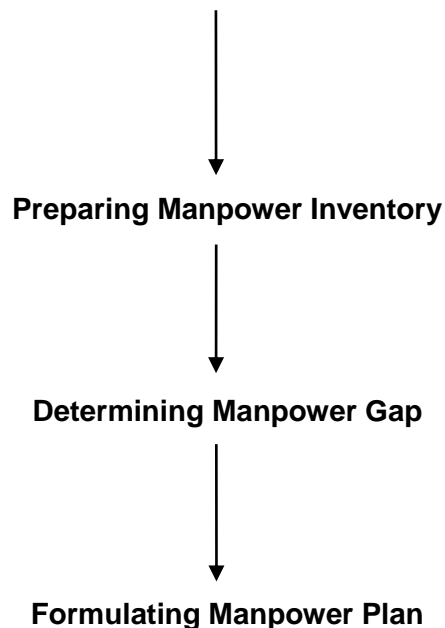
**Redundancy Plan:** Will indicate who is redundant, when and where the plans for retraining where there is possible and plans for golden handshake, retrenchment, layoff etc.

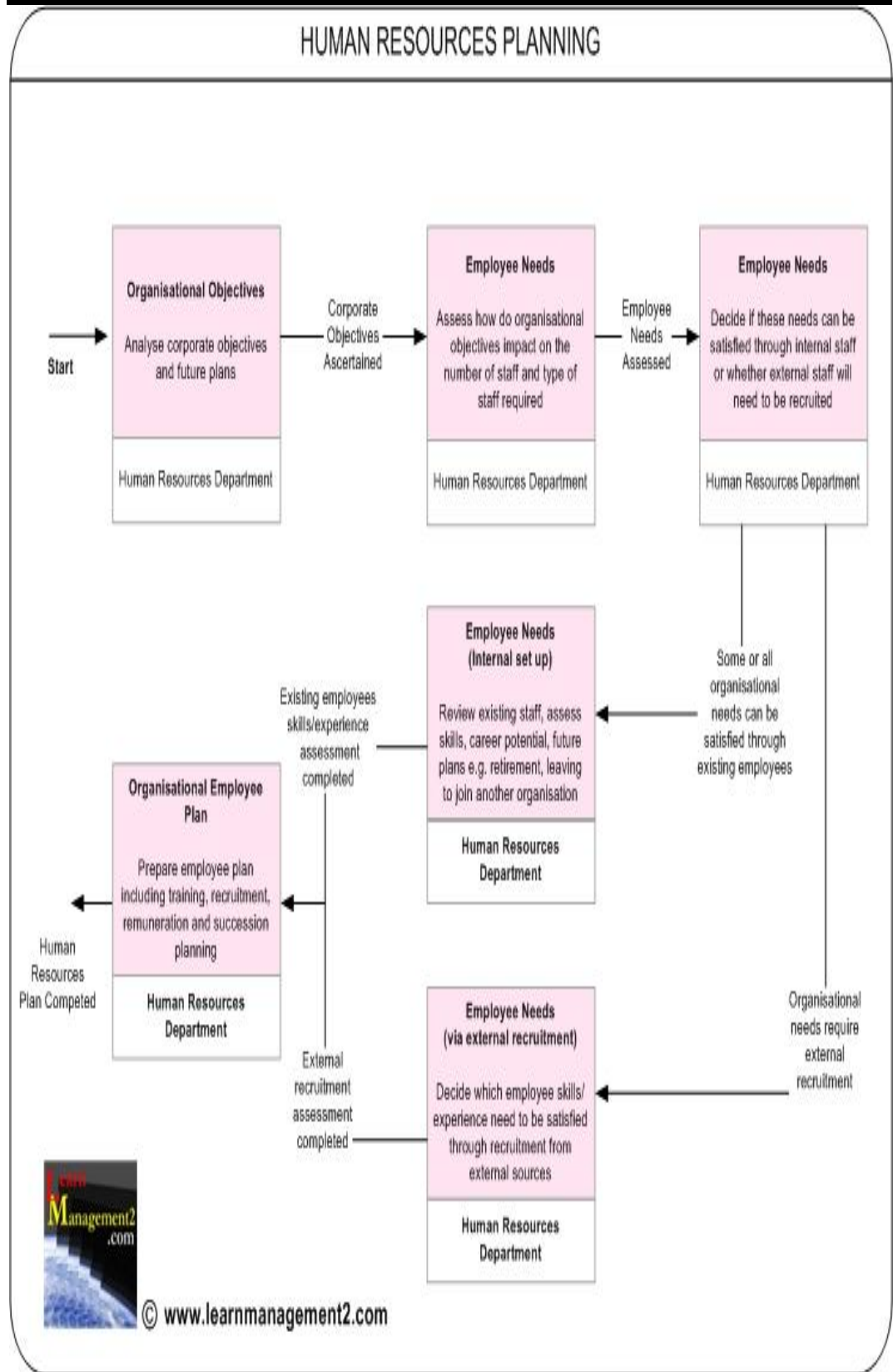
**Training Plan:** Will indicate the number of trainees or apprentices required and the programme for recruiting and/or training them

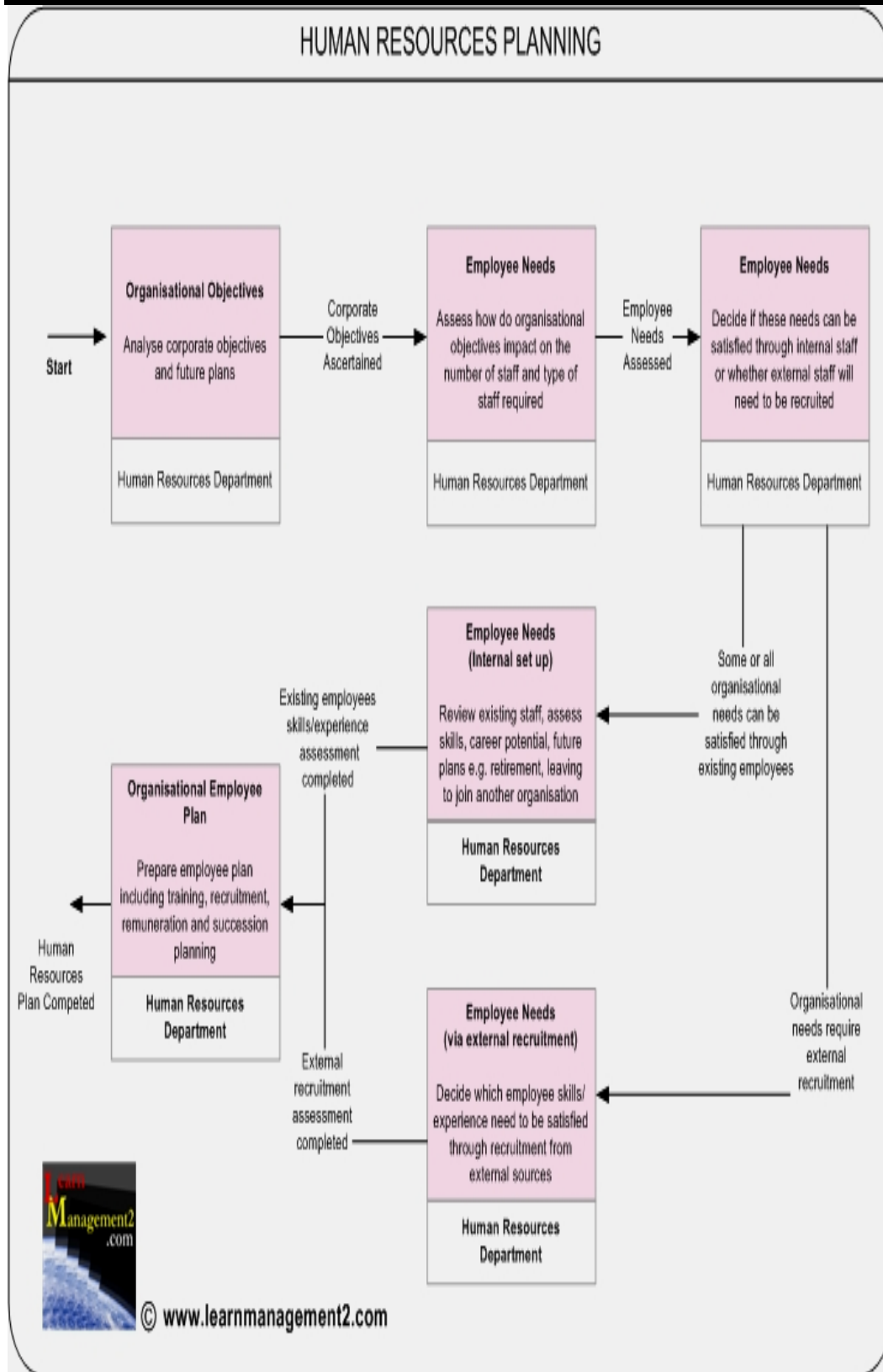
**Productivity Plan:** Will indicate reasons for employee productivity or reducing employees cost through work simplification studies, job redesign etc.

**Retention Plan:** Will indicate reasons for employee turnover and slow strategies to avoid wastage through compensation policies; changes in work requirements and improvements in working conditions

**Control Points:** The entire manpower plan be subjected to close monitoring from time to time.

**Forecasting the demand for Human Resource****Process of Human Resource Planning**





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### 5.10 TYPES OF HUMAN RESOURCE PLAN

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Manpower Planning may be undertaken on short term and long term basis. Short term manpower planning is done to find a temporary match between the existing individuals and existing jobs. It aims at quick removal of problems in posting and placements. It tries to take care of immediate requirement, the temporary solution to the problem in an immediate manner. Usually there are three problems in the short run: the weak employee, the strong employee and an unexpected vacancy.

The following steps need to be taken in short term manpower planning:

1. Identify the strong and weak employee. Weak ones fall short of their job needs; strong ones exceed their job needs.
2. Set the right solution: In case of the weak employee it can be done by assigning difficult jobs to others, improving them through short term training and replacing them by other individuals. In case of strong ones, the solution can be giving them more skilled and difficult job, more responsibilities can be given to them they may be asked to assume higher positions
3. In the final step every organization has to think of person who can be given additional charge of post falling unexpectedly vacant due to sudden death, resignation, or transfer of the original employee.

Long term manpower planning is done to find a proper match between the future jobs and their future employees. They are prepared for a period of 5 years or more. In the long run it is quite possible to develop managerial talent for existing as well as new jobs.

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### 5.11 STRATEGIES FOR HR PLANNING

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The objective of manpower planning is to help the organization to achieve its goal. For this purpose the HR Planners have to develop some strategies, these are:

1. They should collect, maintain and interpret relevant information regarding HR.
2. They should periodically report manpower objectives, requirements and existing employment and allied features of manpower.
3. They should develop procedures and techniques to determine the requirement of different types of manpower.
  - They should develop measures of manpower utilization as components of forecasts of manpower requirement along with independent validation.
  - They should employ suitable techniques leading to effective allocation of work with a view to improving manpower utilization
  - They should conduct research to determine factors hampering the contribution of individual and groups to the organization with a view to modify or remove their shortcomings
  - They should develop and employ methods of economic assessment of HR reflective of its features as income generators and cost, and accordingly improve the quality of decision affecting the manpower.
  - They should evaluate the procurement, promotion and retention of the effective HR
  - They should analyze the dynamic process of recruitment, promotion and loss to the organization and control them with a view to maximize individual and group performance at minimum cost.



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## 5.12 ADVANTAGES OF HR PLANNING PROCESS

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As the manpower planning is concerned with the optimum use of Human Resource it can be of great benefit to the organization in particular and to the nation in general. The advantages of HR Planning are:

1. **Improvement of Labour Productivity:** As it is a proved fact that a satisfied worker is more productive than a dissatisfied worker thus through proper HR Planning we can improve the morale of the labour and thereby labour productivity.
2. **Requirement of Qualified HR:** Talented and skilled labour has become a scarce resource especially in developing country therefore for the survival of the firm it become essential to recruit the best labour force through proper planning.
3. **Adjusting with Rapid Technological Changes:** With the advancement in the technology, job requirements are changing thus it is necessary to forecast and meet the changing needs which can withstand the challenges of the future this can be done through proper planning.
4. **Reducing Labour Turnover:** Efficient Human Resource Planning can help in reducing the labour turnover and thereby reducing the loss of trained and skilled workforce.
5. **Control over Recruitment and Training Cost:** Highly skilled personnel are in short supply and it is costly to hire, train and maintain them therefore in consideration of these cost it is essential to plan carefully the manpower the requirement so as to minimize the cost.
6. **Facilitating Expansion Programmers:** With the Rapid industrial development every company is going for expansion of its activities, with the increase in company size the demand for HR to increases this necessitates proper manpower.
7. **To Treat Manpower like Real Corporate Assets:** With the advance in technology and system today it is increasingly felt by the management in the organization to treat the human as there most valuable resources. The productivity of the company can be increase only through proper manpower planning as it is based on the concept that a satisfied worker can contribute to the overasll profitability of the firm through improved productivity.

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## 5.13 LIMITATIONS OF HR PLANNING

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The Problems faced by Human Resource Professionals while preparing or administering HR Plans may be summarized thus:

- ❖ **Inaccuracy:** HR Planning involves forecasting the demand for and supply of HR. Projecting manpower needs over a period of time is a risky one. It is not possible to track the current and future trends correctly and convert the same into meaningful action guidelines. Longer the time taken, greater is the possibility of inaccuracy. Inaccuracy increases when departmental forecasts are merely aggregated without critical review. Factors such as absenteeism, labour turnover etc may reduce the rest of manpower plans
- ❖ **Uncertainties:** Technological changes and market fluctuations are uncertainties, which serve as constraints to HR planning. It is risky to depend upon general estimates of manpower in the face of rapid changes in environment

- ❖ **Lack of Support:** Planning is generally undertaken to improve overall efficiency. In the name of cost cutting, it also helps management weed out unwanted labour at various levels. The few efficient ones that survive such frequent onslaughts complain about increase workload. Support from management is lacking. The latter is unwilling to commit funds for building an appropriate HR information system.
- ❖ **Number's Game:** In some companies HR Planning is used as a number's game. The focus is on the quantitative aspect to ensure the flow of people in and out of the organization. Such an exclusive focus overlooks the more important dimension i.e. the quality of human resources. HR Planning in the long run, may suffer due to an excessive focus on the quantitative aspects.
- ❖ **Employee Resistance:** Employees and trade unions feel that due to widespread unemployment people will be available for jobs as and when required. Moreover they feel that HR Planning increases their workload and regulates them through productivity bargaining.
- ❖ **Employers Resistance:** Employers may also resist HR Planning on the ground that it increases the cost of manpower.
- ❖ **Lack of Purpose:** Managers and HR specialists do not fully understand human planning process and lack a strong sense of purpose.
- ❖ **Time and Expense:** Manpower Planning is a time consuming and expensive exercise. A good deal of time and cost are involved in data collection and forecasting.
- ❖ **Inefficient Information System:** In most of the organization, human resource information system has not been fully developed. In the absence of reliable data, it is not possible to develop effective HR Plans.

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## 5.14 GUIDELINES FOR MAKING HR PLANNING EFFECTIVE

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Some of the steps that may be taken to improve the effectiveness of HR Planning are given below:

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### Objectives

The HR Plan must fit in with the overall objectives of the organization. Important aspects such as working conditions, human relationships etc, must be kept in mind while developing the plan. The HR Plan should be balanced with the corporate plan of enterprise. The methods and techniques used should be balanced with the corporate plan of enterprise. The methods and techniques used should corroborate the objectives, strategies and environment of the particular organization.

**-Top Management support:** The plan must meet the challenging needs of the organization and should enjoy consistent support from top management. Before initiating the HR Planning process the support and commitment from the top management should be taken and the planning should be within the constraints of budget as there is no use of planning which goes out of the budget limits.

**-Appropriate Time Horizon:** The period of an HR Plan should be appropriate to the needs and circumstances of the specific enterprises. The size and structure of the enterprises as well as changing aspirations of the people should be taken into consideration.

**-Manpower Inventory:** The quality and quantity of HR should be stressed in a balanced manner. The emphasis should not be on filling the vacancies but should be on filling the right person at the right place. The organization must have up-to-date employees skill inventory showing previous job held, tenure, on current job, educational and training qualification etc.

**-Human Resource Information System:** An adequate database should be developed for HR to facilitate HR Planning. To manage employee skills inventories, organization should maintain computerized HR Information system containing data on: individual's demographics, career progression, appraisals, skills, interests, etc.

**-Adequate Organization and Co ordination:** HR Planning function should be properly organized. A separate manpower planning division must be created especially in the large organization it coordinate manpower planning exercise at various levels. The various plans for recruitment, promotion and retention of HR should include filling future vacancies with the right people.

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## 5.15 RESPONSIBILITY FOR HR PLANNING

HR Planning is the responsibility of the personnel department. The department has to recommend relevant personnel policies in respect of HR Planning, devise methods of procedure and determine the quantitative aspects of HR Planning. Geisler has discussed the responsibility of the personnel department with regard to HR planning in the following words:

1. To assist, counsel and pressurize the operating management to plan and establish objectives
2. To collect and summaries data in total organizational terms and to ensure consistency with long range objectives and other elements of the total business plan.
3. To monitor and measures performance against the plan and keep the top management informed about it.
4. To provide the research necessary for effective manpower and organizational planning.

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## 5.16 SUMMARY

Human Resource Planning refers to the estimation of the number and type of people needed during the year. HRP is significant as it helps in identifying future personnel needs, ensure protection to weaker employees; acts as a basis for other personnel functions; help overcome resistance to change and so on

Beside these Manpower Planning can also be used as an important aid in framing the training and development programmes for the employees because it takes into account the anticipated changes in the HR requirements of organization. With the expansion of business adoption of complex technology and professional management techniques the process of Human Resource Planning has assumed greater significance.

HRP is influenced by several factors, such as the type and strategy of organization; environmental uncertainties, time horizon, type and quality of information' and type of job being filled.

The HRP is a four step process. The steps are:

1. Forecasting the Demand for Human Resources (Demand Forecasting)
2. Preparing Manpower Inventory (Supply Forecasting)
3. Determining Manpower Gap
4. Formulating Manpower Plan

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### 5.17 GLOSSARY

- Human Resource Planning: The Process of getting the right number of qualified people into the right job at the right time
- Human Resource Forecast: An attempt to predict an organization's future demand for employees
- Human Resource Inventory: Describes the skills that are available within the company
- Skills Inventories: Summaries of the skills and abilities of non managerial employees in forecasting supply.
- Job Analysis: A systematic exploration of the activities surrounding and within a job.
- Replacement Chart: A portrayal of who will replace whom in the event of job opening.
- Succession Planning: An executive inventory report showing which individuals are ready to move into higher positions in the company.

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### 5.18 CHECK YOUR PROGRESS

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**Q1.** Define Human Resource Planning?

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**Q2.** Explain the general characteristics of Human Resource Planning?

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**Q3.** Throw a light on short term and long term HR Planning?

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**Q4.** The process of getting the right number of people at the right place and at the right time is called as \_\_\_\_\_

**Q5.** \_\_\_\_\_ Chart is portrayal of who will replace whom in the event of job opening

**Q6.** Manning Table shows the number of \_\_\_\_\_ in each job.

**Q7** A \_\_\_\_\_ of demand and supply forecast will give us the number of people to be recruited.

**Q8** Manpower Planning is essential to determine the future manpower needs in an organization (True/False)

**Q9** \_\_\_\_\_ analysis means HR needs can be forecast through projecting past trends.

**Q10** Short term planning is done to find \_\_\_\_\_ match between the existing individuals and existing jobs.

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## 5.20 SUGGESTED READING

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## 5.21 LONG TERM QUESTION

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**Q1.** Outline the steps involved in Human Resource Planning?

**Q2.** Why is HR Planning more common among large organization than among small ones/ what are the advantages of HR Planning for large organization?

**Q3.** Discuss the problems in HRP. How can you plan for human resource in an effective manner?

**Q4.** Describe the characteristics and objectives of HR Planning. Explain the reasons for growing interest in HRP in recent years.

**Q5.** Explain the barriers to HRP. Bring out the requisites for effective planning?

**Q6.** What do you understand by HRP. What is its importance?

**Q7.** Explain the techniques of employee demand forecasting?

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### **5.22 ANSWERS TO ‘CHECK YOUR PROGRESS’**

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**Q1** See Structure 5.3

**Q2** See Structure 5.4

**Q3** See Structure 5.10

**Q4** Human Resource Planning

**Q5** Replacement

**Q6** Employee

**Q7** Reconciliation

**Q8** True

**Q9** Trend

**Q10** Temporary



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## UNIT 6 - RECRUITMENT AND SELECTION

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### Structure:

- 6.0 Introduction.
- 6.1 Objectives.
- 6.2 Recruitment.
  - 6.2.1 Strategic approach to recruitment.
  - 6.2.2 Strategic recruitment decisions.
- 6.3 Types of recruitment.
  - 6.3.1 Internal recruitment.
  - 6.3.2 External recruitment.
  - 6.3.3 Recruitment evaluation and metrics.
- 6.4 Selection.
  - 6.4.1 Selection process.
  - 6.4.2 Staffing global assignments.
- 6.5. Let's sum up.
- 6.6 Clues to answers.
- 6.7 References.
- 6.8 Suggested readings.
- 6.9 Terminal questions.

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### 6.0 INTRODUCTION

The job of recruitment and selection of personnel is never ending. It continues day after day because the needs of the employer and employee are never static. The employer's wants are shifting constantly to meet changing and technical conditions. An employee's wants are changing with his age, experience, personal obligations, ambitions and economic conditions. Operations within a firm change to meet changes in manufacturing, finance and distribution. The whole enterprise is dynamic, moving and changing. Consequently, employer demands vary from period to period. Changes in sales activities may necessitate additional branch and district offices. Change from decentralized to centralized control may wipe out most district activities and create a large central office. An expansion of office activities may be indicated if the firm decides to handle its own financing. But if the firm decides to shift its financing activities to lending institutions, its own financing offices force may shrink to a skeleton crew. Some firms may buy such services as data processing and marketing research. Later as the firm grows, it may activate its own departments. This will require extensive hiring of personnel with varying degrees of skill. At all times, the personnel department must be responsive to the requirements of the organizations.

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### 6.1 OBJECTIVES

After reading this unit you will be able to:

- Have a conceptual background of recruitment.
- Know about strategies of recruitment and types of recruitment.
- Have a conceptual background of selection.
- Know about selection process and methods.

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## 6.2 RECRUITMENT

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Recruitment is a process of generating a pool of qualified applicants for organizational jobs. If the number of available candidates only equals the number of people to be hired, no real selection required-the choice has already been made. The organization must either leave some openings unfilled or take all the candidates.

*“Recruitment is the process of finding potential individuals for employment. Such people may be willing applicants or they may need to be induced to apply for certain positions in your firm.”*

Recruitment is about finding qualified applicants and doing that often requires much more than just running an ad in newspaper. For example, simply acquiring the human capital necessary to replace normal attrition and provide for growth probably will require an employer to:

- Know the business and industry to successfully recruit qualified employees.
- Identify keys to success in the labor market, including ways to deal with competitors recruiting efforts.
- Cultivate networks and relationships with sources of prospective employees.
- Promote the company brand so that the organization becomes known as a good place to work.
- Create recruiting metrics in order to measure the effectiveness of recruiting efforts.

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### 6.2.1 STRATEGIC APPROACH TO RECRUITMENT

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A strategic approach to recruitment becomes more important as labor markets shift and become more competitive. Strategic human resource planning helps to align human resource strategies with organizational goals and plans. Therefore, it is important that recruitment be a part of strategic human resource planning. For example, at one time, Walgreens, the drugstore chain, had to cut back its plans to expand and open new stores, because of a shortage of trained pharmacists. Good recruitment and more lead time might have kept it from having to do that and allowed the strategic expansion to go forward.

As you know, strategy is a general framework that provides guidance for actions. If a company is driven by technology, recruitment must determine how to bring in the best technologists. If the strategy of a company is based on marketing, the focus should be on where the company will look to find the best marketing candidates. Certainly, cost is an issue and some employers are quite concerned about cost per hire. However, if a human resource strategy focuses on quality, a company might choose to hire only from the top 15% of candidates for critical jobs and from the top 30% of candidates for all other important positions. This approach likely would improve workforce quality, but it would cost more per hire. Strategic recruitment may sometimes need to go beyond just filling empty positions. It can focus on discovering talent before it is needed, capitalizing on windfall opportunities when there is an abundance of highly qualified people, or perhaps developing strong internet recruitment abilities. Generally, the recruitment decisions dictate not only the kinds and numbers of applicants, but also how difficult or successful recruiting efforts may be.

Even during periods of reduces hiring, implementing long range plans means keeping in contact with outside recruitment sources to maintain visibility, while also maintaining employee recruitment channels inside the organization. These efforts allow management to match recruitment activity with organizational and human resource plans. Employers have faced shortages of workers who have the appropriate knowledge, skills and abilities. Further, as business cycle fluctuates, demand for labor changes and the number of people looking for work changes.

Now you should know that **labor markets** are external supply pool upon which recruiter target for the process for recruitment. The labor market has further been divided into labor force population, applicant population, applicant pool and individuals selected components. The **labor force population** is made up of all individuals, who are available if all possible recruitment strategies are used. This large number of potential applicants may be reached using different recruitment methods like newspaper ads, internet sites etc. Each recruitment method will reach different segments of the labor force population. The **applicant population** is a subset of the labor force population which is available for selection, if a particular recruitment approach is used. For example, an organization might limit its recruitment for management trainees to MBA graduates from major universities. At least four recruitment decisions affect reaching the applicant population:

- *Recruitment method*: advertising medium chosen, including use of employment agencies.
- *Recruitment message*: what is said about the job and how it is said?
- *Applicant qualifications required*: education level and amount of experience necessary.
- *Administrative procedures*: when recruitment is done, applicant follow-up and use of previous applicant files.



Figure: 6.1 Strategic recruitment stages in a flowchart.

The applicant pool consists of all persons who are actually evaluated for selection. Many factors can affect the size of applicant pool, including the reputation of the organization and industry as a place to work, the screening efforts of the organization, job specifications and the information available. If a suitable candidate is found, then the organization selects the individual and makes the job offer.

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### 6.2.2 STRATEGIC RECRUITMENT DECISIONS

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An employer must make a number of recruitment decisions based upon the recruitment needs identified as part of human resource planning. Important ones are:

**1) Organization based vs. outsourced recruitment:** An initial and basic decision is whether the recruitment will be done by the employer or outsourced. This decision need not be an “either-or” decision, with all recruitment done by organizational staff or else external resources used exclusively. In most organizations, human resource staff members handle the bulk of recruitment efforts. The distribution of recruitment responsibilities between the human resource department and operating managers is typical for all organizations except smallest organizations. The **HR unit** undertakes various activities like forecasting of recruitment needs, preparation of copy for recruitment ads and campaigns, planning and conduction of recruitment efforts and audits and evaluation of all recruitment activities, while the **operating manager** performs activities like anticipation of needs for employees to fill vacancies, assistance in recruitment efforts with information about job requirements and review of success and failure of recruitment activities. As you know recruitment is a time consuming process, given all the other responsibilities of human resource staff and other managers in **organization’s outsourcing**, it is a way to both decrease the number of HR staff needed and free up time for HR staff members. Recruitment can be outsourced in a number of ways. For example, some large employers outsource such functions as placement of advertisements, initial screening of resumes and initial phone contacts with potential applicants. Once those activities are done, then the employers HR staff take over the rest of recruitment activities.

**2) Recruitment presence and image:** Recruitment efforts may be viewed as either continuous or intensive. **Continuous** efforts to recruit offer the advantage of keeping the employer in the recruitment market. For example, with college recruitment, some organizations may find it advantageous to have a recruiter on a given campus each year. Employers that visit a campus only occasionally are less likely to build a following in that school overtime. **Intensive recruitment** may take the form of a vigorous recruitment campaign aimed at hiring a given number of employees, usually within a short period of time. Such efforts may be the result of failure in the HR planning system to identify the needs in advance or to recognize drastic changes in workforce needs due to unexpected workloads. Additionally, the recruitment image of an industry and an employer can significantly affect whether individuals ever consider a firm and submit applications. For examples, in the fast food industry, the product image and reputation of a firm affects the attractiveness of the firm as a potential employer of teenagers and retirees. Recruitment should be seen as a part of organizational

marketing efforts and linked to the overall image and reputation of the organization and its industry.

**3) Training of recruiters:** Another important strategic issue is how much training will be given to recruiters. In addition to being trained on interviewing techniques, communications skills and knowledge of the jobs being filled, it is crucial that recruiters learn the types of actions that violate regulations and how to be sensitive to diversity issues with applicants. Training in those areas often includes interview do's and don'ts and appropriate language to use with applicants. Racist, sexist and other inappropriate remarks hurt the image of the employer and may result in legal complaints. For instance, a male college recruiter regularly asked female candidates about their marital status and if they were single and attractive, he later called applicants and asked them for dates. Only after two students complained to the university placement office did the employer learn of the recruiter's misconduct.

**4) Regular vs. flexible staffing:** Another strategic decision affects how much recruitment will be done to fill staffing needs with regular full-time and part-time employees. Decisions as to who should be recruited, depends upon whether to seek traditional employees or to use more flexible approaches, which might include temporaries or independent contractors. A number of employers feel that the cost of keeping a regular workforce has become excessive and grows worse due to increasing government-mandated costs. However, not just the money is at issue. The number of governmental regulations also constrains the employment relationship, making many employers reluctant to hire new employees. Flexible staffing uses workers who are not traditional employees. Using of flexible staffing arrangements allows an employer to avoid some of the cost of full time benefits such as vacation pay and pension plans, as well as to recruit in a somewhat different market. These arrangements provide temporary workers, independent contractors and employee leasing.

**5) Recruitment and diversity considerations:** Recruitment as a key employment related activity is subject to various legal considerations, especially equal employment laws and regulations. As part of legal compliance in the recruiting process, organizations must work to reduce external disparate impact, or under-representation of protected class members compared with labor markets utilized by the employer. If disparate impact exists, then the employer may need to make special efforts to persuade protected-class individuals to apply for the jobs. For employers with affirmative action plans, special ways to reduce disparate impact may be identified as goals and listed in those plans. Some employers that emphasize internal recruitment should take actions to obtain protected class applicants externally if disparate impact exists in the current workforce. When a particular protected class is under-represented in an organization, word-of-mouth referral by existing employees has been considered a violation of title 7 of the **Civil Rights Act of 1964**, because it continues a past pattern of discrimination.

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## 6.3 TYPES OF RECRUITMENT

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Recruiting strategy and policy decisions entail identifying where to recruit, whom to recruit, and how to recruit. One of the first decisions determines the extent to which internal or external sources and methods will be used. Both promoting

from within the organization (*internal recruitment*) and hiring from outside the organization (*external recruitment*) come with advantages and disadvantages. Most employers combine the use of internal and external methods. Organizations that face rapidly changing competitive environments and conditions may need to place a heavier emphasis on external sources in addition to developing internal sources. However, for organizations existing in environments that change slowly, promotion from within may be more suitable. Once the various recruiting policy decisions have been addressed, then the actual recruiting methods can be identified and used. These include internal and external sources, as well as internet/web based approaches.

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### 6.3.1 INTERNAL RECRUITMENT

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Internal recruitment involves various sources developed and managed inside of any organization. The most common internal recruitment method includes: organizational databases, job postings, promotions & transfers, current-employee referrals and re-recruiting of former employees and applicants.

**Internal recruitment process:** Within the organization, tapping into databases, job postings, promotions and transfers provides ways for current employees to move to other jobs. Filling openings internally may add motivation for employees to stay and grow in the organization rather than pursuing career opportunities elsewhere.

**1) Organizational database:** The increased use of human resource management systems allows HR staff members to maintain background and information on existing employees. As openings arise, HR employment specialists can access databases by entering job requirements and then get a listing of current employees meeting those requirements. Various types of employment software sort employee's data by occupational fields, education, areas of career interests, previous work histories and other variables. For example, if a firm has an opening for someone with an MTM and marketing experience, the key words MTM and marketing can be entered in a search field and the program displays a list of all current employees with these two items identified in their employee profiles. The advantage of such database is that they can be linked to other HR activities. Opportunities for career development and advancement are major reasons why individuals stay or leave their employers. With databases, internal opportunities for individuals can be identified. Employee profiles are continually updated to include such items as additional training or education completed, special projects worked on, career plans and desires noted during performance appraisal and career mentoring discussions.

**2) Job posting:** The major means for recruitment of employees for other jobs within the organization is **job posting**, a system in which the employer provides notices of job openings and employees responds by applying for specific openings. The organization can notify employees of job vacancies in a number of ways, including posting notices on the company intranet and internet websites, using employee's newsletters and sending out e-mails to managers and employees. Job posting can be ineffective if handled improperly. Jobs generally are posted before any external recruitment is done. The organization must allow a reasonable period of time for present employees to check notices of available jobs before it considers external applicants. When employees bids are turned down, they should discuss with their supervisors or someone in the HR area, the



knowledge, skills and abilities they need, in order to improve their opportunities in the future. Some organizations use automated systems that combine elements of databases and job postings. **The Technology Transforming HR** presents examples of such systems.

**3) Promotions and transfers:** Many organizations choose to fill vacancies through promotions or transfers from within whenever possible. Although most often successful, promotions and transfers from within have some drawbacks as well. A person's performance on one job may not be a good predictor of performance on another, because different skills may be required on the new job. As employees transfer or are promoted to other jobs, individuals must be recruited to fill their vacated jobs. Planning on how to fill those openings should occur before the job transfers or promotions, not afterward. It is clear that people in organizations with fewer levels may have less frequent chances for promotion. Also, in most organizations, promotions may not be an effective way to speed the movement of protected class individuals up through the organization if doing that is an organizational concern. Some promotions and transfers may require employee relocation as well.

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### 6.3.2 EXTERNAL RECRUITMENT

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This type of recruitment involves external sources. There are many external sources available for recruiting. In some tight labor markets, multiple sources and methods may be used to attract candidates for the variety of jobs available in the organizations. Some of the more prominent methods are highlighted further.

**1) College and university recruitment:** College or university students are a significant source for entry-level professional and technical employees. Most universities maintain career placement offices in which employers and applicants can meet. A number of considerations affect an employer's selection of colleges and universities at which to conduct interviews. The major determinants are current and anticipated job openings, reputations of the colleges and universities, experiences with placement offices and previous graduates, organizational budget constraints, market competition for graduates and cost of available talent & typical salaries.

**2) School recruitment:** High schools or vocational/technical schools may be good sources of new employees for some organizations. Many schools have a centralized guidance or placement office. Promotional brochures that acquaint students with starting jobs and career opportunities can be distributed to counselors, librarians or others. Participating in career days and giving company tours to school groups are other ways of maintaining good contact with school sources. Cooperative programs in which students work part-time and receive some school credits also may be useful in generating qualified future applicants for full time positions.

**3) Labor unions:** Labor unions are a good source of certain types of workers. In such industries as electrical and construction ones, unions have traditionally supplied workers to employers. A labor pool is generally available through a union and workers can be dispatched from it to particular jobs to meet the needs of the employers. In some instances, the union can control or influence recruitment and staffing needs. An organization with a strong union may have less flexibility than a non union company in deciding who will be hired and where that person will be placed. Unions can also benefit employers through

apprenticeship and cooperative staffing programs, as they do in the building and printing industries.

**4) Employment agencies and headhunters:** Some employment agencies operate branch offices in many cities throughout the states and do not charge fees to applicants and employers. Private employment agencies also operate in most cities. For a fee collected from either the employee or the employer, these agencies do some preliminary screening and put the organization in touch with applicants. Private employment agencies differ considerably in the levels of service, costs, policies and types of applicants, they provide. Employers can reduce the range of possible problems from these sources by giving complete descriptions and specifications for jobs to be filled.

**5) Competitive sources:** Other sources for recruitment include professional and trade associations, trade publications and competitors. Many professional societies and trade associations publish newsletters or magazines and have web sites containing job ads. Such sources may be useful for recruiting specialized professionals needed in an industry.

**6) Media sources:** You know that media sources like newspapers, magazines, television, radio and billboards are widely used. Some firms have used direct mail with purchased lists of individuals in certain fields or industries. Whatever medium is used, it should be tied to the relevant labor market and should provide sufficient information on the company and the job. Details about the job, the application process, desired candidate qualifications and an overview of the organization are all important.

**7) Job fairs and special events:** Employers in tight labor markets or needing to fill a large number of jobs quickly have used job fairs and special recruitment events. Job fairs also have been held by economic development entities, employers associations, HR associations and other community groups to help bring employers and potential job candidates together. For example, to fill jobs in one metropolitan area, the local employer UKEM annually sponsors job fair at which 75-125 employers can meet applicants. Publicity in the city draws more than 1000 potential recruits. One **cautionary note:** some employers at this and other job fairs may see current employees shopping for jobs at other employers.

**Another cautionary note:** “general” job fairs are likely to attract many people including more unemployed attendees. Industry or skill-specific events offer more satisfactory candidates. **Virtual job fairs** have been used by the federal government and others. **Drive through** job fairs at shopping malls has been used by employers in a number of communities. At one such event, interested persons can drive up to a tent outside the mall and pick up applications from a menu board of employers, then park and interview in the tent with the recruiters if time allows.

**8) Creative recruitment methods:** In labor markets that are tight and in industries with significant shortages of qualified applicants, employers turn to more creative recruitment methods. Regardless of the method used, the goal is to generate a pool of qualified applicants so that the jobs in organizations are filled in a timely manner. Some methods may be more effective at recruitment for certain jobs than others. Some examples are as use of a plane towing an advertising banner over beach areas, advertisement of jobs on local movie theater screens as pre-show entertainment, holding raffles for employees who refer candidates, with cars and trips being used as prizes, offer of free rock

tickets to first twenty applicants hired, recruitment of younger technical employees at video game parlors and arrangement of partnerships with downsizing firms to interview those being laid off etc.

**9) Internet recruitment:** The internet has become the primary means for many employers to search for job candidates and for applicants to look for jobs. The explosive growth in general internet use is a key reason. Internet users tap the internet to search for jobs almost as frequently as they read classified ads in newspapers. Many of them also post or submit resumes on the resumes on the internet. It is also known as **e-recruitment**. Several methods are used for internet recruitment. The most common ones are internet job-boards, professional/career web sites and employer web sites.

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### 6.3.3 RECRUITMENT EVALUATION AND METRICS

As you know recruitment is an important aspect of organizational working, it becomes important to know about the effectiveness of various recruitment, sources, methods and efforts. The primary way to find out whether recruitment efforts are cost-effective, is to conduct formal analysis as part of recruitment evaluation. Several areas can be measured when trying to analyze recruitment effectiveness. Five specific areas that need to be considered include: quantity of recruits, quality of recruits, time available for filling empty positions, cost per recruit and satisfaction of parties involved. Metrics that look at the quality of the selection decisions made will be included here.

**1) Evaluating recruitment quantity and quality:** As one means of evaluating recruitment, organization can see how their recruitment efforts compare with past patterns and with the recruitment performance of other organizations. Certain measures of recruitment effectiveness are quite useful in indicating whether sufficient numbers of the targeted applicant population group are being attracted. Information on job performance, absenteeism, cost of training and turnover by recruitment source also help adjust future recruitment. For example, some companies find that recruitment at certain colleges or universities furnishes stable, high performers, whereas recruitment at other school provides employees who are more prone to leave the organization. General metrics for evaluating quantity and quality of recruitment include various variables as **quantity of applicants**: because the goal of a good recruitment program is to generate a large pool of applicants from which to choose, quantity is a natural place to begin evaluation. The basic measure here considers whether the quantity of recruits is sufficient to fill job vacancies. A related question is- Does recruitment provide enough qualified applicants with an appropriate mix of protected class individuals? Similar is the case of **quality of applicants**: in addition to quantity, a key issue is whether or not, the qualifications of the applicant pool are sufficient to fill the job openings. Do the applicants meet job specifications and do they perform the jobs well after hire? What is the failure rate for new hires for each recruiter? Measures that can be used include items such as performance appraisal scores, months until promotion, output and sales volume for each hire.

**2) Evaluating the time required to fill openings:** Looking at length of time it takes to fill openings is a common means of evaluating recruitment efforts. If openings are not filled quickly with qualified candidates, the work and productivity of the organization likely suffer. If it takes seventy five days to fill empty positions, managers who need those employees will be unhappy. Generally, it is useful to

calculate the average amount of time it takes from contact to hire for each source of applicants, because some sources may produce recruits faster than others. For example, one firm calculated various averages as **agencies** took 25 days from contact to hire, **walk-ins** took 7 days from contact to hire and **internet** took 12 days from contact to hire. The data reveals that use of agencies takes significantly longer to fill openings than relying on other means, thereby suggesting the use of sources to time available.

**3) Evaluating the cost of recruitment:** The major number for measuring cost is calculating recruitment expenses for the year divided by the number of hires for the year:

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### Recruiting expenses / Number of recruits hired

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The problem with this approach is accurately identifying what should be included in the recruitment expenses. Should expenses for testing, background checks, relocations or signing bonuses be included, or are they more properly excluded? If those questions are answered, then the cost might be allocated to various sources to determine how much each hire from each source costs. The costs also can be sorted by type of job-costs for hiring managers, secretaries, bookkeepers and sales personnel with all be different.

**1) Evaluating recruitment satisfaction:** The satisfaction of two groups is useful in evaluating recruitment. Certainly the views of managers with openings to fill are important, because they are “customers” in real sense. But also the applicants (*those hired and those not hired*) are an important part of the process and can provide useful input. Managers can respond to questions about the quality of the applicant pool, the recruiter’s service, the timeliness of the process and any problems that they see. Applicants might provide input on how they were treated, their perceptions of the company and the length of the recruitment process.

**2) General recruitment process metrics:** Because recruitment activities are important, the costs and benefits associated with them should be analyzed. A cost benefit analysis of recruitment efforts may include both direct costs (*advertising, recruiters, salaries, travel, agency fees etc.*) and indirect costs (*involvement of operating managers, public relations, image etc.*) cost benefit information on each recruitment source can be calculated. Comparing the length of time that applicants hired from each source stay in the organization with the cost of hiring from that source also offers a useful perspective. Various methods are as **yield ratios**-one means for evaluating recruitment efforts is yield ratios, which compare the number of applicants at one stage of the recruitment process with the number at another stage. The result is a tool for approximating the necessary size of the initial applicant pool. It is useful to visualize yield ratios as a pyramid, in which the employer starts with a broad base of applicants that progressively narrows. For example, if 100 contacts are made by the employer, further 30 applications are received, which proceeds by 15 final interviews, then 10 receives offer to join by the employer and finally only 5 candidates join the organization, thus forming a pyramid for that recruitment as graph narrows with a broad base. **Selection ratio**-another useful calculation is the selection rate, which is the percentage hired from a given group of candidates. It equals the number hired divided by the number of applicants. For examples, a rate of 30%

indicates that 3 out of 100 applicants were hired. The selection rate is also affected by the validity of the selection process. A relatively unsophisticated selection program might pick 8 out of 10 applicants for the job. Four of those might turn out to be good employees. A more valid selection process might pick 5 out of 10 applicants but all perform well. Selection rate measures not just recruitment but selection issues as well. So do acceptance rate and success base rate. **Acceptance rate**-calculating the acceptance rate helps identify how successful the organization is at hiring candidates to employ. The acceptance rate is the percent of applicants hired divided by the total number of applicants. After the company goes through all the effort to screen, interview and make job offers, hopefully most candidates accept job offers. If they do not then HR might want to look at reasons why managers and HR staff cannot “close the deal”. It is common for HR staff members to track the reasons candidates turn down job offers, which help explain the rejection rate, in order to learn how competitive the employer is compared with other employers and what factors are causing candidates to choose employment elsewhere. **Success base rate**-a longer term measure of recruitment effectiveness is the success rate of the applicants. The success base rate can be determined by comparing the number of past applicants, who have become successful employees against the number of applicants they competed against for their jobs, using historical data within the organization. Also the success base rate can be compared with the success rates of other employers in the area or industry, using bench marking data. This rate indicates whether the quality of the employees hired results in employees who perform well and have low turnover. For example, assume that if 10 people were hired at random, one would expect four of them to be good employees. Thus a successful recruitment program should be aimed at attracting the 4 in 10 who are capable of doing well on this particular job. Realistically, no recruitment program will attract only the 4 in 10 who will succeed. However, efforts to make the recruitment program attract the largest proportion of those in the base rate group can make recruitment efforts more effective.

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**CHECK YOUR PROGRESS 1:**

1) What do you understand by recruitment and strategic approach to recruitment?

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2) What are strategic recruitment decisions and types of recruitment?

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## 6.4 SELECTION

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As you know recruitment is followed by various stages of selection up to final selection, so it becomes important to know about selection in a detailed manner. Selection decisions are important part of successful HR management. Some even argue that they are the most important part. Improvement in organizational performance may come from many sources-but unless the employer begins by having the necessary people with the appropriate capabilities in place, positive organization results are less likely to occur. **Selection** is the process of choosing individuals with qualifications needed to fill jobs in an organization. Without qualified employees, an organization is less likely to succeed. Perhaps the best perspective on selection and placement comes from two HR truism that clearly identify the importance of an effective selection process:

- **Hire hard, manage easily**-The amount of time and effort spent selecting the right people for the job may make managing them as employees much less difficult because more problems will be eliminated.
- **Good training will not make up for bad selection**-When the right people with the appropriate capabilities are not selected for jobs, employers have difficulty later adequately training those individuals who are selected.

Further selection may be expressed in other words as follows:

*“Selection is the deliberate effort of someone in your firm to choose one or a number of people from a group of applicants for particular positions. From a group of applicants for a particular job it might be possible to choose some for other positions. Thus from a number of applicants for a stenographic position, one might also find desirable people to fill a secretarial position.”*

Organizations vary in how they allocate selection responsibilities between HR specialists and operating managers. The need to meet requirement of the organizations has forced many organizations to better plan their selection efforts. Still in some organizations, each department screens and hires its own people because they are sure no one else can choose employees for them as well as they can themselves. This practice is particularly prevalent in smaller firms. But the validity and effectiveness of this approach may be questionable. Other organizations have the HR unit do the initial screening of the candidates and managers or supervisors make the final selection from a qualified group of individuals. As a rule, the higher the position being filled, the greater the likelihood that the ultimate hiring decisions will be made by operating managers rather than HR specialists. Selection responsibilities are affected by the existence of a central employment office, which usually is part of an HR department. In smaller organizations, especially in those with fewer than 100 employees, a full time employment specialist or unit may be impractical. But for larger employers, centralizing employment within one unit may be appropriate. The employment function in any organization may be concerned with some or all of the following activities: receiving applications, interviewing applicants, administering tests to applicants, conducting background investigations, arranging for physical examinations, placing and assigning new employees, coordinating follow-up of these employees, conducting exit interviews with departing employees and maintaining appropriate records and reports. The ultimate purpose of selection is **placement**, or fitting a person a person to the right job. Placement of human resources should be seen as primarily a matching



process. How well an employee is matched to a job affects the amount and quality of the employees work. This matching also directly affects training and operating costs. Individuals who are unable to produce the expected amount and quality of work can cost an organization a great deal of money and time. Selection and placement activities typically focus on applicant's knowledge, skills and abilities. The **person/job fit** is a simple but important concept that involves matching people's qualifications with the characteristics of jobs. People already in jobs can help identify the most important features for success, as a part of job analysis. In addition to matching individuals to jobs, employers also increasingly try to determine the congruence between individuals and organizational factors to achieve **person/organization fit**. Person/organization fit is important when general factors of job success are as important as organizational set up or composition in a perfect manner.

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#### 6.4.1 SELECTION PROCESS

Most organizations take a series of consistent steps to process and select applicants for jobs. Variations on the basic process depend on organizational size, nature of the jobs to be filled, number of people to be selected, the use of electronic technology and other factors. This process can take place in a day or over a much longer period of time. If the applicant is processed in one day, the employer usually checks references after selection. One or more phases of the process may be omitted or order changed, depending on the employer.

**Legal concerns in the selection process:** Selection is subject to a number of legal concerns, especially all the equal employment opportunity (EEO) regulations and laws. Throughout the selection process, application forms, interviews, tests, background investigations and any selection activities must be conducted in a non-discriminatory manner. Also, applicants who are not hired should be rejected only for job related reasons; rejections based on protected class status are illegal.

**Defining who is an applicant:** Employers are required to track applicants who apply for jobs at their companies. Gathering and logging data on applicants should be comprehensive and consistent. It is increasingly important for employers to carefully define exactly who is an applicant and who is not, because many employers are required to track and report applicant information as part of equal employment and affirmative action plans. Also, it is important because employers may be targeted by scams involving individuals who claim to have applied for jobs but whose primary purpose is to file lawsuits. Without a clear definition of who is an applicant, employers might have to count as applicants all individuals who submit unsolicited resumes, respond electronically to web site employment postings, or walk in to apply for jobs. Various things to be taken into consideration are:

- The employer must have taken steps to fill a particular job.
- The individual must have followed the employer's application procedure.
- The individual must have expressed interest in a particular position.

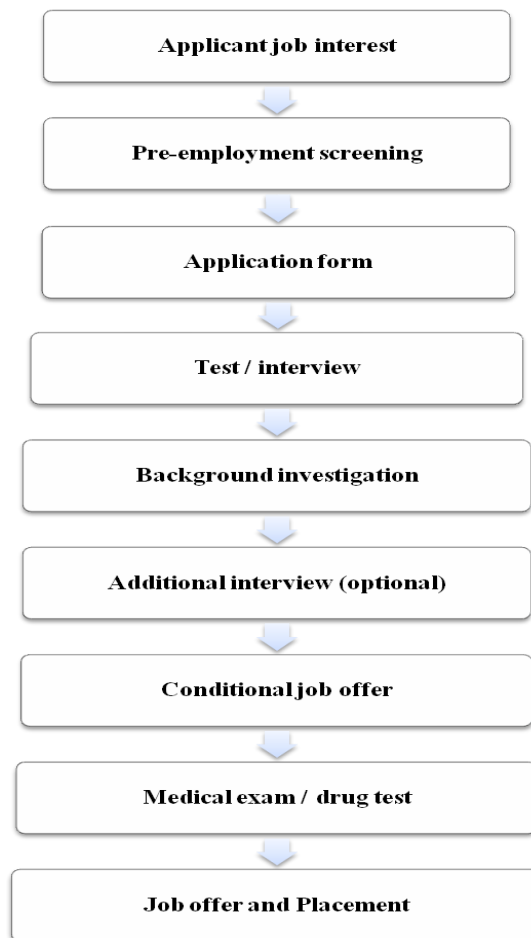
**Applicant flow documentation:** Employers must collect data on the race, sex and other demographics of applicants to fulfill EEO reporting requirements. Many employers ask applicants to provide data in a flow form that may be attached to the application form. It is important that employers review this flow form

separately and not use it in any other HR selection activities, or they may be accused of using applicant information inappropriately. Because completing the form is voluntary and employers can demonstrate that they tried to obtain the data.

Various steps involved in the **process of selection** have been discussed further and may be drawn into a flow chart and discussed further as follows:

**1) Applicant job interest:** Individual interest of an applicant constitutes the basis of selection. Individuals desiring employment can indicate interest in a number of ways. Traditionally, individuals have submitted resumes by mail or fax, or applied in person at an employer's location. But with the growth in internet recruitment, many individuals complete applications on-line or submit resumes electronically. Regardless of how individuals express interest in employment, the selection process has an important public relations dimension. Discriminatory hiring practices, impolite interviewers, unnecessarily long waits, unreturned telephone inquiries, inappropriate testing procedures and lack of follow up responses can produce unfavorable impressions of an employer. Job applicant's perceptions of the organization and even of the products or services it offers will be influenced by how they are treated. Most job seekers appear to know little about organizations before applying to them for jobs. Consequently, when deciding whether or not to accept a job, they tend to give considerable weight to the information received from prospective employers in the recruitment and selection process. For applicants, information on pay, nature of the work, geographic location and opportunity for promotion is useful. Unfortunately, some employers oversell their jobs in recruitment related advertisements, making the jobs appear better than they really are. Through the process of a **realistic job preview**, the applicants are provided with an accurate picture of a job, including the organizational realities surrounding it, so that they can better evaluate their own job expectations. With a realistic job preview, the organization hopes to prevent unrealistic expectations, which helps reduce employee disenchantment and ultimately employee dissatisfaction and turnover. A review of research on realistic job previews found that they tend to be effective in that regard.

**2) Pre-employment screening:** As you know, many employers conduct pre-employment screening to determine if applicants meet the minimum qualifications for open jobs. For examples, a firm hires security guards and armored car drivers might use a pre-screening interview to verify whether an applicant meets the minimum qualifications of having a valid driver's license, being free of any criminal convictions in the past seven years and having been trained to use a pistol. Because these minimum standards are required, it would be a waste of time for any applicant who could not meet them to fill out an application form initially. Some areas typically covered by employers include types of available jobs, applicants pay expectations, job location and travel requirement. Some employers have everyone who may be interested in a job fill out an application first. The completed application then becomes the basis for pre-screening information. But collecting, storing and tracking all of these applications can create significant work for HR staff members. That is why pre-screening has grown to be more prevalent. Pre-employment screening done electronically has increased dramatically in the past few years. One types of screening uses computer software to scan for keywords in resumes or applications submitted electronically.



**Figure 6.4:** Process of selection in a flowchart.

Hundreds of large companies use types of text searching or artificial intelligence software to scan, score and track resumes of applicants. For example, a large financial firm streamlined its application process so that individuals can complete applications electronically. The applicant's qualifications are then electronically compared with job profiles to determine which candidates are likely to be successful and those candidates are contacted for interviews. Pre-screening sorts out the serious job contenders from hundreds of electronic applicants by looking for keywords, key skills or experience. Assessment evaluates skill level, experience or even attitudes through an online test of some sort taken by the candidate. These and other features are often part of applicant tracking system that are used for screening, tracking, testing, assessing and reporting on the people who apply for jobs. Such software systems are used most often when the volume of applicants is large, the quality of hires needs to be increased, hiring cycles need to be shortened, the cost of hiring needs to be reduced and the firm needs to reach geographic areas not visited by recruiters.

**1) Application forms:** Application forms are almost universally used and can take different formats. Properly prepared application form serves four purposes first it is a record of applicant's desire to obtain a position, secondly it provides the interviewer with a profile of the applicant that can be used in the interview,

third, it is a basic employee record for applicants, who are hired and fourth, it can be used for research on the effectiveness of the selection process. Many employers use only one application form, but others need several. For example, a hospital might need one form for nurses and medical techniques, another form for clerical and office employees, another for managers and supervisors and another for support workers in housekeeping and food service areas.

**Application disclaimers and notices:** Application forms need disclaimers and notices so that appropriate legal protections are stated by employers. The recommended disclosures and notices appearing on application include: employment at will (*right of the employer to carry out employment or terminate it*), reference contacts, employment testing, application time limit and information falsification (*conveying applicant to sign the form otherwise it may lead to termination of their contender ship*).

**Immigration forms:** The immigration reform and control act of 1986, as revised in 1990, requires that within 72 hours of hiring, an employer must determine whether a job applicant is an Indian citizen, registered alien or illegal alien. Applicants who are not eligible to work in this country must not be hired. Employers use the form to identify the status of potential employees. Employers are responsible for ensuring the legitimacy of documents submitted by new employers such as Indian passports, birth certificates, original social security cards and driver's license. Also, employers who hire employees on social visas must maintain appropriate documentation and records.

**Equal Employment Opportunity (EEO) and application forms:** an organization should retain all applications and hiring related documents and records for at least three years. Guidelines from the EEOC and court decisions require that the data requested on application forms must be job related. Employers of all types should review their application forms. It must include following information as: *marital status, information on spouse, height/weight, date of high school graduation, number and ages of dependents and contact in case of emergency*. Concern about such questions stems from their potential disparate impact on some protected groups. For example, the question about dependents can be used to identify women with small children, who may not be hired because of a manager's perception that they will be absent more than women without small children. The high school graduation date more closely identifies a person's age, which can be used to discriminate against individuals over 40. The question about emergency contact might reveal marital status or other protected personal information.

**Resumes as applications:** Applicants commonly provide background information through resumes. Technically, a resume used in place of an application form must be treated by an employer as an application form for EEO purposes. Consequently, if an applicant's resume voluntarily furnishes some information that cannot be legally obtained; the employer should not use that information during the selection process. Some employers require that all who submit resumes complete an application form as well. Individuals who mail in resumes may be sent thank-you letters and application forms to be completed and returned.

**Bio-data and weighted application forms:** Biographical data on an applicant can be gleaned from the application form, pencil and paper questionnaires, interviews or communications with former employers. It is useful if there are large numbers of people doing the same job, or a large number of applicants for a small number of openings, as with on-line recruitment. In such cases, each data element will receive a score

depending on the applicant's response. The scores for each applicant can be added and the highest totals will indicate the applicants most likely to be satisfactory employees. To develop bio-data and weighted application forms, it is necessary to develop questions that can be asked legally and weights that differentiate between satisfactory and poor performance. An employer can use numeric measurements to evaluate applicant's responses and compare them with a valid, job-related set of inquiries. This approach is at the heart of many electronic pre-employment screening systems.

**2) Selection testing:** Many kinds of tests may be used to help select good employees. Literacy tests, skill tests, psychological measurement tests and honesty tests the major categories. Carefully developed and properly administered employment tests allow employers to predict which applicants have the ability to do the job in question, who can learn in training and who will stay. Tests are even available to screen out candidates who may create behavioral or other risks to the employer. **Ability tests:** Tests that assess an individual's ability to perform in a specific manner are grouped as ability tests. These are sometimes further differentiated into aptitude tests and achievement tests. **Cognitive ability tests** measure an individual's thinking, memory, reasoning, verbal and mathematical abilities. Tests such as these can be used to determine applicant's basic knowledge of terminology and concepts, word fluency, spatial orientation, comprehension and retention span, general and mental ability and conceptual reasoning. The Wonderlic Personnel Test and General Aptitude Test Battery (GATB) are two widely used tests of this type. One consideration when using cognitive ability tests is to ensure that the cognitive concepts tested are clearly job related. General mental ability has been found to be a good predictor of job performance. The controversy in the use of general mental ability tests has to do with large difference in the scores of different racial groups. Such tests cost less than personality tests and are highly reliable and the verbal reasoning and numerical tests are valued for a wide range of jobs. However, certain racial minorities score one full standard deviation below non-minorities and that discrepancy could result in adverse impact. **Physical ability tests** measure an individual's abilities such as strength, endurance and muscular movement. At an electric utility, line workers regularly must lift and carry equipment, climb ladders and perform other physical tasks; testing of applicant's mobility, strength and other physical attributes is job related. Some physical ability tests measure such areas as range of motion, strength and posture and cardiovascular fitness. As noted later, care should be taken to limit physical ability testing until after a conditional job offer is made, in order to avoid violation of provision. Different skill-based tests can be used, including psychomotor tests, which measure a person's dexterity, hand-eye coordination, arm hand steadiness and other factors. Such tests as the MacQuarie Test for Mechanical Ability can measure manual dexterity for assembly line workers and others, using psychomotor skills regularly. Many organizations use situational tests, or **work sample tests**, which require an applicant to perform a simulated task that is a part of the target job. Having an applicant for a financial analyst's job prepare a computer spreadsheet is one such test. Requiring a person applying for a truck driver's job to back a truck to a loading dock is another. An **in-basket** test is a work sample test in which a job candidate is asked to respond to memos in a hypothetical in-basket that are typical of the problem faced by people holding that job. The key for any



work sample test is the behavioral consistency between the criteria in the job and the requirements for the test. **Situational judgment tests** are designed to measure a person's judgment in work settings. The candidate is given a situation and a list of possible solutions to the problem. The candidate then has to make judgments about how to deal with the situation. Situational judgment tests are an additional form of job simulation. **Personality tests:** As you know, personality is a unique blend of individual characteristics that affects interaction with a person's environment and help to define a person. Many types of personality tests are available. One well-known version is the Minnesota Multiphasic Personality Inventory (MMPI), which was originally developed to diagnose major psychological disorders and has become widely used as a selection test. The Myers-Briggs test is another widely used instrument of the same type. From these and many other personality tests, an extensive number of personality characteristics can be identified and used. The multitude of different personality traits has long frustrated psychologists, who have argued that there is a relatively small number of underlying major traits. The most widely accepted approach to studying these underlying personality traits often refers to "big five" personality traits. The big five that can be considered generally useful predictors of training success and job performance are *conscientiousness, agreeableness, extroversion, emotional stability and openness to experience*. Of the big five, conscientiousness has been found to be related to job success across most organizations and occupations. Extroversion has been found to predict success in jobs requiring social interaction, such as many sales jobs. The usefulness of the other three traits varies depending on the kind of job and organization. Personality testing can be useful in identifying interpersonal traits needed in jobs and can reveal more information about abilities and interests. However, intrusive questions, lack of face validity and the need to use them with other selection methods can present problems. Such tests have been used to predict many factors including success in training, ability to develop new business and performance on managerial jobs. When used in selection, psychological or personality testing must be solidly related to the job. "Faking" is a major concern for employers using personality tests. Most test publishers do not dispute that test profiles can be falsified and they try to reduce faking by including questions that together constitute a social desirability or "lie" scale. Researchers generally favor the use of "corrections" based on components of the test to account for faking-a preference that also constitutes an argument for professional scoring of personality tests. **Honesty/integrity test:** Different types of tests are being used by employers to assess the honesty and integrity of applicants and employees. They include standardized honesty/integrity tests and polygraph tests. Employers use these tests for several reasons. Firms such as retailers use honesty tests to screen out potentially dishonest individuals and decrease the incidence of employee theft. These firms believe that giving honesty tests also sends a message to applicants and employees alike that dishonesty will not be tolerated. Honesty/integrity tests may be valid as broad screening devices for organizations, if used properly. However, it is important that the tests be chosen, used and evaluated in ways that ensure that they are and remain valid and reliable. They should be used as one piece of the selection process, along with applications, interviews and other data. One documented concern about integrity tests, as about personality tests, is their "fakability". Research indicates that test



takers are more able to fake honesty and pass integrity tests than to falsify profiles on personality tests. Also, the use of honesty/integrity tests can have a negative impact on public relations with applicants. A final concern is that the types of questions asked may constitute invasion of individual privacy. The polygraph test, also known as “lie detector” is a mechanical device that measures a person’s galvanic skin response, heart rate and breathing rate. The theory behind the polygraph is that if a person answers a question incorrectly, the body’s physiological responses will reveal the falsification through the polygraph’s recording mechanisms. As it is not reliable and is not permitted for the organizations to use the test for the process of selection, though it can be used for detection of theft and investigation purposes. Legal concerns and selection testing: Employers must make sure that the selection tests they use are valid, job related and do not discriminate against protected class members. Several court cases have ruled that some tests used by employers, particularly personality tests, are illegally discriminatory. For example, a case study showed that a general knowledge test used by shipping firms and long shore unions was found to discriminate minority applicants who applied for dock shipping jobs, because the failure rates for Hispanic, Asian and African applicants was significantly higher than for other applicants. Altogether, we may say that the role of testing in the selection process must be kept in perspective because tests represent only one possible data and they must be used appropriately and legally.

**3) Selection interviewing:** Selection interviewing of job applicants is done both to obtain additional information and to clarify information gathered throughout the selection process. Typically, interviews are conducted at two levels: first as an initial screening interview simply to see if the person has minimum qualifications and secondly, as an in-depth interview perhaps involving HR staff members and operating managers in the departments, where the individuals will work. Before the in-depth interview, information from all available sources is pulled together so that interviewers can identify and ask questions about conflicting information that may have emerged from tests, application forms and references. In addition, interviewers must obtain as much authentic information about the applicants as possible during the limited time of the interview itself and evaluate this information against job standards. They range from *structured* to *unstructured* and vary in terms of appropriateness for selection. To be useful, interviews must be reliable, allowing interviewers to pick the same capabilities again and again in applicants. Some interviewers may be better than others at selecting individuals, who will perform well. A high *intra-rater* reliability (*within the same interviewer*), can be demonstrated but only moderate to low *inter-rater* reliability (*across different interviewers*) is generally shown. Inter rater reliability becomes important when each of several interviewers is selecting employees from a pool of applicants or if the employer uses team or panel interviews with multiple interviewers. The interview is popular with employers because it has high “face validity”, that is, it seems valid to employers and they like it. It is often assumed that if someone interviews well and the information obtained in the interview is useful, then the individual will perform well on the job. However, research over several decades has consistently confirmed that an unstructured interview is not an especially valid predictor of job performance and success. That is why use of structured interviews has grown in popularity. A **structured interview** uses a set

of standardized questions asked of all applicants. The interviewer asks every applicant the same basic questions, so that comparisons among applicants can more easily be made. This type of interview allows an interviewer to prepare job-related questions in advance and then complete a standardized interviewee evaluation form that provides documentation indicating why one applicant was selected over another. The structured interview is especially useful in the initial screening phase because of the large number of applicants that may need to be considered in this step of the selection process. The structured interview does not have to be rigid. The pre-determined questions should be asked in a logical manner, but interviewers can avoid reading them word for word down the list in a logical manner. Also, the applicant should be allowed adequate opportunity to explain their answers and each interviewer should probe with additional questions until he or she fully understands the responses. Research has showed that structured interview is more reliable and valid than other interview approaches. The structures format ensures that a given interviewer has similar information on each candidate. It also ensures that when several interviewer ask the same question of applicants, there is greater consistency in the subsequent evaluation of those candidates. Structured interviews involve *biographical, behavioral, competency and situational interviews*. **Biographical interview** focuses on a chronological exploration of the candidate's past experiences. This type of interview is widely used and is often combined with situational competency and other forms of information. It combines to the picture of a person by providing a sketch of past experiences. Behavioral interview is an experience based type of structured interview. In the behavioral interview, applicants are asked to give specific examples of how they have performed a certain task or handled a problem in the past. The person that past behaviors are good predictors of future actions provide the logic behind behavioral interviews. Learning about how candidates describe their previous behavior, helps in determining which applicants may be best suited for current jobs. **Competency interview** is similar to the behavioral interview except that the questions are designed specifically to provide the interviewer with something to measure the applicant's response against i.e. the "competency profile" for the position, which includes a list of competencies necessary to do that particular job. Adler, a well known selection expert, is credited with what he calls-the one question interview: "describe your most significant accomplishment". The answers are expected to reveal the candidate's competencies in making that achievement. A variation focuses on problems in the interviewing company and how the candidate would solve them. Developing *competency based questions* and *behavioral based questions* are time consuming. Further, competency and behavioral interviews may simply identify, which candidate is the articulate (*fluent/clear*) person or the best at creating a positive impression. The **situational interview** is a structured interview composed of questions about how applicants might handle specific job situations. Interview questions are based on the job analysis and checked by experts in the job, so that they will be content valid. For some situational interviews, job experts also rate responses to the questions in order to facilitate the ranking of candidates. The interviewer can code the suitability of the answer, assign point values and add up the total number of points an interviewee received. Some situational questions include items like "you are a supervisor and an employee consistently arrives late to work. What actions do you take?",

further if “one of your employees tells you in confidence that she has seen one of her co-workers steal. What do you do?” etc. Research on both behavioral and situational interviews shows that they can predict performance equally well. However, when a descriptively anchored scale for rating answers was added, the behavioral or competency approach was found to have higher validity.

**Unstructured or less structured interviews** are unplanned and without any structure. Often, these interviews are conducted by operating managers or supervisors, who have had little training on interviewing do's and don'ts. An *unstructured interview* occurs when the interviewer “wings it”, asking questions that have no identified direct purpose, such as, “tell me about yourself”. A *semi structured interview* is a guided conversation in which broad questions are asked and new questions arise as a result of the discussion. In the hands of a professional interviewer trained in the psychology of personality theory, semi structured interviews have been found to be better than structured interviews for accurately predicting personality. However, personality can also be predicted with a pencil and paper or web based test if necessary. A **non-directive interview** uses questions that are developed from the answers to previous questions. The interviewer asks general questions designed to prompt the applicant to discuss herself or himself. The interviewer then picks up on an idea in the applicant's response and uses it to shape the next question. For example, if the applicant says, “one reason that I enjoyed my last job was my supervisor”, the interviewer might ask, “what type of supervisor do you most enjoy working with?” With a non-directive interview, as with any less structured interview, difficulties include keeping the conversation job related and obtaining comparable data on various applicants. Many non-directive interviews are only semi-organized; as a result, a combination of general and specific questions is asked in no set order and different questions are asked of different applicants for the same job. Comparing and ranking candidates is more open to subjective judgments and legal challenges under this format. This is why it is the best used only in very specific settings. A **stress interview** is a special type of interview designed to create anxiety and put pressure on applicants to see how they respond. In a stress interview, the interviewer assumes an extremely aggressive and insulting posture. Those who use this approach often justify doing so with individuals who will encounter high degrees of stress on the job, such as consumer-complaint clerks in a department store or air traffic controllers. The stress interview is a high risk approach for an employer. The typical applicant is already somewhat anxious in any interview and the stress interview can easily generate a poor image of the interviewer and the employer. Consequently, an applicant that the organization wishes to hire might turn down the job offer. Even so, many interviewers deliberately put applicants under stress. In **effective interviewing** mainly three points should be taken into consideration i.e. planning of the interview, control the interview and use of effective questioning techniques.

**4) Background investigation:** Background investigation may take place either before or after the in-depth interview. It costs the organization some time and money, but it generally proves beneficial when making selection decisions. Technology has played an increasing role in helping employers to conduct backgrounds investigations. A background screening has four goals i.e. to show that the employer exercised due diligence in hiring, to provide factual information about a candidate, to discourage applicants with something to hide and to

encourage applicants to be honest on applications and during interviews. A comprehensive background checks costs per applicant. A few states have passed laws enforcing limitations on background checking that have made the process more complex and have encouraged employers to hire firms that specialize in checking backgrounds. International background checks present special challenges. The value of background investigation is evident when the investigation reveals that applicants have misrepresented their qualifications and backgrounds. The most common pieces of false information given are length of prior employment, past salary, criminal record and former job title. The only way for employers to protect themselves from resume fraud and false credentials is to get verification on applicants either before or after hire. If hired, an employee can be terminated for falsifying employment information. It is unwise for employers to assume that "someone else has already checked". Too often, that assumption has been proved wrong. **Background information** can be obtained from a number of sources including the following:

- Previous employment records.
- Criminal records.
- Drug tests.
- Education/degree documentation.
- Professional certifications/licenses.
- Motor vehicle records.
- Credit history.
- Honesty tests.
- Social security number.
- Sex offender's lists.
- Worker's compensation records and
- Military records etc.

Personal references such as those from relatives, clergy or friends are of little value and should not even be used. No applicant seeks a recommendation from somebody who would give a negative response. Instead, work related references from previous employers and supervisors should be relied on. Several methods of obtaining information from references are available to an employer with telephoning the reference the most commonly used method. Many experts recommend that employers conducting a telephone reference check use a form focusing on factual verification of information given by the applicant, such as employment dates, salary history, type of job responsibilities and attendance record. Other items often include reasons for leaving the previous job, the individual's manner of working with supervisors and other employees and other more subjective information. Many firms that are called for references will provide only factual information. But the use of the form can provide evidence that a diligent effort was made. The costs of failing to check references may be high. Some organizations have become targets of lawsuits that charge them with negligence in hiring workers, who have committed violent acts on the job. Lawyers say that an employer's liability hinges on how well it investigates an applicant's background. Prior convictions and frequent moves or gaps in employment should be cues for further inquiry. **Negligent hiring** occurs when an employer fails to check an employee's background and the employee injures someone. There is a potential negligent hiring problem, when the employer hired

an unfit employee who injures others, the employer did an inadequate background check or the employer failed to find facts that would have led to rejection because of potential risk. A related situation, **negligent retention**, occurs when an employer become aware that an employee may be unfit for employment but continues to employ the person and the person injures someone. **Medical information** on applicants may be used to determine their physical and mental capabilities for performing jobs. Physical standards for jobs should be realistic, justifiable and geared to the job requirements. Workers with disabilities can perform satisfactorily in many jobs. However, in many places, they are rejected because of their disabilities, rather than being screened and placed in appropriate jobs. Drug testing and genetic testing may help to inquire about health related issues of a particular person, who is to be employed.

- 1) **Making the job offer:** The final step of the selection process is offering someone employment. Job offers are often extended over the phone and many are then formalized in letters and sent to applicants. It is important that the offer document be reviewed by the legal counsel and the terms & conditions of employment be clearly identified. Care should be taken to avoid vague, general statements and promises about bonuses, work schedules or other matters that might change later. These documents also should provide for the individuals to sign an acceptance of the offer and return it to the employer, who should place it in the individual's personnel files.

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#### 6.4.2 STAFFING GLOBAL ASSIGNMENTS

Staffing global assignments involves selecting, placing and locating employees in other countries. The need for individuals who can provide leadership in global organizations emphasizes the importance of global staffing. Global organizations can be staffed in a number of different ways, including with expatriates, host-country nationals and third country nationals. Each staffing option presents some unique HR management challenges. For example, when staffing with citizens of different countries, different tax laws and other factors apply. HR professionals need to be knowledgeable about the laws and customs of each country represented in their workforce. An **expatriate** is a citizen of one country, who is working in a second country and employed by an organization headquartered in the first country. Experienced expatriates can provide a pool of talent that can be tapped as the organization expands its operations more broadly into even more countries. A **host country national** is a citizen of one country, who is working in that country and employed by an organization headquartered in a second country. Host country nationals often know the culture, politics, laws and business customs better than an outsider would. A **third country national** is a citizen of one country, who is working in a second country and employed by an organization headquartered in a third country. For example, an Indian citizen working for a British oil company as a manager in Norway is a third country national.

The **selection process** for an international assignment should provide a realistic picture of life, work and culture to which the employee may be sent. HR managers start by preparing a comprehensive description of the job to be done. This description notes responsibilities that would be unusual in the home nation, including negotiation with public officials, interpreting local work codes and



responding to ethical, moral and personal issues such as religious prohibitions and personal freedoms. The five areas are *cultural adjustment, organizational requirements, personal characteristics, communication skills and personal/family concerns*, which must be taken into consideration for a global assignment.

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**CHECK YOUR PROGRESS 2:**

- 1) What do you understand by selection and various steps in the process of selection?

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- 2) Describe briefly about staffing for global assignments?

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**6.5 LET'S SUM UP**

Both recruitment and selection are important parts of human resource management in an organization. Both the processes are concerned with the supply of manpower for any organization. Recruitment is the initial step for the fulfillment of manpower demands of an organization, which ends up with the final selection and job offer for the suitable candidate for a particular job. It is a process of generating a pool of qualified applicants for organizational jobs. Recruitment involves human resource planning of how, when and what type of employees are needed for an organization and what goals are to be accomplished by them. Moreover, it deals with recruitment presence & image, training, regular & flexible staffing, diversity considerations and recruitment source choices. Recruitment is done through internal, external and web based or internet based modes. On the other hand, selection is the process of choosing individuals with qualifications needed to fill various job positions in an organization. It is a deliberate effort of someone in any firm to choose numerous people from a group of applicants for particular positions. Selection process involves applicant's job interest, pre-employment screening, application form, test, interview, background investigation, additional interview, conditional job offer, medical examination and job placement. It helps to provide staffing for a particular organization as well as global staffing assignments. This unit will give you an idea about the concepts of recruitment and selection, their processes and implications.

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**6.6 CLUES TO ANSWERS**

- 1) Refer to sections 6.2 & 6.3 for answers of-check your progress 1.  
2) Refer to section and sub-sections 6.4, 6.4.1 & 6.4.2 for answers of-check your progress 2.



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## 6.9 TERMINAL QUESTIONS

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**Q1.** Explain recruitment, its process and types with suitable examples.

**Q2.** Describe the concept of selection and process of selection with suitable examples.

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## UNIT 7: TRAINING AND DEVELOPMENT

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**Structure:**

- 7.0 Introduction.
- 7.1 Objectives.
- 7.2 Training.
  - 7.2.1 Process of training.
  - 7.2.2 Training needs assessment.
  - 7.2.3 Training design.
  - 7.2.4 Training delivery.
  - 7.2.5 Training evaluation.
  - 7.2.6 Training for global assignments.
- 7.3 Development.
  - 7.3.1 Development process.
  - 7.3.2 Development needs analysis.
  - 7.3.3 Succession planning.
  - 7.3.4 Choosing a development approach.
  - 7.3.5 Management development.
- 7.4. Let's sum up.
- 7.5 Clues to answers.
- 7.6 References.
- 7.7 Suggested readings.
- 7.8 Terminal questions.

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### 7.0 INTRODUCTION

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The competitive pressures facing organizations today require employees whose knowledge and ideas are current and whose skills and abilities can deliver results. As organizations compete and change, training becomes even more critical than before. Employees, who must adapt to the many changes facing organizations, must be trained continually in order to maintain and update their capabilities. Also, managers must have training and development to enhance their leadership skills and abilities. In a number of situations, employers have documented that effective training produces productivity gains that more than offset the cost of the training. Traditionally, development efforts targeted employees to help them look beyond their current jobs and to prepare them for a variety of future jobs in the organization. Development of employees is also necessary for the organizations to have human resource capabilities for future growth and change.

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### 7.1 OBJECTIVES

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After reading this unit you will be able to:

- Know about the concept and process of training.
- Have a conceptual background of training for global assignments.
- Know about the concept and process of development.
- Have knowledge of needs, planning and management of development of human resources.

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## 7.2 TRAINING

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Training is a process, whereby people acquire capabilities to perform jobs. Poorly trained employees may perform poorly and make costly mistakes. Training provides employees with specific, identifiable knowledge and skills for use in their present jobs. Sometimes a distinction is drawn between training and development, with development being broader in scope and focusing on individuals gaining new capabilities useful for both present and future jobs.

*“Training means to prepare an individual to do job for which he has been hired. This covers both orientation and specific instruction.”*

Training may include **hard skills** such as teaching a programmer-how to use c++ computer language, an accountant-how to make an income statement, or a mechanist apprentice-how to set up a drill press. **Soft skills** are critical in many instances and can be taught as well. They include communicating, mentoring, managing a meeting and working as part of a team. Training involves organizational competitiveness, knowledge management and integration of performance. Training represents a significant expenditure in most organizations. But it is too often viewed tactically rather than strategically, as upper management is often not clear, what it wants from training and therefore fails to connect training with the strategy and goals of the organization. Training activities helps to:

- Develop new employee skills.
- Encourage change.
- Promote continuous learning.
- Create and share new knowledge.
- Facilitate communication and
- Improves retention of the employees.

Ideally, the upper management group understands that the training function can provide valuable intelligence about the necessary core skills. If the training unit understands the strategic direction of the organization, it can find creative ways to move people in the direction of the various stages. Training that is seen as being aligned with the direction that the organization is going gets higher usage; and providing support for people to get that training is viewed by the employees as positive for the strategies of the organization. If a company is trying to distinguish itself from its competition through the quality of its customer service, then significant customer service training is needed to support the strategic direction of the firm. If another firm differentiates itself from competitors with products and services, that customers perceive as distinctive and unique, then training resources should be shifted to keeping employees abreast of the latest advertising and marketing ideas. For example, an exclusive jewelry store selling *Rolex watches* and expensive jewelry must ensure that its employees are trained on all the models, features and operations of such items. Further strategic training enables HR and training professionals to get intimately involved with the business partner with operating managers to help solve their problems and make significant contribution to organizational results. Strategic training also may prevent HR professionals and trainers from chasing fads or the hottest or latest type of training gimmick. Additionally, a strategic training mindset reduces the likelihood of thinking that training alone can solve most employees or organizational problems. For global firms, the most brilliant strategies ever

devised will not work, unless there are well trained employees throughout the world to carry them out. **Training plans** allow organizations to identify, what is needed for employee performance before training begins. It is at this stage that fit with strategic issues is ensured. A good training plan deals with various questions:

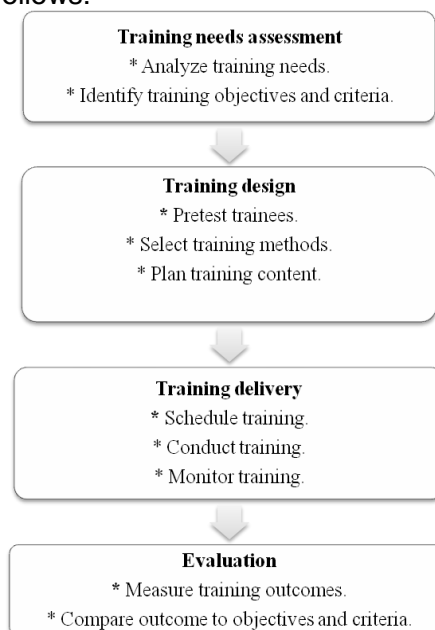
- Is there really a need for the training?
- Who needs to be trained?
- Who will do the training?
- What form will the training take?
- How will knowledge be transferred to the job?
- How will the training be evaluated?

### 7.2.1 PROCESS OF TRAINING

As you know training provides an organization with employees perfect in their workings, it becomes important to know about the process of training. Various firms organize and structure training, which affects the way employees experience the training, which in turn influences the effectiveness of the training. Effective training requires the use of a systematic training process. There are **four phases** of training:

- Training needs assessment.
- Training design.
- Training delivery.
- Training evaluation.

Using such a process, reduces the likelihood that unplanned, uncoordinated and haphazard training efforts will occur. Training process starts from the assessment of needs of training, then formulation of training design, delivery of training and evaluation of training finally. The various phases of training process have been drawn as flowchart as follows:



**Figure: 7.2** Training process as a flowchart

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### 7.2.2 TRAINING NEEDS ASSESSMENT

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Assessment of organizational training needs represents the diagnostic phase of a training plan. This assessment considers issues of employee and organizational performance to determine if training can help. Needs assessment measures the competencies of a company, a group or an individual as they relate to what is required in the strategic plan. It is necessary to find out what is happening and what should be happening before deciding if training will help and if it will help, what kind is needed. **For example**, suppose that in looking at the performance of a data entry operator in billing department of a hotel, a manager identifies problems that employees have with their data-entry and keyboarding abilities and he/she decides that they would benefit from instruction in these areas. As part of assessing the training needs, the manager asks the data-entry operator to take data-entry test to measure their current keyboarding skills. Then, the manager establishes an objective of increasing data-entry operator's keyboarding speed to 60 words per minute without errors. The number of words per minute without errors is the criterion against which training success can be measured and it represents the way in which the objective is made specific.

**1) Analyzing training needs:** The first step in training needs assessment is analyzing training needs. There are three sources of analyzing training needs as follows:

- **Organizational analyses:** Training needs can be diagnosed through the analysis of organizational outcomes. A part of HR planning is the identification of the knowledge, skills and abilities that will be needed in the future as both jobs and the organization change. Both internal and external forces will influence training and must be considered when doing organizational analysis. For example, the problems posed by the technical inefficiency of current employees and an insufficiently educated labor pool from which to draw new workers should be confronted before those training needs become critical. One important source for organizational analysis comes from various operational measures of organizational performance. On a continuing basis, detailed analysis of HR data reveals training weaknesses. Departments or areas with high turnover, high absenteeism, low performance or other deficiencies can be pin-pointed. Following an analysis of such problems, training objectives then can be developed.

- **Job/task analyses:** The second way of diagnosing training needs is to analyze the job involved and the tasks performed in those jobs. By comparing the requirements of jobs with the knowledge, skills and abilities of employees, training needs can be identified. Current job specifications can be a source for such an analysis. For example, at a travel agency, analyses identified the tasks performed by the sales manager, who served as instructor, management established a program to teach specific instructional skills; thus the sales managers were able to become more successful instructors.

- **Individual analyses:** The third means of diagnosing training needs focuses on individuals and how they perform their jobs. The most common approach for making these individual analyses is to use performance appraisal data. In some examples, a good HR information system can be used to identify individuals who require training in specific areas in order to be eligible for promotion. To assess training needs through the performance appraisal process, the organization first determines an employee's performance inadequacies in a formal review. Then, it

can design some type of training to help the employee overcome the weaknesses. Another way of assessing individuals training needs is to survey both managerial and non-managerial employees about what training is needed. Such surveys can also be useful in building support for training from those who will be trained, because the employees will have provided input for identifying their training needs. A training need survey can take the form of questionnaires or interviews with supervisors and employees individually or in groups. The purpose is to gather information on problems perceived by the individuals involved. In addition to performance appraisals and training surveys, various sources are useful for individual analyses i.e. skill tests, questionnaires, individual assessment tests, attitude surveys, records of critical incidents, job knowledge tools and assessment centers.

**2) Training objectives and priorities.** Once training needs have been identified using appropriate analyses, **training objectives and priorities** can be established by a “gap analysis”, which indicates the distance between where an organization is with its employee capabilities and where it needs to be. Training objectives and priorities are set to close the gap. Three types of training objectives can be set:

- *Knowledge:* Impart cognitive information and details to trainees.
- *Skill:* Develop behavior changes in how jobs and various task requirements are performed.
- *Attitude:* Create interest in and awareness of the importance of training.

The process of training should be measured in terms of the objectives set. Useful objectives are measurable. For example, an objective for a new sales clerk might be to “demonstrate the ability to explain the function of each product in the department within two weeks”. This objective checks on internalization or whether the person really learned and is able to use the training. Because training seldom is an unlimited budget item and because organizations have multiple training needs, prioritization is necessary. Ideally, management ranks training needs based on organizational objectives. Conducting the training most needed to improve the performance of the organization will produce visible results more quickly.

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### 7.2.3 TRAINING DESIGN

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Once training objectives have been determined, training design can start. Whether job-specific or broader in nature, training must be designed to address the assessed specific needs. Effective training design considers learning concepts, different approaches to training and legal issues. Working in organizations should be a continual learning process and learning is the focus of all training activities. Different approaches are possible, but learning is a complex psychological process. There are three primary considerations when designing training:

- Determining learner readiness.
- Understanding different learning styles and
- Designing training for transfers.

Each of these elements must be considered for the training design to mesh together. Training design includes various parts as follows:

- Learner readiness.



- Learning styles.
- Transfer of training.
- Training categories.
- Legal issues and training.

**1) Learner readiness:** For training to be successful, learners must be ready to learn. Learner readiness means having the basic skills necessary for learning, the motivation to learn and self efficacy. Learners must possess basic skills, such as fundamental reading and math proficiency and sufficient cognitive abilities as **ability to learn**. Companies may discover that some workers lack the requisite skills to comprehend their training effectively. Various firms have found that a significant number of job applicants and current employees lack the reading, writing and math skills needed to do the jobs. Employers might deal with the lack of basic employee skills in several ways like offering remedial training to people in their current workforce who need it, hire workers they know are deficient and then implement specific workplace training and work with local schools to help better educate potential hires for jobs. A person's desire to learn training content is referred to as **motivation to learn** and is influenced by multiple factors. For example, the extent to which a student taking a college course is motivated to learn the course content might be influenced by personal career interests and values, degree plan requirements and area of study, the positive value the student places on getting an A in the course, or simply personal expectations of doing well in school. The student's motivation level may also be influenced by the instructor's motivation and ability, friend's encouragement to do well, classmate's motivation levels, the physical classroom environment and the training methods used. Regardless of what the motivation is, without it, the student will not learn the material. Learners must also possess **self-efficacy**, which refers to a person's belief that he or she can successfully learn the training program content. For learners to be ready for and receptive to the training content, they must feel that it is possible for them to learn it. As an example, some college student's levels of self efficacy diminish in math or statistics courses when they do not feel adequately able to grasp the material. These perceptions may have nothing to do with their actual ability to learn, but rather reflect the way they see themselves and their abilities. Instructors and trainers must find appropriate ways to boost the confidence of trainees who are unsure of their learning abilities. For example, people with a low level of belief that they can learn certain content may benefit from one on-one-training.

**2) Learning styles:** In designing training interventions, trainers should also consider individual learning styles. For examples, *auditory* learners learn best by listening to someone else tell them about the training content. *Tactile* learners must "get their hands on" the training resources and use them. *Visual* learners think in pictures and figures and need to see the purpose and process of the training. Trainers, who address all these styles by using multiple training methods, can design more effective training. Training many different people from diverse backgrounds poses a significant challenge in today's work organizations. Research reveals that in addition to considering cultural, gender and race/ethnicity diversity, training design sometimes must address some special issues presented by adult learning. For example, a firm is training a group of 30 customer service representatives, 10 out of them are under age of 25 and highly computer and internet literate and the remainder are older and not as computer

proficient. Certainly training design must consider that all the trainees are adults, but they come with widely varying learning styles, experiences and anxieties. Training older adults in technology may require greater attention to explaining the need for changes and to build the older trainee's confidence in their abilities to learn new technology. In contrast, younger adults are likely willing to try new technology because of their earlier exposure to computers and technology. As a consequence of differences such as these, a variety of training designs and delivery considerations must be assessed when developing training for adults of various stages. **Adult learners** should be encouraged to bring work-related problems to training as a way to make the material more relevant to them. Effective training should involve participants in learning by actively engaging them in the learning and problem solving process. **Active practice** occurs when trainees perform job related tasks and duties during training. It is more effective than simply reading or passively listening. For example, if a person is being trained as a customer service representative, after being given some basic selling instructions and product details, the trainee calls a customer and uses the knowledge received. Active practice can be structured in two ways. The first, **spaced practice** occurs when several practice sessions are spaced over a period of hours and days. The second, massed practice occurs when a person performs all the practice at once. Spaced practice works better for some types of skill or physical learning that requires muscle memory, whereas for other kinds of learning, such as memorizing tasks, massed practice is usually more effective. Imagine the difficulty of trying to memorize the lists of options for 20 dishwasher models, one model a day for 20 days. By the time an appliance distribution salesperson learned the last option, the person likely would have forgotten the first one. The most elementary way in which people learn and one of the best is behavior modeling, or copying someone else's behavior. The use of behavior modeling is particularly appropriate for skill training in which, the trainees must receive training and mentoring on how to handle disciplinary discussions with employees by observing as the HR director or department manager deals with such problems. Behavior modeling is used extensively as the primary means for training supervisors and managers in interpersonal skills by the trained supervisors. Fortunately or unfortunately, many supervisors and managers end up modeling the behavior they see their bosses use. For that reason, effective training should include good examples of how to handle interpersonal and other issues and problems. The concept of **reinforcement** is based on the law of effect, which states that people tend to repeat responses that give them some type of positive reward and to avoid actions associated with negative consequences. Closely related is a learning concept called **immediate confirmation**, which is based on the idea that people learn best if reinforcement and feedback are given as soon as possible after training. Immediate confirmation corrects errors that, if made throughout the training might establish an undesirable pattern that would need to be unlearned. It also aids with the transfer of training to the actual work done.

**3) Transfer of training:** Finally, trainers should design training for the highest possible transfer from the class to the job. Transfer occurs when trainees actually use on the job what they learned in training. Estimates of how much training effectively gets transferred in corporate training are fairly dismal. Effective transfer of training meets two conditions. First, the trainees can take the material

learned in training and apply it to the job context in which they work. Second, employees maintain their use of the learned material overtime. A number of approaches can increase the transfer of training. Offering trainees an overview of the training content and process before the actual training seems to help with both short-term and long-term training transfer. Another specific way to aid transfer of training to job situations is to ensure that the training mirrors the job context as much as possible. For example, training managers to be better selection interviewers should include role playing with applicants who respond in the same way that real applicants would.

**4) Training categories:** Training can be designed to meet a number of objectives and can be classified in various ways. Some common groupings includes forms like *required and regular training, job/technical training, interpersonal & problem solving training and developmental and innovative training* etc. the most important and widely conducted type of regular training is done for new employees. **Orientation** is the planned introduction of new employees to their jobs, co-workers and the organization and is offered by most employers. It requires cooperation between individuals in the HR unit, operating managers and supervisors. In a small organization without an HR department, the new employee's supervisor or manager usually assumes most of the responsibility for orientation. In large organizations, managers and supervisors as well as the HR department, generally work as a team to orient new employees. Effective orientation achieves several key purposes like establishment of a favorable employee impression of the organization and the job, provision of organization and job information, enhancement of interpersonal acceptance by co-workers, acceleration of socialization and integration of the new employee into the organization and assurance of the fact that employee's performance and productivity begin more quickly. Orientation also contributes to overall organizational performance by helping employees to more quickly feel that they are a part of the organization and can begin contributing towards organizational work efforts. **Cross training** occurs when people are trained to do more than one job i.e. theirs and someone else's. For the employer, the advantages of cross training are flexibility and development. If an employee gets sick or quits, there is someone already trained to do the job. However, while cross training is attractive to the employer, it is not always appreciated by the employees, who often feel that it requires them to do more work for the same pay. In some organizations, the culture may be such that people seek cross training assignments to grow or prepare for a promotion, but that is not the case in all organizations. Unions typically are not in favor of cross training, as it threatens jobs jurisdiction and broadens jobs. Cross training may require scheduling work differently during training and temporarily decreased productivity may result from it as people learn. An effective cross training program can overcome the concerns mentioned and has the potential to be good for both employer and employee. Learning *bonuses* can be awarded for successfully completing cross training, to make it more appealing to employees.

**5) Legal issues in training:** A number of issues must be considered when designing and delivering training. One concern centers on the criteria and practices used to select individuals for inclusion in training programs, making sure that those criteria are job related and do not unfairly restrict the participation of protected class members. Also, failure to accommodate the participation of

individuals with disabilities in training exposes organizations to equal employment opportunities lawsuits. Another contemporary issue is employer's requiring trainees to sign contracts in order to protect the costs and time invested in specialized employee training. For example, a **travel agency** paid 6 lakhs to train forty people in dealing with online software like *Amadeus*, for booking purpose. The travel agency required that the employees sign training contracts, whereby one fourteenth of the cost would be forgiven each year the employee stayed with the organization following the training. An employee, who left sooner, would be liable to the firm for the unforgiven balance. Various organizations like health care organizations, IT firms and other employers use training contracts.

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#### 7.2.4 TRAINING DELIVERY

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Once training has been designed, then the actual delivery of training can begin. It is generally recommended that the training be pilot tested or conducted on a trial basis to ensure that the training meets the needs identified and that the design is appropriate. Regardless of the type of training done, a number of approaches and methods can be used to deliver it. The growth of training technology continues to expand the available choices. Whatever the approach used, a variety of considerations must be balanced when selecting training delivery methods. The common variables considered are as follows:

- Nature of training.
- Subject matter.
- Number of trainees.
- Individual vs. team.
- Self paced vs. guided.
- Training resources/costs.
- E-learning vs. traditional learning.
- Geographic locations.
- Time allotted and
- Completion timeline.

To illustrate, a large firm with many new hires may be able to conduct employee orientation using internet, videotapes and specific HR staff members. However, a small firm with few new hires may have an HR staff member meet individually with the new hires for several hours. Or a medium sized company with three locations in a geographic area may bring supervisors together for a two day training workshop once a quarter. However, a large global firm may use **web based courses** to reach supervisors throughout the world with content available in several languages. Frequently, training is conducted internally, but some types of training use external or technological training resources.

**1) Internal training:** Internal training generally applies very specifically to a job. It is popular because it saves the cost of sending employees away for training and often avoids the cost of outside trainers. Frequently, skill based, technical training is conducted inside organizations. Due to rapid changes in technology, the building and updating of technical skills have become crucial training needs. One internal source of training is **informal training**, which occurs through interactions and feedback among employees. Most of what the employees know about their jobs, they learn formally from asking questions and getting advice from other employees and their supervisors, rather than from formal training programs. The

most common type of training at all levels in an organization is **on-the-job-training**. In contrast with informal training, which often occurs spontaneously, OJT should be planned. The supervisor or manager conducting the training must be able to both teach and show the employees what to do. Based on a guided form of training known as **job instruction training (JIT)**, on the job training is most effective if a logical progression of stages is used. On-the-job-training is by far the most commonly used form of training because it is flexible and relevant to what employees do. However, OJT has some problems. Often, those doing the training may have no experience in training, no time to do it and no desire to participate in it. Under such conditions, learners essentially are *on-their-own* and training likely will not be effective. Another problem is that OJT can disrupt regular work. Unfortunately, OJT can amount to no training at all in some circumstances, especially if the trainers simply abandon the trainees to learn the job alone. Also bad habits or incorrect information from the supervisor or manager can be transferred to the trainees. On the other hand, well planned and well executed OJT can be very effective.

**2) External training:** As you know that internal training is provided by any organization within its territory by utilizing their own resources, but the training that takes place outside the employing organization is called as external training and is used extensively by organizations of all sizes. Large organizations use external training, if they lack the capability to train people internally or when many people need to be trained quickly. External training may be the best option for training in smaller firms due to limitations in the size of their HR staffs and in the number of employees who may need various types of specialized training. Whatever the size of the organization, external training occurs for several reasons like it may be less expensive for an employer to have an outside trainer conduct training in areas where internal training resources are limited, the organization may have insufficient time to develop internal training materials, the HR staff may not have the necessary level of expertise for the subject matter in which training is needed and there are advantages to having employees interact with managers and peers in other companies in training programs held externally. Many employers of all sizes **outsource training** to external training firms, consultants and other entities. A popular route for some employers is to use vendors and suppliers to train employees. Several computer software vendors offer employees technical certifications on their software. For example, being a Microsoft certified product specialist gives employees credentials that show their level of technical expertise. Such certifications provide employees with items to put on their resumes, should they decide to change jobs. These certifications also benefit employers, who can use them as job specifications for hiring and promotion. Many suppliers, including software providers, host user's conferences, where employees from a number of firms receive detailed training on using the product and new features being added. Some vendors will conduct the training inside an organization as well if sufficient numbers of employees are to be trained. **Government supported job training** also provides an important means of training for a number of people within a state or a country. Some employers pay for additional for their employees. Typically, the employers pay for **additional education for their employees**. Typically, the employee pays for courses that apply to a college degree and is reimbursed upon successful completion of a course. The amounts paid by the employer are considered non-



taxable income for the employee up to amounts set by laws. Traditional forms of employee educational programs pose risks for the employer, because upon completion of the degree, the employee may choose to take the new skills and go elsewhere. The company does not agree to provide the opportunity for everyone and it offers the arrangement only to those with several years of employment and potential to move up in the organization.

**3) E-learning/on-line training:** E-learning is the use of the internet or an organizational intranet to conduct training online. An intranet is similar to the internet, but it is a private organizational network behind firewall software that restricts access to authorized users, including employees participating in e-learning. The rapid growth of e-learning makes the internet or an intranet a viable means for delivering training content. E-learning has both advantages and disadvantages that must be considered. In addition to being concerned about employee's access to e-learning and desire to use it, some employers worry that trainees will use e-learning to complete courses quickly but will not retain and use much of their learning. In total you may say that e-learning is the latest development in the evolution of training delivery. Some of the biggest obstacles to using it will continue to be keeping up with the rapid change in technological innovation, knowing when and how much to invest and designing e-courses appropriately.

**4) Training approaches:** Whether training is delivered, externally or through e-learning, appropriate learning approaches must be chosen. Some of them are used more for job-based-training, while others are used more for development. Various training approaches may be highlighted as follows:

- Cooperative training.
- Instructor-led classroom and conference training.
- Distance training/learning and
- Simulations and training.

**Cooperative training** approaches mix classroom training and on-the-job experiences. This training can take several forms. One form, generally referred to as *school to work transition*, helps individuals move into jobs while still in school or upon completion of formal schooling. Such efforts may be arranged with high school or upon completion of formal schooling. Such efforts may be arranged with high schools or with community colleges. A form of cooperative training called *internship* usually combines job training with classroom instruction from schools, colleges and universities. Internships benefit both employers and interns. Interns get real world exposure, a line on their resumes and a chance to closely examine a possible employer. Employers get a cost effective source of labor and a chance to see an intern at work before making a final hiring decision. Another form of cooperative training used by employers, trade unions and government agencies is *apprentice training*. An apprenticeship program provides an employee with *on-the-job* experience under the guidance of a skilled and certified worker. Certain requirements for training, equipment, time-length and proficiency levels may be monitored by a unit. Apprenticeships train people for jobs in skilled crafts, such as carpentry, plumbing, photoengraving, typesetting and welding etc. Apprenticeships usually last for two to five years depending on the occupation. During this time, the apprentice usually receives low wages than the certified individual. **Instructor led training** is still the most prevalent approach to training. Employer-conducted short term courses, lectures and



meetings usually consist of classroom training, whereas numerous employee development courses offered by professional organizations, trade associations and educational institutions are examples of conference training. An important aspect of classroom training is the need to recognize that adults in a classroom setting have different expectations and learning styles from those of younger students. A number of large firms have established their own institutions to offer classroom and other training as a part of curricula for employees and these corporate institutions generally offer both training and development courses. A growing number of college and university classes use some form of internet based course support for **distance training and learning**. *Blackboard* and *web computer* are two important and popular support packages that thousands of college professors use to make their lecture content available to students. These packages enable virtual chat and electronic file exchange among course participants and also enhance *instructor-student* contact. Many large employers, as well as colleges and universities use interactive two way television to present classes. The medium allows an instructor in one place to see and respond to a class in any number of other locations. With a fully configured system, employees can take courses from anywhere in the world. The explosive growth in information technology in the past few years has revolutionized the way all individuals work, including how they are trained. Today, computer based training involves a wide range of multimedia technologies including sound, motion, graphics and hypertext to tap multiple learner senses. Video streaming allows video clips of training materials to be stored on a firm's network server. Employees can then access the material using the firm's intranet. **Computer supported simulations** within **organizational training** can replicate the psychological and behavioral requirements of a task, often in addition to providing some amount of physical resemblance to the trainee's work environment. From highly complicated systems that replicate difficult landing scenarios for pilots, to programs that help medical trainees learn to sew sutures, simulations allow for safe training when the risks associated with failure are high. Virtual reality is also used to create an artificial environment for trainees so that they can participate in the training. **For example**, virtual reality is used in some military operations training and in the robotic manufacturing of electronic equipment. The new technologies incorporated into training delivery also affect the design, administration and support of training. Some companies have invested in electronic registration and record keeping systems that allows trainers to register participants, record exam results and monitor learning progress. Generally, technology is moving from center stage to becoming embedded in the learning and training processes. As learning and work merge even closer in the future, technology is likely to integrate in a seamless manner into the work environment for more employees. This integration will allow employees to spend less time in the future learning how to use technology and more time on learning the desired content.

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### 7.2.5 TRAINING EVALUATION

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Finally evaluation of training compares the *post-training* results to the *pre-training* objectives of managers, trainers and trainees. Too often, training is conducted with little thought of measuring and evaluating it later to see how well it worked, because training is both time consuming and costly, it should be evaluated.

**1) Levels of evaluation:** It is best to consider how training is to be evaluated before it begins. Donald L. Kirkpatrick identified four levels at which training can be evaluated. These are:

- Reaction.
- Learning.
- Behavior and
- Results.

The evaluation of training becomes successively more difficult as it moves from measuring reaction to measuring learning to measuring behavior and then to measuring results. But the training that affects behavior and results versus reaction and learning provides greater value.

Organizations evaluate the **reaction** levels of trainees by conducting interviews with or administering questionnaires to the trainees. Assume that 30 managers attend a two day workshop on interviewing skills. A reaction level measure could be gathered by having the managers complete a survey that asked them to rate the value of the training, the style of instructors and the usefulness of the training to them. If the survey were administered immediately after the workshop, it might measure only how much the managers liked the training rather than how the training benefitted them or how it affected the way they conduct interviews.

**Learning** levels can be evaluated by measuring how well trainees have learned facts, ideas, concepts, theories and attitudes. Tests on the training material are commonly used for evaluating learning and they can be given both before and after training to provide scores that can be compared. If test scores indicate learning problems then instructors get feedback and courses can be redesigned so that the content can be delivered more effectively. Of course, learning enough to pass a test does not guarantee that trainees will remember the training content months later or will change job behaviors. Evaluating training at the **behavioral** level means measuring the effect of training on job performance through interviews of trainees and their co-workers and observing job performance. **For example**, the managers who participated in the interviewing workshop might be observed conducting actual interviews of applicants for jobs in their departments. If the managers asked questions as they had been trained and used appropriate follow-up questions, then behavioral indicators of the interviewing training exists. Behaviors are more difficult to measure than reaction and learning. Even if behaviors do change after training, the results that management desires may not be obtained. Employers evaluate **results** by measuring the effect of training on the achievement of organizational objectives. Because results such as productivity, turnover, quality, time, sales and costs are relatively concrete, this type of evaluation can be done by comparing records before and after training. For the managers who attended the interviewing training, evaluators could gather records of number of individuals hired compared with the number of employment offers made before and after the training. The difficulty with measuring results is pinpointing whether changes were actually the result of training or of other major factors. For example, managers who completed the interviewing training program can be measured on employee turnover before and after the training. But turnover also depends on the current economic situation, the demand for products and many other variables.

**2) Training evaluation metrics:** As mentioned earlier, training is expensive and therefore it is one HR function that requires measurement and monitoring. Cost-

*benefit analysis* and *Return on investment (ROI) analysis* are commonly used to do so, as are various benchmarking approaches. Training results can be examined through **cost-benefit analysis**, which is comparison of costs and benefits associated with training. *Typical costs* includes trainer's salary & time, trainee's salaries and time, materials for training, expenses for trainers and trainees, cost of facilities and equipment and lost productivity etc. On the other hand *typical benefits* includes increase in production, reduction in errors and accidents, less supervision necessary, ability to use new capabilities and attitude changes etc. Even though some benefits (attitude changes) are hard to quantify, comparison of costs and benefits associated with training remains a way to determine whether or not training is cost-effective. **For example**, one firm evaluated a traditional safety training program and found that the program did not lead to a reduction in accidents. Therefore, the safety training was re-designed and better safety practices resulted. In organization, training is often expected to produce a **return on investment (ROI)**. Still in too many circumstances, training is justified because someone liked it, rather than on the basis of resources accountability. In addition to evaluating training internally, some organizations use **benchmark** measures to compare it with training done in other organizations. To do benchmarking, HR professionals gather data on training in their organization and compare them with data on training at other organizations in the same industry and of a similar size.

**3) Training evaluation designs:** With or without benchmarking data, internal evaluations of training programs can be designed in a number of ways. The three designs have been elaborated further as:

- Post measure.
- Pre/post measure and
- Pre/post measure with a control group.

**Post measure:** The most obvious way to evaluate training effectiveness is to determine after the training whether the individuals can perform the way management wants them to perform. **Assume** that a customer service manager has 20 representatives, who need to improve their data entry speeds. After a single day training session, they take a test to measure their speeds. If the representatives can type at the required speed after training, was the training beneficial? It is difficult to say; perhaps most of them could have done as well before training. Tests after training do not always clearly indicate whether a performance is a result of the training or could have been achieved without the training. **Pre/post measure:** By designing the evaluation differently, the issue of pretest skill levels can be considered. If the manager had measured the data-entry speed before and after the training, he could have known whether the training made any difference. However, a question would have remained in light that was any increase in speed a response to training or did these employees simply work faster because they knew they were being tested? People often perform better when they know that their efforts are being evaluated. **Pre/post measure with a control group:** Another revaluation design can address this problem. In addition to testing 20 representatives, who will be trained, the manager can test another group representative who will not be trained, to see if they do as well as those who are to be trained. This second group is called a *control group*. After training, if the trained representative work significantly faster

than those who were not trained, the manager can be reasonably sure that the training was effective.

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### 7.2.6 TRAINING FOR GLOBAL ASSIGNMENTS

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The orientation and training that expatriates (*person living outside his native country*) and their families receive before departure significantly affect the success of an overseas assignment. Unfortunately, various surveys have found that only 50 to 60% of global employers provide formal training programs for expatriates and their families. When each program was offered, most expatriates participate in them and the programs usually produce a positive effect on cross culture adjustment. The most common topics covered in pre-departure training are daily living conditions, cultural customs, business issues, country history, climate and transportation and communication systems. Individual selected to work outside their home countries need answers to many specific questions about their host countries. Training in various areas helps expatriates and their families adjust to and deal with host country counterparts. Training in customs and practices can be especially valuable to individuals who will not live outside the home country but will travel to other countries on business. A related issue is the promotion and transfer of foreign citizens to a higher post in a country. Training of the expatriate certainly helps him to adjust to the new environment and make him able to perform to his best, thereby resulting in benefits for both the employee and the organizations. Growing number of global employers are providing intercultural competence training for their global employees. Intercultural competence incorporates a wide range of human social skills and personality characteristics. Three components of intercultural competence require attention when training expatriates for global assignments. The key components are:

- *Cognitive*: What does the person know about other cultures? It may be culture-specific training or language course etc.
- *Emotional*: How does the person view other cultures and how sensitive is the person to cultural customs and issues? It may include training for uneasiness, prejudices and sensitivity of the employee etc.
- *Behavioral*: How does the person act in intercultural situations? It may include training of culture assimilation, international projects and social skills training focusing on intercultural situations etc.

Increasingly, global employers are using training methods that allows individuals to behave in international situations and then receive feedback. One popular method is the culture assimilator. Used worldwide, especially European firms, the culture assimilator is a programmed training and learning method consisting of short case studies and critical incidents. The case studies describe intercultural interactions and potential misunderstandings involving expatriates and host country nationals.

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#### CHECK YOUR PROGRESS 1:

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- 1) What do you understand by training and its objective?  
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- 2) Describe training process and need of training for global assignments?  
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## 7.3 DEVELOPMENT

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Development represents efforts to improve employee's abilities to handle a variety of assignments and to cultivate employee's capabilities beyond those required by the current job. Development benefits both organizations and individuals. Employees and managers with appropriate experiences and abilities may enhance organizational competitiveness and the ability to adapt to a changing environment. In the development process, individual's career may also evolve and gain new or different focuses.

*"Development may be defined as efforts to improve individual's abilities to judge and making capable of doing various assignments."*

Development differs from training. It is possible to train most people to run a copy machine, answer customer service questions, drive a truck, operate a computer or assemble a radio. However, development in areas such as judgment, responsibility, decision-making and communication presents a bigger challenge. These areas may or may not develop through life experiences of individuals. A planned system of development experiences for all employees, not just managers, can help expand the overall level of capabilities in an organization. At the organizational level of analysis, executives craft the broader organizational strategies and should establish a system for developing the people to manage and achieve those identified strategies. Development must be tied to this strategic planning because the firm needs to develop appropriate talents to carry out the plans. Successful HR development focuses on employee and managerial succession on several levels and in several different pathways as part of that development. Exactly what kind of development individuals might require, to expand their capabilities depends on both the individuals and capabilities needed. Some important and common management capabilities often include an action orientation, quality decision-making skills, ethical values and technical skills. Ability to build teams, develop subordinates, direct others and deal with uncertainty, are equally important but much less commonly developed capabilities for successful managers. Development frequently includes a focus on enhancing judgment and responsibility. How exactly to develop an *action orientation* or the *ability to work under pressure* must be addressed by organizations? These capabilities cannot successfully be taught in a course and not everyone will develop them. As a result, development is more difficult in certain areas than in others.

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### 7.3.1 DEVELOPMENT PROCESS

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Development process involves a sequence of steps in order to accomplish the development of human resource in any organization. Various steps in the process of development may be written as follows:

- Formulation of human resource plans.
- Identification of necessary capabilities.
- Carrying out of successful planning.
- Assessment of development needs.
- Conduction of development planning at organizational/individual levels.
- Determination of development approaches and
- Execution of development success.



Formulation of HR plans is the primary step in the process of development and it involves the planning of HR needs of the organization in current situations and in coming future. Identification of necessary capabilities by the organization in its employees will be next point of concern. Once the needs and demands of the organization and individuals are identified, then successful planning is done. Then development needs are assessed and development planning is carried out at both the organizational as well as individual levels. A suitable development approach is selected and finally the development is achieved through the application of development approach with the passage of time.

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### **7.3.2 DEVELOPMENT NEEDS ANALYSIS**

Like employee training, employee development begins with analysis of the needs of both the organization and the individuals. Either the company or the individual can analyze what a given person needs to develop. The goal, of course, is to identify strengths and weaknesses. Methods that organizations use to assess development needs include assessment centers, psychological testing and performance appraisals.

**1) Assessment centers:** Various assessment centers are collections of instruments and exercises designed to diagnose individual's development needs. Organizational leadership uses assessment centers for both developing and selecting managers. Many types of employers use assessment centers. In a typical assessment-center experience, an individual spends two or three days away from the job performing many assessment activities. These activities might include role-playing, pencil and paper tests, cases, leaderless group discussions, computer based simulations, management games and peer evaluations. Frequently, they also include in basket exercises, in which the individual handles typical problems coming across a manager's desk. For the most part, the exercises represent situations that require the use of managerial skills and behaviors. During the exercises, several specially trained judges observe the participants. Assessment centers provide an excellent means for determining management potential. Management and participants often praise them because they are likely to overcome many of the biases inherent in interview situations, supervisor ratings and written tests. Experience shows that key variables such as leadership, initiative and supervisory skills cannot be measured with paper and pencil tests alone. Assessment centers also offer the advantage of helping identify employees with potential in large organizations. Supervisors may nominate people for assessment center or employees may volunteer. For talented people, the opportunity to volunteer is invaluable because supervisors may not recognize their potential interests and capabilities. Assessment centers can also raise concerns about the needs of development. Some managers may use the assessment center to avoid making difficult promotion decisions. Suppose a plant supervisor has personally decided that an employee is not qualified for promotion. Rather than be straightforward and inform the employee, the supervisor sends the employee to the assessment center, hoping the report will show that the employee is unqualified for promotion. Problems between the employee and the supervisor may worsen if the employee earns a positive report. Using the assessment center for this purpose does not aid the development of the employee and is not recommended.



2) **Psychological testing:** Psychological pencil and paper tests have been used for several years to determine employee's development potential and needs. Intelligence tests, verbal and mathematical reasoning tests and personality tests are often given. Even a test that supposedly assesses common sense is available. Psychological testing can furnish useful information on individuals about such factors as motivation, reasoning abilities, leadership style, interpersonal response traits and job preferences. The biggest problem with psychological testing lies in interpretation, because untrained managers, supervisors and workers usually cannot accurately interpret test results. After a professional scores the tests and reports the scores to someone in the organization, untrained manager may attach their own meanings to the results. Also, some psychological tests are of limited validity and test takers can easily fake desirable responses. Thus psychological testing is appropriate only when the testing and feedback process is closely supervised by a qualified professional.

3) **Performance appraisal:** Well-done performance appraisals can be a source of development information. Performance data on productivity, employee relations, job knowledge and other relevant dimensions can be gathered in such assessments. Appraisals designed for development purposes may be more useful in aiding employee development than appraisals designed strictly for administrative purposes.

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### 7.3.3 SUCCESSION PLANNING

Planning for succession of key executives, managers and other employees is an important part of HR development. **Succession planning** is the process of identifying a longer term plan for the orderly replacement of key employees. The need to replace key employees results from promotions, transfers, retirements, deaths, disabilities, departures and other events. Succession planning often focuses on top management such as ensuring CEO successor. However, limiting succession planning just to top executive jobs is a mistake. For example, in a health care institution, identifying successors for accounting manager, marketing director, admissions supervisor, IT technician, physical therapist and other key jobs is just as crucial as succession planning for the top executive jobs.

1) **Succession in small and closely held organizations:** Succession planning can be especially important in small and medium sized firms, but studies show that few of these firms formalize succession plans. In fact, more than half of the respondents in one study named lack of succession planning as the biggest threat facing small businesses. In closely held family firms, many CEO's plan to pass the business on to a family member. Most of these firms would benefit from planning for orderly succession. Addressing the development needs of the successor also helps to avoid a host of potential problems for both the organization and family member relationship.

2) **Succession planning process:** Whether in small or large firms, succession planning is linked to strategic HR planning. Both the quantity and capabilities of potential successors must be linked to organizational strategies and plans. Two coordinated activities begin the actual process of succession planning. **First**, the development of preliminary replacement charts ensures that the right individuals with sufficient capabilities and experience to perform the targeted jobs are available at the right time. Replacement charts, similar to depth charts used by

football teams, both shows the backup players at each position and identify positions without a current qualified backup player. The charts identify, who could take over key jobs if someone leaves, retires, dies unexpectedly or otherwise creates a vacancy. **Second**, assessment of the capabilities and interests of current employees provides information that can be placed into the preliminary replacement charts. This traditional approach to succession planning does not always work in each employer. **For example**, at PepsiCo, a study showed that the succession planning process was taking too much time, so the company developed *acceleration pools*. These pools focus on developing candidates for the executive level, rather than targeting one or two people for specific jobs. An executive resource board is responsible for placing pool members into situations, where they can develop. Other companies do succession planning as well.

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### 7.3.4 CHOOSING A DEVELOPMENT APPROACH

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The most common development approaches can be categorized under two major headings; *one job-site development* and *second off-site development*. Both are appropriate in developing managers and other employees. Investing in human intellectual capital, whether on or off the job, becomes imperative for organizations as knowledge work aspects increase for almost all employers. Yet, identifying the right mix and approaches for development needs remains an art rather than a science.

**1) Job-site development approaches:** All too often, unplanned and perhaps useless activities pass as development on the job. To ensure that the desired development actually occurs, managers must plan and coordinate development efforts. A number of job-site development methods can be used, which may be sited as follows:

- Coaching.
- Committee assignments.
- Job rotation.
- “Assistant-to” positions.
- On-line development.
- Corporate universities and career development centers and
- Learning organization etc.

The oldest on-the-job development technique is **coaching**, which is the training and feedback given to employees by immediate supervisors. Coaching involves a continuous process of learning by doing. For coaching to be effective, employees and their supervisors or managers must have a healthy and open relationship. Many firms conduct formal training courses to improve the coaching skills of their managers and supervisors. Unfortunately, organizations may be tempted to implement coaching without any planning at all. Even someone who is good at a job or a particular part of a job will not necessarily be able to coach someone else to do it well. *Coaches* can easily fall short in guiding learners systematically, even if they know which experiences are best. Often the coach’s job responsibilities take priority over learning and coaching of subordinates. Also, the intellectual component of many capabilities might be better learned from a book or a course before coaching occurs. Sometimes, executive coaches hired either by individual executives or employers, work with individual managers and executives. These outside coaches critique and advise

the individuals. Assigning promising employees to important **committee assignments** may broaden their experiences and can help them understand the personalities, issues and processes governing the organization. For example, employees on a safety committee can gain a greater understanding of safety management, which would help them to become supervisors. They may also experience the problems involved in maintaining employee safety awareness. However, managers need to guard against committee assignments that turn into time wasting activities. The process of shifting a person from job to job is called **job rotation**. In some firms, job rotation is unplanned. In other organizations, managers follow elaborate charts and schedules, precisely planning a rotation program for each employee. Regardless of the approach, job rotation is widely used as a development technique. For example, a promising young manager may spend three months in the plant, three months in corporate planning and three months in purchasing. When properly handled, such job rotation provides a greater understanding of the organization. A disadvantage of the job rotation is that it can be expensive because a substantial amount of time is taken when trainees change positions, because they must become acquainted with different people and techniques in each new unit. Some firms create “**assistant-to positions**”, which are staff positions immediately under a manager. Through such jobs, trainees can work with outstanding managers they might not otherwise have met. Some organizations set up “*junior boards of directors*” or “management cabinets” to which trainees may be appointed. These assignments provide useful experiences if they present challenging or interesting assignments to trainees. Technology can provide an appropriate tool for development. **On-line development** can take many forms, such as video conferencing, live chat rooms, document sharing, video and audio streaming and web based courses. HR staff members can facilitate on-line development by providing a learning portal, which is a centralized web-site for news, information, course listing and materials. On-line development allows participation in courses previously out of reach due to geographic or cost considerations. It allows costs to be spread over a larger number of people and it can be combined with virtual reality and other technological tools to make presentations more interesting. It can eliminate travel as well. However, because of the time needed to develop on-line materials or perhaps because those materials are not seen as clearly appropriate for development efforts, on-line development is not widely used, but with the passage of time and evolution of telecommunication techniques, it will gain momentum. Large organizations may use **corporate universities/institutions** to develop managers or other employees. Corporate universities take various forms. Sometimes regarded as little more than fancy packaging for company training, they often do not provide a degree, accreditation or graduation in the traditional sense. A related alternative, partnerships between companies and traditional universities, continues where the universities design and teach specific courses for employers. **Career development centers** are often set up to coordinate in-house programs and programs provided by suppliers. They may include assessment data for individuals, career goals and strategies, coaching, seminars and on-line approaches. Knowledge based organizations, which deal primarily with ideas and information, must have employees who are experts at one or more conceptual tasks. These employees continuously learn and solve problems in their area of expertise. Developing such employees requires an

organizational learning capacity based on a culture of solving problems and learning new ways not previously used. It is difficult to describe a **learning organization**, except to say that it is employer in which development occurs through shared information, culture and leadership that values learning. It focuses on employees who want to learn to develop new capabilities. A learning mindset is probably difficult to introduce into an organization where it does not exist. But where it does exist, it represents the ultimate potential for development. It remains a theoretical and somewhat idealistic model in HR development.

**2) Off-site development approach:** Off-site-job development techniques give individuals opportunities to get away from the job and concentrate solely on what is to be learned. Moreover, contact with others who are concerned with somewhat different problems and come from different organizations may provide employees with new and different perspectives. Various off-site methods are elaborated as:

- Classroom courses and degrees.
- Human relations training.
- Simulations (*business games*).
- Sabbaticals and leaves of absence and
- Outdoor training etc.

Most off-the-job development programs include some **classroom instructions**. Most people are familiar with classroom training, which gives it advantage of being widely accepted. But the lecture system sometimes used in classroom instruction encourages passive learning and reduced learner participation, which is a distinct disadvantage. Sometimes trainees have little opportunity to question, clarify and discuss the lecture material. The effectiveness of classroom instruction depends on multiple factors like group size, training abilities, instructor's capabilities and styles and subject matter etc. **Human relations training** attempts to prepare supervisors to deal with people problems brought to them by their employees. The training focuses on the development of human relations skills a person needs to work with others. Most human relations programs typically are aimed at new or relatively inexperienced first-line supervisors and middle managers. They cover motivation, leadership, employee communication and other behavioral issues. The most common reason employees fail after being promoted to management is poor teamwork with subordinates and peers. Other common reasons for management failure include not understanding expectations, failure to meet goals, difficulty adjusting to management responsibilities and ability to balance work and home lives. Another development approach uses business games, simulations, which are available commercially. A **simulation** requires participants to analyze a situation and decide the best course of action according to data given. Often simulations are computer-interactive in nature. For example, individuals or teams draw up marketing plans for an organization to determine such factors as the amount of resources to allocate for advertising, product design, selling and sales effort. The participants make a variety of decisions and then the computer tells them how well they did in relation to competing individuals or teams. Managers have also used simulations to diagnose organizational problems. When properly used, a simulation is a valuable management development tool. However, the lack of realism can diminish learning experience. The focus must be learning and not just playing the game. A **sabbatical** is paid time off the job to develop and

rejuvenate oneself. Popular for many years in the academic world, sabbaticals have been adopted in the business community as well. Companies that offer sabbaticals speak well of the results. Positive reasons for sabbaticals are to help prevent employee burnout, offer advantages in recruitment and retention and boost individual employee morale. One obvious disadvantage of paid sabbaticals is the cost. Also, the nature of learning experience generally falls outside the control of the organization, leaving it somewhat to chance. Many organizations send executives and managers off to or deals in the wilderness, called **outdoor training**. As development tools, the rationale for using these wilderness excursions, which can last for seven days or longer, is that such experiences can increase self-confidence and help individuals re-evaluate personal goals and efforts. For individuals in work groups or teams, shared risks and challenges outside the office environment can create a sense of teamwork. The challenges may include rock climbing in **Uttarakhand's Garhwal** region, white water rafting on river **Ganga** in **Rishikesh**, backpacking in the rocky mountain etc. To be effective, a development approach must mesh with HR strategies.

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### 7.3.5 MANAGEMENT DEVELOPMENT

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As you know development is a lifelong process, hence continuous in nature and is required by all employees of any organizations. Although development is important for all employees, it is essential for managers. Effective management development imparts the knowledge and judgment needed by managers. Without appropriate development, managers may lack the capabilities to manage resources at their best, throughout the organization. Experience plays a central role in management development. Indeed, experience often contributes more to the development of senior managers than classroom training, because much of it occurs in varying circumstances on the job overtime. Yet, in many organizations, it is difficult to find managers for middle level jobs. Some individuals refuse to take middle-management jobs. As a middle manager, you are a backstop, caught in the middle between upper management and the workforce.

**1) Management development methods:** A number of approaches are used to mold and enhance the experience that managers need to be effective. The most widely used methods are leadership development, management modeling, management coaching, management mentoring, supervisory development and executive education. Various management development methods are elaborated as follows:

- Leadership development.
- Management modeling.
- Management coaching.
- Management mentoring.
- Management mentoring and the glass ceiling and
- Supervisor development and executive education etc.

An effective leader creates positive change and is important for an organization. But like all developmental capacities, leadership cannot be taught to everyone. There is a need for better **leadership development**. However, what many people think of as leadership is really supervision and management-defining the job done and getting it done. A common saying in management development is that managers tend to manage as they were managed. In other words, managers



learn by behavior modeling or copying someone else's behavior. This tendency is not surprising, because a great deal of human behavior is learned by modeling. Children learn by modeling the behaviors of parents and older children. Management development efforts can take advantage of natural human behavior by matching young or developing managers with appropriate models and then reinforcing the desirable behaviors exhibited by the learners. The **management modeling** process involves more than straight forward imitation or copying and is considerably more complex. For example, one can learn what not to do by observing a model, who does something wrong. Thus exposure to both positive and negative models can benefit a new manager. **Management coaching** combines observation with suggestions. Like modeling, it complements the natural way humans learn. A brief outline of good coaching pointers often include explaining appropriate behavior, making clear why actions were taken, accurately stating observations, providing possible alternatives/suggestions and following up and reinforcing behaviors used. In the context of management development, coaching involves a relationship between two managers for a period of time as they perform their jobs. Effective coaching requires patience and good communication skills. A method called **management mentoring** is a relationship in which experienced managers aid individuals in the earlier stages of their careers. Such a relationship provides an environment for conveying technical, interpersonal and organizational skills from the more experienced person to a designated less experienced person. Not only does the inexperienced employee benefit, but the mentor may enjoy the challenge of sharing his or her wisdom. In virtually all countries in the world, the proportion of women holding management jobs is lower than the proportion of men holding such jobs. The term *glass ceiling* has been used to describe the situation in which women fail to progress into top management positions. One approach to break through the glass ceiling is mentoring. **For example**, in some firms, women with mentors move up more often than those without mentors. Women generally rate high in the skills needed for success, where teamwork and partnering are important. At the beginning level for managerial development is the first-line supervisory job. It is often difficult to go from being one of the workgroup to being the boss. The usual materials for **supervisor training and development** include several topics like basic management, performance evaluation, time management, conflict management, team building and communication. Special **executive education** offered by various institutions helps a lot to sort out various problems.

**2) Problems with management development efforts:** Development efforts are subject to certain common mistakes and problems. Most of the management development problems have resulted from inadequate HR planning and a lack of coordination of HR development efforts. Another common management development problem is **encapsulated development**, which occurs when an individual learns new methods and ideas in a development course and returns to a work unit that is still bound by old attitudes and methods. Therefore the trainee cannot apply new ways to handle certain situations because of resistance from those having an investment in the work.



**CHECK YOUR PROGRESS 2:**

1. Define the concept of development of human resources and its process?

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2. What are various development approaches which may be adopted by organizations?

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**7.4 LET'S SUM UP**

Training and development are important part of human resource management in different organizations. Training concentrates on the improvement of interpersonal skills, decision making skills, operative skills (*skills to complete a task*) or a combination of these. Training is intimately concerned with all personnel or managerial activities. Training is essential to improve organizational climate, to help a company fulfill its future personnel needs or existing personnel alterations to improve productivity, quality and company profits. Training is also essential for personal growth, from the point of view of health, safety, technological changes or learn operation of machineries or to assist line management in the conduct of administration and follow up actions to the maximum possible extent. Further development of human resources emphasizes the necessary changes in individuals and group for the purpose of bringing the necessary changes in the behavioral pattern, actions and culture in the organization to make it more conducive for the growth of organization. Development represents efforts to improve employee's abilities to handle a variety of assignments and to cultivate employee's capabilities beyond those required by the current job. Development includes areas like cultural issues, running a business, leading and managing, handling problematic people, personal qualities, self and career etc. both training and development are required to be given due importance for proper human resources management in various organizations.

**7.5 CLUES TO ANSWERS**

- 1) Refer to sect. and sub-sections 7.2, 7.2.1, 7.2.6 for answers to-check your progress-1.
- 2) Refer to sect. and sub-sections 7.3, 7.3.1, 7.3.4 for answers to-check your progress-2.

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**7.8 TERMINAL QUESTIONS**

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- Q1.** Explain training, its process and objectives with suitable examples.
- Q2.** Describe the development of human resources, its process and approaches with examples.

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## **UNIT 8: JOB EVALUATION: CONCEPT, SCOPE, LIMITATIONS AND METHODS**

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### **Structure:**

- 8.0 Introduction.
- 8.1 Objectives.
- 8.2 Job evaluation.
  - 8.2.1 Concept of job evaluation.
  - 8.2.2 Scope of job evaluation.
  - 8.2.3 Procedure and principles of job evaluation.
  - 8.2.4 Essentials for job evaluation.
  - 8.2.5 Trade unions and job evaluation programmes.
  - 8.2.6 Advantages of job evaluation.
  - 8.2.7 Difference from performance appraisal.
- 8.3 Limitations of job evaluation.
- 8.4 Methods of job evaluation.
- 8.5 Recent developments in job evaluation.
- 8.6 Let's sum up.
- 8.7 Clues to answers.
- 8.8 References.
- 8.9 Suggested readings.
- 8.10 Terminal questions.

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### **8.0 INTRODUCTION**

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Job evaluation is an orderly and systematic method of determining the value of each job as related to other jobs within an organization. In large complex business organizations of today, there is a great variety of jobs with large number of employees assigned to perform various tasks. It is therefore, necessary to systematize and formalize the value of each job, in order to decide how much to pay to the employees for performing their assigned work, so that the employers could attract qualified and suitable candidates to their organizations and also succeed in establishing wage costs, that would be sound and economical. Job evaluation is not new in the sense that even in the earliest days of civilization; the tribal chiefs divided the spoils of a war or a hunt, as rewards to their followers in accordance with the relative performance of an individual. The Pharaohs of

Egypt also, in the latter days, used to reward the people engaged in the construction pyramids according to their personal powers and desires. The first and the earliest methods of determining wages and rewarding the followers in accordance with the individual performance were known as **Edict**. The practice of wage bargaining developed in Europe during the Middle Ages. There was class of artisans, who after completing their apprenticeship used to travel from one area to another and offered their services and skills to the employers in the open labor market. These artisans were known as **journeymen**. Originally, there used to be bargaining for the fixation of wage rate between an individual journeyman and the prospective employer. The trade and business, however, gradually became large and the employers were compelled to hire large number of journeymen. These employers were normally known as Master craftsmen, who were compelled to bargain the rates of wages collectively with a group of journeymen. The rates were fixed on the basis of the complexity of tasks and the comparative skills of the journeymen. This method of wage determination continued right up to the industrial revolution. With the growth of the factory system and large scale enterprises, there developed many technical and economic issues connected with the problem of wage determination for the various categories of personnel. It became necessary to determine in a systematic and orderly manner, the value of hundreds of new jobs that were created through the application of new industrial processes. Over a period, various methods developed for a systematic study in an orderly fashion, to determine the comparative value of each job as against the other jobs, within an industrial enterprise.

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## 8.1 OBJECTIVES

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After reading this unit you will be able to:

- Have the knowledge of concept of job evaluation.
- Know the scope and limitations of job evaluation.
- Have the knowledge of methods of job evaluation.

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## 8.2 JOB EVALUATION

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Job evaluation is a system of determining the relative worth of different jobs in an organization. Here a particular job of an enterprise is compared with its other jobs. Comparative study of these jobs is very necessary because on the basis of such study the structure of wages for different types of jobs is prepared. The value of each job depends on certain factors. Job evaluation has been defined by **Kimball and Kimball** as follows:

*“Job evaluation represents an effort to determine the relative value of every job in a plant and to determine what the fair basic wages for such a job should be.”*

Further Maurice B. Cuming has defined job evaluation in his own words as follows:

*“Job evaluation is a technique of assessing the worth of each job in comparison with all others throughout an organization.”*

Job evaluation is a set of systematic procedures to determine the relative worth of jobs within the organization. It aims at establishing pay structures that are fair, equitable and rewards appropriately the greater efforts and hardships involved in

some jobs as compared to others. Job evaluation is the process by which the content and contribution of a role in an organizational context is measured, using a common set of factors to arrive at a well reasoned, defensible and equitable pay. It is the process by which work at various levels is compared within an organization. The process further provides a means by which internal roles may be linked to the salaries as provided by competitive organizations. From this linkage organizations may make decisions on their remuneration framework and policies, eventually leading to individual pay decisions. Job evaluation is the process of analyzing and appraising the content of jobs, set in the family of other jobs, so as to put them in a suitably evolved rank order, which can then be utilized for installation of an acceptable wage structure in an organization. In short, job evaluation concerns itself with the pricing of jobs in relation to other jobs or on the basis of concern, which is consistent, fair, logical and equitable and not on the basis of arbitrary, variable judgments dictated by short-term expediency or arrived at through rule of thumb methods. While one may get the impression that as a technique, job evaluation possesses precision of scientific variety, it is not so in practice; in the ultimate analysis, it is essentially a way of applying judgment. Since no evaluation process can eliminate the need to exercise judgment; however systematic it is or may be, it will always remain captive to human judgment. Additionally, the technique is to be administered by people and for the people in the organization. The ultimate goal of job evaluation is the establishment of a hierarchal structure of jobs based on a common set of criteria. These evaluation criteria are generally expressed in the form of compensable factors. In general, most organizations use following broad categories of compensable factors (*components of job content or work demands that are felt to provide the basis for compensation*):

- Skills needed to perform the job.
- Efforts required in order to complete the job.
- Responsibility that goes with the expectation and
- Working conditions under which jobs are performed.

Job evaluation takes into consideration various factors i.e. skills, efforts, responsibilities and working conditions of different jobs.

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### 8.2.1 CONCEPT OF JOB EVALUATION

As far as, the concept of job evaluation is concerned, it is an important part of human resources management. It involves the measurement of value of a particular job, wages for that job and performance of that job. Job evaluation is based on certain basic postulates as follows:

- The work must have some intrinsic worth, when judged against certain criteria, but whatever this worth may be, it will not necessarily be the same as the wage. Implicit in this assumption is that these criteria can be identified, specified and quantified. These criteria are in terms of the human characteristics or qualities that are required to do the work satisfactorily.
- It is logical to pay the most for jobs, which contribute most to attaining the organizational objectives.
- The enterprise goals are better served and furthered by installing and maintaining job cum pay structure based on relative job worth.

- People feel fair, if two men at the opposite ends of the conveyor belt (one putting on the raw material and the other unloading the finished article) get the same pay. Hence, wages must be based on relative worth of job.
- The relative worth of the job is not easy to gauge. By far, the most important element in job price is the content factor. The content factor consists of duties and responsibilities of the post, the difficulty levels encountered by the incumbents, demands that are made by the post on job holder in terms of mental, and intellectual, physical and environmental requirement for discharge of the duties attached to the post.

These obviously are central points, related to the post and hence are basic to the determination of the base rate for the job. Pay or salary structure may thus be seen to consist of the following points:

- The job rate which is related to the importance of the job, the responsibilities involved in it, skill levels and pattern of experience needed for adequate job performance and the mental and physical demands made on the job incumbent.
- Special or personal allowances connected with long service, skill scarcity and compensation for personal or social inconvenience.
- Fringe benefits, holidays with pay, pensions, life insurance, car etc.
- Payments associated with reward according to performance (*payment by result scheme, merit rating or profit sharing schemes, share of production plan etc.*).

Though the wage structure is contingent upon the functional inter-relations among these components, the job base rate constitutes the cornerstone of a sound remuneration system. In evaluating jobs, all the relevant factors have to be taken into account and the total job cost evolves through interplay of the following factors as follows:

- It is worthwhile finding out, what is the worth of the work and the knowledge thus acquired can be put to some use. It can be argued that unless, there were some tangible advantage to be gained from what is a fairly costly exercise, it were better left alone.
- Job evaluation also assumes that if the correct factors are chosen and valued correctly in relation to each other and if the work is properly evaluated in terms of these factors, then the job value should be proportionate to the current wage rates.
- While the economic pressures affect the wages, they do not affect the basic evaluations of the work.

The evaluation depends upon the criteria and so long as the criteria do not change, the evaluation should remain as it were. Like everything else, job evaluation decays. It might begin to decay even before it is completed and can be kept in good order only by careful maintenance. But once a system has begun to collapse, the best maintenance possible will not restore it and it will need to be replaced by another system.

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### 8.2.2 SCOPE OF JOB EVALUATION

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The primary scope of job evaluation is in finding out the value of work, but this value which varies from time to time and from place to place under the influence of certain economic pressures, not least of which is the worth of money itself. It is



required in human resources management in different organizations. It helps in the evaluation of different employees in different jobs. Job evaluation is a continuous process and is beneficial for any organization in order to make it, working properly. Nevertheless, the value of work at a specific time and place is absolute, governed by supply and demand and related to the value of all other work. The aim of job evaluation is not to create a rate, but to discover what that rate is at that time and in that place. Another aim of job evaluation is to supply bases for wage negotiations founded on facts rather than on any vague ideas. Wages are always under pressure of one kind or another and some wages are influenced more than the others by such pressures, resulting in anomalies in rates of pay. It is the function of job evaluation to reveal the anomalies, rather than create them. When job evaluation is used in the design of a wage structure, it helps in rationalizing or simplifying the system by reducing number of separate and different rates. The technique of job evaluation can also be used to determine not only what the job is worth but also the value of each of the aspects, such as the skill and responsibility levels. Such information could be useful for devising measure for improving labor productivity. **Scope of job evaluation** may be elaborated under following headings as:

- In determining the hierarchy and place of various jobs in order within any organization.
- In gathering data and information relating to job description, job specification and employee specifications of various jobs in any organization.
- In minimizing wage discrimination based on sex, age, caste, region and religion etc.
- In ensuring fair and equitable wages on the basis of relative worth or value of jobs. In other words, equal wages are fixed to the jobs of equal worth or value.
- In comparing the duties, responsibilities and demands of a job with that of other job.
- In determining the ranks or grades of various jobs etc.
- In determining the relative worth of different jobs in different organizations.
- In minimization of discrimination, on the basis of caste, creed or sex etc.

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### 8.2.3 PROCEDURE AND PRINCIPLES OF JOB EVALUATION

Job evaluation is based upon a procedure and certain principles, which may be elaborated briefly. The **procedure** of job evaluation has various steps, which may be written as follows:

- (1) **Step number 1:** Appointment of job evaluation committee consisting of technical and non-technical people.
- (2) **Step number 2:** Doing the job analysis, job knowledge can be obtained from the job description and job specification records.
- (3) **Step number 3:** Identification of comparable factors like knowledge in respect of education, experience and skill etc.
- (4) **Step number 4:** Pricing the job.

Further, job evaluation programmes may be made effective if various principles are followed. Various **principles** of job evaluation programmes have been elaborated as follows:

- The elements selected for rating purposes should be easily explainable in terms and as few in number as will cover the necessary requisites for every job without any overlapping.
- Any job rating plan must be sold to foremen and employees.
- Foremen should participate in the ratings of jobs in their own departments.
- Too many occupational wages should not be established. It would be unwise to adopt an occupational wage for each total of point value.
- The main principle is that we should rate the job and not the man. Each element should be rated on the basis of what the job itself requires.
- In talking to foremen and employees, any discussion of money value should be avoided. Only point values and degrees of each element should be discussed.
- The elements should be clearly defined and properly selected.

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#### **8.2.4 ESSENTIALS FOR JOB EVALUATION**

As you know, various things are required to do the evaluation of any job and hence these may be considered as the essentials of job evaluation and have been summarized as follows:

- The support of top management must be won for job evaluation programmes.
- Operating managers should be convinced about the need for and programmes of job evaluation. They should be given training in fixing and revising the wages on the basis of job evaluation.
- All the employees should be provided with complete information about the objectives, programmes and techniques of job evaluation.
- Clear and accurate job descriptions should be prepared and jobs should be standardized before starting the evaluation process.
- All groups and grades of jobs should be covered in the programme. Similar jobs should be grouped together for this purpose.
- The techniques used should be simple to understand for employees.
- The acceptance and support of the trade unions should be obtained.
- The factors selected for evaluation should be measurable and should represent the job content. These factors should be clearly defined.
- The job evaluation programme should not involve unreasonable high costs of installation and administration.
- In the evaluation process, the knowledge, judgment and experience of personnel department, line managers and outside experts should be pooled together.
- The focus should be on rating the job and not the jobholder.
- The focus should be undertaken as an adjunct to collective bargaining.
- Job evaluation should not adversely affect the terms and conditions of existing employees.

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#### **8.2.5 TRADE UNIONS AND JOB EVALUATION PROGRAMMES**

In the beginning, the trade unions in India had not actively supported the job evaluation programmes. They had not also launched any agitation against it. The central pay commissions or the adjudicators also did not advocate the adoption of such a system in India. By and large, however, the leading industrial

organizations have followed a modified pattern of job evaluation programmes mostly for their supervisory and skilled employees attached to production activities. The programmes have been developed without jeopardizing collective bargaining rights of the employees. Job evaluation is a growing technology. The system is far from perfect, yet it provides the basis for a systematic and orderly study of job evaluation problems and the pricing of the jobs based on scientific analysis. It has enabled numerous specialists and the scientists to climb the ladders along with the administrators and to enjoy salary compensation which compares favorably with the business managers.

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### 8.2.6 ADVANTAGES OF JOB EVALUATION

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The job evaluation has a number of advantages in human resources management of an organization. Various advantages have been listed as follows:

- To determine the place of various jobs in an organization.
- To calculate the relative worth of each position held by an employee.
- To collect information related to job description, specification and employee specifications in an organization.
- To compare various duties, responsibilities and demands of a job with that of other job.
- To find out the line of authority and responsibility and interpersonal and intrapersonal relationships.
- To calculate the minimum and maximum remuneration for each and every position.
- To prepare a framework for wage and salary administration for the different slabs in a department.
- To lower the chances of wage discrimination among employees on different basis like caste, gender, religion etc.
- To make familiar to each and every person about the relative worth of the job and his responsibilities.
- To make a framework for the training requirements for different levels.
- To draft a line for promotion.
- To determine the ranks or grades of various jobs.

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### 8.2.7 DIFFERENCE FROM PERFORMANCE APPRAISAL

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It is necessary for you to understand distinction between job evaluation and performance appraisal (*merit rating*) of employees:

**Job evaluation** has following features, which have been elaborated as:

- Job evaluation is concerned with fixing fair base rate of wages and salaries. It does not recognize individual performance or variation within the job. It merely determines the wage and salaries level for jobs.
- Job evaluation deals with laying down scientific wage structure as well as usage differential between the different jobs.
- Job evaluation points out rating of each job indicating the relative value of each job indicating the relative value of jobs in terms of money.

**Performance appraisal** differs from job evaluation as follows:

- Performance appraisal (merit rating) is concerned with efficiency of the worker performing the job. No two individuals are alike in all respects and

performance appraisal points out the relative difference in the individual performance.

- Performance appraisal indicates the reward to be given for the performance of the employees above the base rate in the form of pay rise or promotion on the basis of merit or competence.
- Performance appraisal evaluates the performance of each worker pointing out the relative value of employees. Performance appraisal recognizes individual differences or variation within the job.

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**CHECK YOUR PROGRESS 1:**

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- 1) What is job evaluation and scope of job evaluation?  
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- 2) What is the procedure of job evaluation and various advantages for different organization?  
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**8.3 LIMITATIONS OF JOB EVALUATION**

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There are certain limitations of job evaluation which have been written as follows:

- (1) It presumes that jobs of equal content will be equally attractive to the employees, but it is not correct to make this assumption. If a job offers little or no prospects of a rise, while another job rated equal to it has bright prospects for employees, the latter will attract more people. The concern will have to pay more for the former job so as to be able to attract the required number of persons, even though both of them have been rated equal by job evaluation method.
- (2) It says nothing about the absolute size of image differentials appropriate to the evaluated job structure. Thus, it is not the complete answer to the wage problems.
- (3) It lacks scientific precision because all the facts cannot be measured accurately.
- (4) The trade unions often regard the method with suspicion because they fear that it limits or does away with collective bargaining regarding wages. This fear is of course, unfounded. The success of the method depends upon the degree to which the plan is administered in a spirit of understanding and good will.
- (5) It tends to be flexible in as far as it does not place the sight deal of emphasis on the wage rates in the industry as a whole. On the other hand, it banks rather too much on internal standards and evaluations for fixing wage rates.
- (6) Since it takes a long time to install and is quite costly, a system of job evaluation is rather difficult to introduce in smaller concerns.
- (7) It cannot work so well as to achieve its purposes if the management does not train foremen and other operative employees to understand its principle and practice or fails to maintain up to date job rating.

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**8.4 METHODS OF JOB EVALUATION**

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The relative worth of various jobs within a company may be evaluated formally by comparing one against another by comparing them against a scale that has been

constructed for this purpose. Basically, there are four methods of job evaluation, which has been written as follows:

- (1) Ranking method.
- (2) Job classification/grading method.
- (3) Point method.
- (4) Factor comparison method and

The above written methods of job evaluation have been described as follows:

**1) Ranking method:** In earlier stage of job evaluation, it was essential to develop a system of comparing the economic worth of one job to another by total contents and requirements. This is the system, which is known as the *ranking method* of job evaluation. In this method, all jobs are ranked from the most difficult to the least difficult, in accordance with their comparative economic worth to an organization. A job, under this system is first considered as a whole with either a reference to job title or through a reference to job descriptions. The management thereafter completes the ranking based on the comparative worth of different jobs to the organization. Then the various jobs are stated into different salary ranges more or less on a pre-determined basis. Normally, the establishment of salary depends upon the size of the organization, capacity of the industry to pay, community practice and the existing organizational practice. **Ranking system** is generally used in smaller organizations, where the raters are fully acquainted with all the going jobs in the enterprise. The job raters, now a days, mostly base their analysis on the job description, which narrates a brief description of the job, difficult points in a general way, responsibilities and the qualifications required for an incumbent to fill in the jobs. On the basis of job descriptions, all jobs are analyzed in their order of relative value based on the degree of difficulty. No attempt is made to assign any points or measurable scores to various jobs. The raters only establish the number of jobs in the organization, their relative positions to one another and the pricing is determined on the basis of the organizational practice within the framework of the salary ranges prevalent in the industry cum community. Each job, as a whole, is ranked and as the jobs are well known to the raters, they do not break each job down into factors. **Further**, under this method the jobs are arranged in order of importance, beginning with the most important to the least important job in the organization. The importance is determined by a committee or the supervisor or job analyst on the basis of the part played by above mentioned factors in each job. No points or weights are used. Ranking method of job evaluation has certain merits as well as demerits, which have been described as follows:

**Merits of ranking method:** Ranking method of job evaluation has certain merits like simplicity, easy to understand etc. which have been described as follows:

- It is simple method of job evaluation.
- It is less mechanistic and theoretical than the point system. Each job is compared as an entity with each other's job.
- It is relatively easy to understand by the workers and supervisors.
- It is easy for the organization to install the method.
- It requires less time.
- It avoids the criticism of claiming to be scientific and
- It makes the administration of the organization easy.

**Demerits of ranking method:** This particular method of job evaluation has also certain demerits, which have been elaborated as follows:

- There are many organizations which determine the degree of difficulties of various jobs based on arbitrary general opinions of job content rather than on a scientific assessment of jobs based on job descriptions. The arbitrary character of job gradations often results in differences in jobs which the employees may resent resulting in industrial conflict.
- This method is not suitable for the big organizations.
- Scientific job requirements such as skill effort and responsibility are not analyzed thoroughly.
- It is subjective in nature.
- It does give the rating of the job but not in absolute term. It does not indicate the extent to which higher job is more important than the lower job.

**2) Job classification/grading method:** The weaknesses of the ranking method caused the members of the management to seek an improvement and the second stage in the evolution was the development of the job classification method. This method became internationally known, when the United States government passed the job classification act applicable to all clerical, administrative and civil service personnel in the United States. In the **job classification method**, the first step is to write down job descriptions for each and every job existing in the organization. The system begins with an overall view of all jobs and to identify the same with major salary or wage classes. For each class, a job specification is prepared based on analysis of the types of work, broad levels of work difficulties and responsibilities involved. Salary ranges, mostly on a pre-determined basis, are established for different grades and all jobs are then classified into these pre-determined salary ranges. A committee analyses the comparative value of each job on the basis of job descriptions and then allocates each job into the pre-determined grades, using the class specifications as the measuring yardstick. **Further**, this method involves the establishment of job classes or grades. The evaluation committee goes through each light of the above factors. In this manner, it assigns each job to a particular grade or class. For each **grade or class**, there is a different rate of pay. Following is a brief description:

- *Class 1-executive:* Further classification under this category may be general manager, departmental head etc.
- *Class 2-supervisors:* Such as office superintendent, assistant office superintendent.
- *Class 3-skilled workers:* Under this category may comes the purchasing assistant, cashier, receipts clerk etc.
- *Class 4-semi-skilled workers:* Under this category come stenographer, typist machine operators, switch board operators etc.
- *Class 5-unskilled workers:* This category comprise of draftaris, file clerks, office boys and peons etc.

This system is best suited for small organizations. This is also used in government services also. But this is not suitable for large organizations with complicated class specification. There are certain merits and demerits of this method of job evaluation, which have been described as follows:



**Merits of job classification/grading method:** Job classification method also known as grading method of job evaluation and has certain merits, which have been elaborated as follows:

- Under the job classification method of job evaluation, it is possible to evaluate more accurately the job difficulties, since the analysis of a job is based on job descriptions.
- The installation of the system is also comparatively easy as there does not arise any particular difficulty in explaining the system to the employees.
- Pay grades are better and appropriate for comparison with those of other organizations.
- It is also simple and easy to understand and operations.
- It is more elaborate than ranking method and
- It provides an opportunity for a systematic organization structure.

**Demerits of job classification/grading method:** There are certain demerits of job classification methods, which have been written as follows:

- The main difficulty however, relates to the installation of such a programme in a large and complex industrial organization. Under this system also, the jobs are classified by total content and not by the factors that comprise them. It is therefore difficult to compile any comprehensive class specification for a large organization with a number of complex jobs.
- Secondly, there is a natural tendency for the raters to justify the existing salary ranges as the evaluations tend to be influenced by the rupee values developed for the ranges. This probably can be overcome by *red-circling* those jobs which are actually in the higher group, but should be classified in the lower grades. As the labor normally does not accept any condition of service which might adversely affect, they may resist any such attempt on the part of the management, leading to strikes and loss of production.
- Writing grade descriptions is not easy in this method.
- Sometimes, it seems to be arbitrary though it takes the views of the representatives of the trade unions.

**3) Point method:** This system warrants that the evaluation of all jobs should be related to several common factors, usually 10 to twelve in number. In a point, as a forward step, the management must develop a job evaluation manual. The manual lays down factors upon which each job should be rated. It describes the job elements and prescribes yardsticks by which each degree of each factor should be evaluated, including the weightage to be applied to each such element. A scale is established for each element by means of which, the raters appraise the varying degrees and determine the number of point, which should be credited against a job. The point value of the job is determined on the basis of the total of all such points. Normally, specific factors are selected and applied to a limited type of work. The point values are pre-determined and the degree of each factor is accompanied by a definition. For the success of such a programme, it is essential to select and define job elements accurately and to use proper weightage. The failure to identify or distinguish the degrees will result in inaccuracies. In this system, the rating committee must take into consideration the individual factors, rather than the job as a whole and in such case, if the raters are unable to identify certain

elements, which are important in certain jobs, the programme will tend to multiply inaccuracies. The point system is not suitable for application to the employees attached to non-productive functions. It may be observed that the designers of this system carried over the pre-determined standard approach of the classification method and assigned a given number of points, as a measuring yardstick for all other jobs. **For example**, it is assumed that the following factors are present in varying degrees in the various jobs. These factors are not of equal importance in relation to various jobs. The relative value of a job, however, is measured based on these factors. In order to recognize the differences in importance of these factors, weights and points are assigned to each degree of factors:

**Table 8.4.1:** Assumed values of factors in varying degrees in different jobs.

S. No.	Job factors	1 <sup>st</sup> DEG.	2 <sup>nd</sup> DEG.	3 <sup>rd</sup> DEG.	4 <sup>th</sup> DEG.	5 <sup>th</sup> DEG.
1.	Physical demand	10	20	30	40	50
2.	Mental/visual demand	5	10	15	20	25
3.	Equipment/process	5	10	15	20	25
4.	Material/product	5	10	15	20	25
5.	Working conditions	10	20	30	40	50
6.	Hazards	5	10	15	20	25
7.	Safety	5	10	15	20	25
8.	Work of others	5	10	15	20	25
9.	Experience	25	50	75	100	125
10.	Education	20	40	60	80	100
11.	Initiative	20	40	60	80	100

Now, the problem relates to the establishment of grades from the above point values. Let us add up the points assigned to each of the factors and obtain a total score for each job. Let's assume a pre-determined point range for each of the desired number of salary groups. It is now possible for us to place the job in its appropriate grade. **For example:**

**Table 8.4.2:** Table showing corresponding scores, ranges and grades.

Score	Range	Grade
100	150	1
151	200	2
201	150	3
251	300	4
301	350	5
351	400	6
401	450	7
451	500	8
501	550	9
551	600	10

There are certain merits and demerits of point method of job evaluation, which have been described as follows:

**Merits point method:** Point method of job evaluation has many merits in itself and over the previous methods of job evaluation, which have been written as follows:

- The introduction of well defined job descriptions portrays the job duties and their requirements under each factor. This helps in measuring the job differences and in ensuring accuracy of evaluations.
- By analyzing a job and its job factors, it becomes easy to obtain a high measure of agreement on job values
- It is very easy to make the employees understand the system.
- Point method enjoys the advantage of stability as long as the factors remain unchanged.
- Point method avoids the feasibility of subjective judgments and prejudice on the part of managers. Managers cannot show favoritism towards some employees. The system cannot be easily manipulated.
- The workers tend to accept this system because factors are rated by points.
- Once, the scales are developed, these can be employed for long time and

- Point method is scientific in the sense it gives weightage for wage differential.

**Demerits of point method:** There are certain demerits of this job evaluation method, which have been written as follows:

- The award of point values results in developing a ceiling and floor for each job. Yet, as the systems of pre-determining point value is arbitrary, there is a possibility that the scale may be incorrectly established at the initial stage of the installation of the programme. If this happens all of the succeeding work will reflect these errors and some of the jobs may be over or under evaluated.
- One difficulty with the point method is the assignment of points accurately to each factor.
- It is not easy to fully comprehend the meaning of various concepts and terms pertaining to job factors. Sometimes, even the supervisors may get puzzled over the definition of some terms.
- Another limitation is that the point method is complex and time consuming.
- Installation of the point method of job evaluation is a costly affair and only big firms can afford it.
- When many rates are used considerable clerical work is entailed in recording and summarizing the rating scales.

**4) Factor comparison method:** The system of job evaluation by the application of the factor comparison method is essentially a forward step to avoid inaccuracies and to develop, within a reasonable degree, the technique of exactness in the comparison and appraisal of jobs. Under the system, all jobs are compared with one another for the purpose of determining their relative importance by selecting four or five major job elements or factors, which are chosen on the basis of job analysis. These four or five factors are normally common, in greater or lesser degrees, to all jobs. These elements are not pre-determined. Numerical values are developed for each factor and the total determines the job value. This helps to avoid the inaccuracies, which are inherent in a system where the raters depend upon job titles or upon individual appraisal for determining the overall importance of a job. It is also essential to develop an accurate method of determining the weightage for application to various job factors. Further, this method is widely used in business. This method begins by finding out the major factors, which are present in more or less degree in all the jobs in a particular organization. Usually, the most common factors are mental effort, skill, physical effort, responsibility and working conditions. These are not pre-determined but are chosen on the basis of job analysis. The second step is to select a number of key jobs-ten or twenty-which can be used for comparing all other jobs. **For example**, key jobs may be fitter, machine operator, watchman, driver etc. The money rates of each of these key jobs are already known. This means that the accuracy of the evaluation method depends to a large extent on whether the key jobs selected for comparison are themselves properly paid or not. In the third step, each of the key job's current rates of pay is analyzed to suggest what percent of the total rate is attributable to each job element. Thus, it may be attributable to each job elements and it may be found that if a fitter is paid Rs. 10 percent, the second 20 percent. When all key job rates have been thus analyzed, averages of the percentage thus obtained are

accepted as weights for the elements. At the final stage, all other jobs are appraised and assigned a value on each factor by comparing them with key jobs. Thus for job to be evaluated, a particular key job is found to which it is very similar. Under this system, it is the task of the evaluators to analyze all jobs and then to rank them in terms of one factor. **For example**, the factor being considered is technical skill; the evaluators will first rank all jobs in this respect, from those which require the most down to those which require the least technical skill. After this step is completed, evaluators will then rank all jobs in relation to a second factor and so forth until separate rankings have been established for each of the factors involved. As point values have already been assigned, it is only necessary to total point values in order to get the overall relative worth of that job.

The **process** of factor comparison method for job evaluation has been elaborated under various points. As the entire evaluation is a complicated process, requiring special skill, knowledge and experience, normally a group of specialists are appointed to steer the programme. It is customary to appoint a salary administration committee composed of the highest executive representing each major function of organization with the salary administrator or a chief job analyst and the personnel director as ex-officio non-voting members. This committee takes over the complete charge of planning, administering, installing and maintaining the programme for the organization. **Anchor jobs**- The first step in introducing the programme is the preparation of accurate job descriptions based on the job duties, as they are actually being performed. Some of the job descriptions are then selected, which have counterparts in the similar organization in the area cum industry. These jobs are normally described as *anchor jobs*. Majority of the large industrial undertakings follow a policy of paying comparable or going rates of wages in an area. The comparable jobs, therefore, are checked with other companies and a thorough comparison is made of the job contents without placing reliance upon the job titles. The anchor jobs, after a proper selection, are ranked in order of their difficulty by each of the following common factors to determine their relative standing under each factor, i.e. mental requirements, skill requirements, responsibility, physical requirements and working conditions. **Weighted average salary**- The next step is to ensure that the weighted average salary for each anchor job over the five factors is evenly distributed, in relation to the ranking received. This enables to assign the highest money value to the highest ranking job factor. The values for all five factors of a job are then totaled. The total, which is the equivalent of the area weighted average rate for the job, represents the job difficulty point total. All other jobs then are fitted into the scales, factor and each is, thereby assigned an evaluation of the difficulty point, having as its base, the total of five factors. The various common factors may be explained as follows:

(a) *Mental requirements relates to:*

- Inherent mental traits such as intelligence, memory, reasoning, imagination, ability to go along and get along.
- Acquired special knowledge such as engineering, chemistry, accounting, advertising and mechanics.
- Acquired formal education or its equivalent in practical experience required to perform the job effectively.

(b) *Skill refers to:*

- The degree of inherent or practical ability, judgment, expertness, dexterity, training and past experience.
  - The degree of learning or practice time required (after initial assignment) on the job to acquire proficiency.
  - Working knowledge of how to organize and direct the work of others, handling of forms and procedures peculiar to the job, knowledge of products involved, safety, familiarity with the area and customer requirements, competitive conditions, government regulations, distribution facilities, sales analysis, knowledge of manuals, audit procedures, management reporting and secrecy.
- (c) *Responsibility may be explained in terms of:*
- Men-Selection, placement, training, promotions, safety, performance, discipline, labor relations, rates, overtime, legal obligations and welfare etc.
  - Materials-Raw, finished, processed, supplied, salvaged, construction, procuring, storing, disposing, inspecting, processing, guarding, transferring, testing and using etc.
  - Equipment-Procuring, disposing, constructing, inspecting, storing, planning, operating, guarding, maintaining, testing, transferring in relation to manufacturing, storage, transportation, communication, laboratory, office, marketing, producing and safety etc.
- (d) *Physical requirements will include:*
- Standard required for positions such as sex, age, height, weight, appearance and general health etc.
  - Degree and continuity of physical effort expended or strain sustained in job performance such as sitting, standing, walking, climbing, pulling, lifting, talking and driving etc.
- (e) *Working conditions relate to:*
- The degree to which the job exposes the candidate/employee to undesirable environmental influences such as atmosphere, noise, ventilation, illumination and congestions.
  - Work hazards like burns, falls, strains, breaks or offer bodily injuries.
  - Job exposure to unusual hours, frequent travelling, emergency calls, overtime, inadequate transportation etc.

It is important for the top management to decide upon the number of salary groups, which are appropriate for sound administration. A decision must also be made regarding the percentage spread between the minimum and maximum salary limits of each group. Many companies in India, have adopted a system of a 60 percent variation between the minimum and the maximum of the range and 25 percent at each level. The formula is normally applicable to the middle echelons executives. **For example, Table 8.4.3 shows:**

Grade	Range difference	Minimum	Maximum	Spread
5	25%	500	800	60%
4	-do-	625	1000	-do-
3	-do-	780	1250	-do-
2	-do-	975	1560	-do-
1	-do-	1220	1950	-do-



*Scales are rounded off and fractions are avoided. Any difference varying between Rs. 1 & 5 are ignored.*

**Pricing the job-** The actual pricing of the jobs depends upon the results of the survey. A chart is prepared, wherein the base line represents the difficulty points and the vertical line shows the area of salary in rupees. The area weighted average for each anchor job is then plotted on the chart. A line is drawn, which must nearly fits the data and this would represent the area rate curve. In fact, it is at this point that the curve would indicate the price line for all jobs in the difficulty point scale.

There are certain merits as well as demerits of factor comparison method of job evaluation, which have been summarized further as follows:

**Merits of factor comparison method:** Factor comparison method have certain merits in itself as well over previous methods of job evaluation, which have been written as follows:

- The principle advantage of the factor comparison method is that it enables an organization to introduce a job evaluation programme, which reflects on to job difference and unlike jobs can be evaluated. The method may be used to evaluate labor, clerical and management positions.
- Secondly, the weights are not arbitrarily selected. The weights are given on the basis of actual analysis based on current wage and salary practices.
- Thirdly, it enables the organization to have a plan which is flexible and thus it is possible to make adjustment to changes in conditions and job duties.
- Fourthly, it is also possible to pay to the employees at least the prevailing area rate for positions of equal difficulty and responsibility in the comparable concerns.
- Though it is a complicated system, it can be easily explained to employees.
- This method is more reliable and scientific than other methods of job evaluation.
- Jobs are compared to other jobs to determine their relative value.

**Demerits of factor comparison method:** There are certain demerits of factor comparison method of job evaluation, which have been elaborated as follows:

- The main disadvantage is that the entire system is highly complicated and thus the installation of the plan is expensive.
- The second difficulty relates to the necessity of the top management to rely upon the technical experts as such a programme cannot be developed by the management without the help of the specialists.
- Thirdly, it is almost impossible to explain the complications to the employee's as such effective communications jeopardized considerably by lack of understanding.
- Wage levels change time to time and their minor inconsistencies may be adjusted to bring all the jobs into alignment.
- It is costly to install and difficult to operate for any one, who is not acquainted with the general nature of evaluation technique.
- Money rates tend to influence the actual rate more than the abstract point and
- The system is complex in nature and it is very difficult to educate the employees about the intricacies inherent in the system. An average

employee finds it very difficult to understand the factor comparison method of job evaluation.

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## 8.5 RECENT DEVELOPMENTS IN JOB EVALUATION

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The question of choosing and weighing factors is one of the most difficult issues encountered in basic qualitative methods. Some job evaluation schemes are rejected because of the factors chosen and others categorized as vague and confusing because of too many factors and sub factors. As a result, some researchers and practitioners of job evaluation have proposed and experimented with single factor scheme, which is briefly outlined next.

**The Hay Guide chart-profile method:** Undoubtedly, the best known variation of factor comparison, Hay Guide chart-profile method is reportedly used by more than 4000 profit and non-profit organizations in some around 30 countries. It is described by the Hay Group (a team of management consultants) as a form of factor comparison for the following reasons:

- It uses universal factors.
- Bases job values on 15 percent intervals.
- Make job to job comparisons.
- The plan is tailored to organization.
- Profiling is used to adjust the guide charts and to check on the evaluation of jobs.
- The plan may be used for all types of jobs.

The method is used for all jobs in an organization and the universal factors in the Hay plan are *know-how, problem solving and accountability*. These **three factors** are broken down into eight dimensions. **Know-how** involves:

- (1) Procedures and techniques.
- (2) Breadth of management skills.
- (3) Person to person skills.

The two dimensions of **problem solving** are:

- (1) Thinking environment.
- (2) Thinking challenge.

**Accountability** has three dimensions as follows:

- (1) Freedom to act.
- (2) Impact on results and
- (3) Magnitude.

A **fourth factor**, working conditions, is sometimes used for jobs in which hazards, environment or physical demands are deemed important. The heart of the Hay plan is its guide charts use of 15 percent intervals. Although these charts appear to be two-dimension point scales, the Hay group insists that, except for the problem-solving scale they may be expanded to reflect the size and complexity of the organization. It also states that the definitions of the factors are modified as appropriate to meet the needs of the organization. Profiling is used to develop the relationship among the three scales and to provide an additional comparison with the points assigned from the guide charts. Jobs are assumed to have characteristic shapes or profiles in terms of problem-solving and accountability requirements. Sales and production jobs, for example, emphasize accountability over problem solving. Research jobs emphasize problem solving

more than accountability. Typically, staff jobs tend to equate the two. Hay Guide chart-profile method consists of the following:

- Studying the organization as well as selecting and adjusting guide charts.
- Selecting a benchmark jobs covering all levels and functions.
- Analyzing jobs and writing job descriptions in terms of three universal factors.
- Selecting a job evaluation committee consisting of line and staff managers, a personal department representative, often employees and a Hay consultant and
- Evaluating benchmark jobs and then all other jobs.

Point values from the three guide charts are added, yielding a single point value for each job. Profiles are then constructed and compared on problem solving and accountability, as an additional evaluation.

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**CHECK YOUR PROGRESS 2:**

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- 1) What are the limitations of job evaluation?

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- 2) What are different methods of job evaluation? Describe them briefly.

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**8.6 LET'S SUM UP**

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As you know, job evaluation represents an effort to determine the relative value of every job in a plant and to determine what the fair basic wages for such a job should be. It is a set of systematic procedures to determine the relative worth of jobs within the organization. It analyzes and praises the content of jobs, set in the family of other jobs, so as to put them in a suitable evolved rank order, which can then be utilized for installation of an acceptable wage structure in an organization. The primary objective of job evaluation is to find out the value of work, but this value varies from time to time and from place to place, under the influence of certain economic pressures. Another aim of job evaluation is to supply bases for wage negotiations founded on facts rather than on any vague ideas. The technique of job evaluation can also be used to determine not only what the job is worth, but also the value of each of the aspects such as the skills and responsibility levels. The next step in the job evaluation process is to select or design a method of evaluating jobs. Four basic methods have traditionally been mentioned. These are ranking, classification, factor comparison and the point methods. Depending upon the needs and wants of any organization may combine the features of two or more than two methods and the chosen method should secure the satisfaction of all concerned, namely management, employees

and unions etc. thus job evaluation is an important part of human resource management in any organization.

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## 8.7 CLUES TO ANSWERS

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- 1) Refer to section and sub-sections 8.2, 8.2.1 and 8.2.2 for answers to-check your progress 1.
- 2) Refer to sections 8.3 and 8.4 for answers to-check your progress 2.

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## 8.8 REFERENCES

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## 8.9 SUGGESTED READINGS

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- Armstrong, Michael (1999), *The art of HRD-human resource management*, Crest Publishing House, New Delhi, Volume 2.
- Poels, Frans (1999), *The art of job evaluation and remuneration strategies*, Crest Publishing House, New Delhi.

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## 8.10 TERMINAL QUESTIONS

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- Q1.** Explain the concept of job evaluation, its objectives and advantages with examples.
- Q2.** Describe briefly various methods of job evaluation with examples and limitations of job evaluation, if any.

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## UNIT 9: JOB ANALYSIS AND JOB DESCRIPTION

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### Structure:

- 9.0 Introduction.
- 9.1 Objectives.
- 9.2 Job analysis.
  - 9.2.1 Approaches to job analysis.
  - 9.2.2 Process of job analysis.
  - 9.2.3 Job analysis methods.
  - 9.2.4 Behavioral aspects of job analysis.
  - 9.2.5 Legal aspects of job analysis.
  - 9.2.6 Uses of job analysis.
- 9.3 Job description.
  - 9.3.1 A sample of job description.
  - 9.3.2 Process/stages in job description.
  - 9.3.3 Writing job descriptions.
  - 9.3.4 Uses of job description.
  - 9.3.5 Job specifications.
- 9.4. Let's sum up.
- 9.5 Clues to answers.
- 9.6 References.
- 9.7 Suggested readings.
- 9.8 Terminal questions.

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### 9.0 INTRODUCTION

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Job analysis and job description both are important parts of studying a particular job from various important perspectives, so as to get complete information about a particular job or different jobs. It helps human resource activities as it minimizes various deficiencies in various recruitment and selection process. The real value of job analysis begins as the information is compiled into job descriptions and job specifications for use in virtually all human resource activities. Job analysis is also useful in identifying job factors and duties that may contribute to workplace health and safety issues. Further a job description provides information about the tasks, duties and responsibilities of a job. Moreover, it gives information about job code, pay grade, exemptions and necessities in a particular job. Both job analysis and job description are important concepts in human resource management process.

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### 9.1 OBJECTIVES

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After reading this unit you will be able to:

- Know about the concept of job analysis.
- Have a conceptual background of job description.

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## 9.2 JOB ANALYSIS

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Job design attempts to develop jobs that fit effectively into the flow of the organizational work that needs to be done. The focus of job analysis centers on using a formal system to gather data about what people do in their jobs. This data is used to generate job description and job specifications. Job analysis has been defined as follows:

*“Job analysis is a systematic way of gathering and analyzing information about the content, context and human requirements of jobs.”*

Job analysis is a formal and detailed study of jobs. It refers to a scientific and systematic analysis of a job in order to obtain all related facts about the job. Job analysis has further been defined as:

*“The process of determining by observation and study the tasks, which comprise the job, the methods & equipments, used and the skills & attitudes required for successful performance of the job”.*

Job analysis is essentially a process of collecting and analyzing data relating to a job. It is a part of overall work planning called work design. A job can be analyzed only after it has been designed and someone is already performing it. Job analysis is therefore performed upon ongoing jobs. As jobs are always subject to change, a job analysis may become obsolete within a short period of time. Job analysis provides various **informations** about a job:

- Identification of the job in terms of its title and code number.
- Various operations and tasks involved in the job including their timing, significance, complexity and sequence.
- Location, physical setting, hazards and discomforts, supervision given and received and other significant characteristics of the job.
- Duties involved in the job along with the frequency of occurrence of each duty.
- Materials, methods and equipments used in performing the job.
- Nature of operation within a particular job like cleaning, lifting, handling, drilling, feeding, driving, guiding and assembling etc.
- Relationship of the job with other jobs in the organization and
- Personal attributes required for performing the job like physical strength, education, mental skills, attitudes, experience and training etc.

Using job analysis to document human resource activities is important because the legal defensibility of an employer's recruitment and selection procedures, performance appraisal system, employee disciplinary actions and pay practices rests in part on the foundation of job analysis. Various methods and sources of data can be used to conduct job analyses. The real value of job analysis begins as the information is compiled into job descriptions and job specifications for use in various human resource activities. To justify HR actions as job related for equal employment opportunities (EEO) matters, accurate details on job requirements are needed. To be effective, human resources planning, recruitment and selection, all must be based on the specific needs of the job. Job analysis is also useful in the identification of job factors and duties that may contribute to workplace health and safety issues.

**For example**, one study used job analysis to identify physical demands causing work related injuries and the steps to be taken to reduce those injuries. Finally, job analysis plays a key role in employee and labor relations issues. Job



analysis involves collection of information on the characteristics of a job that differentiates it from other jobs. The information generated by job analysis may be useful in redesigning jobs, but its primary purpose is to capture a clear understanding of what is done on a job and what capabilities are needed to do it as designed. There are two approaches to job analysis, one focusing on tasks performed in the job, the other on competencies needed for job performance.

In every organization of any size, the organization structure, work assignments, job duties and responsibilities are subject to change. New jobs are established and existing jobs may change either abruptly as a result of re-organization or gradually overtime. In such cases, it is **necessary** to analyze and describe new or revised jobs in order to assure their proper evaluation. When a new job has been established under the approved organization structure or the duties of an existing job have significantly changed, the supervisor concerned will initiate a request for job analysis form and submit it through proper channels to the department head concerned. In his request, the **job supervisor** will outline the main duties of the new job or the principle revisions. Further, the **department head** concerned will review the request, ensure its validity and forward it to human resource department for necessary action. Upon receiving an approval request for job analysis, the human resource department will ensure that the job conforms to the approved organization chart, conduct the necessary job analysis interview and compile the information on the job analysis form. In carrying out the analysis of a job and completing the required form, the following basic aspects must be considered:

- The facts obtained and recorded must refer to the job and not the job incumbent (*necessary duty*).
- The duties and responsibilities must be for the job, as it exists at present rather than for what the job should be or is thought to be. The minimum requirements must be adequate to support the satisfactory performance of such duties and responsibilities.
- The job facts must, in all cases, be verified to ensure that they are accurate, factual and realistic.
- The duties of each job must be coordinated with the duties of other jobs, above and below in the organizational unit and with related jobs in other parts of the organization.
- Each duty must be analyzed to ensure that it is essential to the operation of the unit.
- Jobs, which are similar in nature and of an equal level of difficulty, should be combined, wherever possible, under the same job title to provide uniformity whilst still permitting flexibility in work assignment.
- Where there is more than one incumbent in a job, only one job analysis interview is required.
- Where the job has more than one application, such as secretary or clerk, it is advisable to obtain details of the applications in the various units in order to ensure adequate coverage.

Finally a job analysis form, which is to be used, must contain necessary instructions, which are self-explanatory.

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### 9.2.1 APPROACHES TO JOB ANALYSIS

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There are two types or approaches of job analysis, which may be elaborated as follows:

- Task-based job analysis.
- Competency-based job analysis.

**Task based job analysis** is most common form and focuses on the tasks, duties and responsibilities performed in a job. A **task** is a distinct, identifiable work activity composed of motions, whereas a **duty** is a larger work segment composed of several tasks that are performed by an individual. As both tasks and duties describe activities, it is not always easy or necessary to distinguish between the two. **For example**, if one of the employment supervisor's duties is to interview applicants, one task associated with that duty would be asking questions. Responsibilities are obligations to perform certain tasks and duties.

Unlike the traditional approach to analyzing jobs, which identifies the tasks, duties, knowledge and skills associated with a job, the **competency approach** considers how the knowledge and skills are used. Competencies are individual capabilities that can be linked to enhanced performance by individuals or teams. A growing number of organizations use some facts of competency analysis on various HR activities. The **three primary reasons** that organizations use a competency approach are to communicate valued behaviors within the organization, to raise competency levels throughout the organization and to emphasize people's capabilities for enhancing the competitive advantage of the organization. The concept of competencies varies widely from organization to organization. Technical competencies often refer to specific knowledge and skills employees have.

**For example**, skills for using specialized software to design web pages or for operating highly complex machinery and equipment may be cited as competencies. Some of the following have been identified as behavioral competencies:

- Customer focus.
- Team orientation.
- Technical expertise.
- Result orientation.
- Communication effectiveness.
- Leadership.
- Conflict resolution.
- Innovation.
- Adaptability and
- Decisiveness.

The competency approach also attempts to identify the hidden factors that are often critical to superior performance. **For example**, many supervisors talk about employee's attitudes, but they have difficulty in identifying exactly what they mean by attitude. The competency approach uses a variety of methodologies to help the supervisor's clear examples of what they mean by attitude and how those factors affect performance. In some industries, research has been done to identify critical competencies, as the human resource perspective indicates.

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**9.2.2 PROCESS OF JOB ANALYSIS**

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The process of job analysis may be conducted in a logical manner, following appropriate management and professional psychometric practices. Therefore analysts usually follow a multi-stage process, regardless of the specific job analysis method used. The stages for a typical job analysis may vary somewhat with the number of jobs included. The various stages have been mentioned as follows:

- (1) Planning the job analysis.
- (2) Preparing for and introducing the job analysis.
- (3) Conducting the job analysis.
- (4) Developing job descriptions and job specifications.
- (5) Maintaining and updating job descriptions and job specifications.

Various stages involved in the process of job analysis may be elaborated as follows:

**1) Planning the job analysis:** As you know, planning is required every time before doing a particular task or assignment, so a crucial aspect of the job analysis process is the planning done before gathering data from managers and employees. Probably the most important consideration is to identify the objectives of the job analysis, from just updating job descriptions to revising the compensation programs in the organization. Whatever the purpose identified, it is vital to obtain the support of top management.

**2) Preparing for and introducing the job analysis:** Preparation for job analysis begins with identification of the jobs under review. **For example**, are the jobs to be analyzed hourly jobs, clerical jobs, all jobs in one division or all jobs in the entire organization? Reviewing existing job descriptions, organization charts, previous job analysis information and other industry related resources is part of planning. This phase identifies those who will be involved in conducting the job analysis and the methods to be used. A crucial step is communicating and explaining the process to managers, affected employees and other concerned people, such as union stewards. Explanations should address the natural concerns and anxieties people have when someone closely scrutinizes their jobs. When employees are represented by a union, it is essential that union representatives be included in reviewing the job descriptions and specifications, to lessen the possibility of future conflicts. Such precautions help an organization to a large extent regarding their human resource management operation. It also helps in building confidence of various employees for the organization.

**3) Conducting the job analysis:** With the preparation completed, the job analysis can be conducted. The methods selected will determine the timeline for the project. If questionnaires are used, it is often helpful to have employees return them to supervisors or managers for review before giving them back to those conducting the job analysis. Questionnaires should be accompanied by a letter explaining the process and instructions for completing and returning them. Once data from job analysis are compiled, the information should be sorted by job, organizational unit and job family. This step allows for comparison of data from similar jobs throughout the organization. The data should be reviewed for completeness, with follow-up as needed in the form of additional interviews or questions to be answered by managers or employees.

**4) Developing job descriptions and job specifications:** At the fourth stage, the job analysis draft job description and job specifications. Generally, organizations find that having managers and employees write job descriptions is not recommended for several reasons. First, it reduces consistency in format and details, both of which are important given the legal consequences of job descriptions. Secondly, managers and employees vary in their writing skills. Also, they may write the job descriptions and job specifications to reflect what they do and what their personal qualifications are, not what the job requires. Completed drafts should be reviewed with managers and supervisors. Whether employees review the drafts or wait to receive the final job descriptions is often determined by the managerial style of the supervisors/managers and the culture of the organization regarding employee participation and communication. When the job descriptions are finished, the HR department distributes them to managers, supervisors and employees. Supervisors or managers should then review the completed descriptions with the appropriate employees to ensure understanding and agreement on the content that will be linked to the performance appraisals, as well as to all other activities.

**Figure: 9.2** Stages of job analysis in a flowchart.



**5) Maintaining and updating job descriptions and job specifications:** Once job descriptions and specifications have been completed and reviewed by all appropriate individuals, a system must be developed for keeping them current.

One effective way to ensure that appropriate reviews occur is to use job descriptions and job specifications in other HR activities. For example, each time a vacancy occurs, the job description and specifications should be reviewed and revised as necessary before recruitment and selection efforts begin. Similarly, in some organizations, managers and employees review their job descriptions during each performance appraisal interview.

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### 9.2.3 JOB ANALYSIS METHODS

Job analysis information about what people are doing in their jobs can be gathered in a variety of ways. One consideration is who is to conduct the job analysis. Most frequently, a member of HR staff coordinates this effort. Depending on which of the methods discussed next is used, others who often participate are managers, supervisors and employees doing the jobs. For more complex analyses, industrial engineers may conduct time and motion studies. Another consideration is the method to be used. Whatever method is chosen, it should be content based and should not reflect rater bias. Common methods are observation, interviewing, questionnaires and computerized systems. The use of a combination of these approaches depends on the situation and the organization. Various methods of job analysis are elaborated as follows:

- Observation.
- Interviewing.
- Questionnaires.
- Computerized systems.
- Functional job analysis.
- On-line information and
- Combination methods.

With the **observation method**, a manager, job analyst or industrial engineer observes the individual performing the job and takes notes to describe the tasks and duties performed. Use of the observation method is limited because many jobs do not have complete and easily observed job duties or complete job cycles. Thus, observation may be more useful for repetitive jobs and in conjugation with other methods. It is further of two types as:

- Work sampling.
- Employee diary/log.

One type of observation e.g. **work sampling**, does not require attention to each detailed action throughout an entire work cycle. This method allows a manager to determine the content and pace of a typical workday through statistical sampling of certain actions rather than through continuous observation and timing of all actions. Work sampling is particularly useful for routine and repetitive jobs. Another method known as **employee diary/log** requires employees to observe their own performances by keeping a diary/log of their job duties, noting how frequently those duties are performed and the time required for each one. Although this approach sometimes generates useful information, it may be burdensome for employees to compile an accurate log. Also, employees sometimes perceive this approach as creating needless documentation that detracts from the performance of their work.

The **interview** method of gathering information requires a manager or an HR specialist to visit each job site and talk with the employees performing each job.

A standardized interview form is used most often to record the information. Frequently, both the employee and the employee's supervisor must be interviewed to obtain a complete understanding of the job. Sometimes, group or panel interviews are used. A team of subject matter experts, who have varying insights about a group of jobs assembled to provide job analysis information. This option may be particularly useful for highly technical jobs and others for which a range of individuals can provide input. The interview method can be quite time consuming, especially if the interviewer talks with two or three employees doing each job. Professional and managerial jobs are often more complicated to analyze and usually require longer interviews. For these reasons, combining the interview method with one of the other methods is suggested.

The **questionnaire** is a widely used method of gathering data on jobs. A survey instrument is developed and given to employees and managers to complete. The typical job questionnaire often covers the areas like duties and percentage of time spent on each regular duties and special duties, supervision given to others, supervision received from others, decision made regarding material and equipment used, decision made about finance and budget, contact with other people (*internal/external contacts*), physical dimensions like physical demands and working conditions and jobholder characteristics like knowledge, skills, abilities and training needed. The questionnaire method offers a major advantage in that information on a large number of jobs can be collected inexpensively in a relatively short period of time. However, the questionnaire method assumes that employees can accurately analyze and communicate information about their jobs. Employees may vary in their perceptions of the jobs and even in their literacy. Using interviewing and observation in combination with the questionnaire method allows analysts to clarify and verify the information gathered in questionnaires. There are two types of questionnaires:

- Position Analysis Questionnaire (PAQ).
- Managerial Job Analysis Questionnaire.

The **position analysis questionnaire** is a specialized instrument incorporating checklists. Each job is analyzed on 27 dimensions composed of 187 elements. The position analysis questionnaire has a number of divisions, each containing numerous job elements. The divisions include:

- *Information input*: Where and how does the worker get information to do the job?
- *Mental process*: What levels of reasoning are necessary on the job?
- *Work output*: What physical activities are performed on the job?
- *Relationship with others*: What relationships are required while performing the job?
- *Job context*: What working conditions and social contexts are involved in the job?
- *Other*: What else is relevant to job?

The position analysis questionnaire focuses on *worker-oriented* elements that describe behaviors necessary to do the job, rather than on *job-oriented* elements that describe the technical aspects of the work. Although its complexity may deter many potential users, the PAQ is easily quantified and can be used to conduct validity studies on selection tests. It also may contribute to internal pay fairness because it considers the varying demands of different jobs.



In case of **Managerial Job Analysis Questionnaires** as managerial jobs differ in character from jobs with clearly observable routines and procedures, some specialized methods have evolved for their analysis. One well known and widely used method is the **Management Position Description Questionnaire (MPDQ)**. Composed of more than 200 statements, the MPDQ examines a variety of managerial dimensions, including decision making and supervising. With the expansion of information technology, **computerized job analysis systems** have been developed. All these systems have several common characteristics, including the way they are administered. First, analysts compose task statements that relate to all jobs. Then, those statements are listed in questionnaires, which are distributed to employees. Next, employees respond on computer-scannable documents, which are fed into computer based services capable of scoring, recording, analyzing and reporting thousands of pieces of information about any job. An important feature of computerized job analysis is the specificity of data that can be gathered. All this specific data is compiled into a job analysis database. As a result, a computerized job analysis system can often reduce the time and effort involved in writing job descriptions. These systems often store banks of job duty statements that relate to each of the task and scope statements of the questionnaires. Interestingly, a study found little variation in the results of job analysis data obtained by paper questionnaires and by computerized methods. Thus, use of computerized methods will likely grow. A variety of resources related to job analysis are available. These have been developed and used over many years by various entities within the department of labor in the United States of America, primarily for employment and training administration. Starting with **Functional Job Analysis**, the method is a comprehensive approach to job analysis. FJA considers various things listed below:

- Goals of the organization.
- What workers do to achieve those goals in their jobs?
- Level and orientation of what workers do?
- Performance standards and
- Training content.

A functional definition of what is done in a job can be generated by examining the three components of *data, people and things*. The levels of these components are used to identify and compare important elements of jobs.

**On-line facilities** provide information about skills, abilities, knowledge, work activities and interests associated with a wide range of jobs and occupations. On-line database provides basic occupational data to anyone, who is interested. It also provides linkages to additional resources on workplace issues. It is a valuable and time-saving resource for job analysis and for writing good descriptions and specifications. There are a number of different ways to obtain and analyze information about a job. Therefore, in dealing with issues that may end up in a court, HR specialists and others doing job analysis must carefully document all the steps taken. Each method has strengths and weaknesses and a combination of methods generally may be more appropriate than one method alone. Regardless of the methods used, in its most fundamental form job analysis provides the information necessary to develop job descriptions and job specifications.

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### 9.2.4 BEHAVIORAL ASPECTS OF JOB ANALYSIS

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Job analysis involves determining what the “core” job is. A detailed examination of the jobs, although necessary, sometimes can be a demanding and disruptive experience for both managers and employees, in part because job analysis can identify the difference between what currently is being performed in a job and what should be done. Consequently, a number of behavioral factors can affect job analysis. Various behavioral aspects have been discussed as:

- Inflation of jobs and job titles.
- Employee and managerial anxieties.
- Current incumbent emphasis.

These behavioral aspects of job analysis can be elaborated as follows:

**1) Inflation of jobs and job titles:** Employees and managers have some tendency to inflate the importance and significance of their jobs. Because job analysis information is used for compensation purposes, both managers and employees hope that puffing up jobs will result in higher pay levels and greater status for resumes and more possible promotion opportunities. Titles of jobs often get inflated too. Some firms give fancy titles in place of pay raises and others do it to keep well-paid employees from leaving for status reasons. Some industries, such as banking and entertainment are well known for their title inflation. **For example**, banking and financial institutions use officer’s designations to enhance status. In one small bank an employee had three years experience as a teller was prompted with no pay increase to second vice president and senior customer service coordinator. He basically became the lead teller when her supervisor was out of the bank and now could sign a few customer account forms, but his duties remained basically the same. As the HR globally identifies, the problem of job titles is not limited to norms.

**2) Employee and managerial anxieties:** Both managers and employees have concerns about job analysis. Through the information developed in a job analysis, the job description is ideally supposed to identify the nature of a job. However, it is difficult to capture all facets of a job, particularly for jobs in which employees perform a variety of duties and operate with a high degree of independence. These are of two types; one is **managerial straitjacket** and second is **employee fears**. One primary concern of managers and supervisors is that the job analysis and job descriptions will unrealistically limit managerial flexibility. As workloads and demands change rapidly, managers and supervisors want to be able to move duties to other employees, cross-train employees and have more dynamic, flexible ways to get work accomplished. If job descriptions are written restrictively, some employees may use an omission to limit managerial flexibility. The resulting attitude, *it is not in my job description*, puts a straitjacket on a manager. In some organizations with unionized workforces very restrictive job descriptions exists. Because of such difficulties, the final statement in many job descriptions is a miscellaneous clause, which consists of a phrase similar to, *performs other duties as needed upon request by immediate supervisor*. This statement covers unusual situations that may occur in an employee’s job. However, duties covered by this phrase cannot be considered essential functions. **One fear**, that employees may have concerns about the purpose of a detailed investigation of their job. Perhaps they feel that such a detailed look means someone thinks they have done something wrong. The

attitude behind such a fear might be, *as long as no one knows precisely what I am supposed to be doing, I am safe*. Often the content of a job may reflect the desires and skills of the incumbent employee. For example, in one firm, an employee promoted to customer service supervisor continued to spend considerable time answering customer calls, rather than supervising employees taking the calls. As part of job analysis discussions, the customer service manager and the supervisor discussed the need for the supervisor to train his employees on handling special customer requests and to delegate more routine duties to the customer service representatives. Also, some employees may fear that an analysis of their jobs will put a straight jacket on them, limiting their creativity and flexibility by formalizing their duties. However, analyzing a job does not necessarily limit job scope or depth. In fact, having a well-written, well communicated job description can assist employees by clarifying their roles and the expectations within those roles. One effective way to handle anxieties is to involve the employees in the revision process.

**3) Current incumbent emphasis:** As illustrated by the example of the customer service supervisor, a job analysis and the resulting job description and job specifications should not describe just what the person currently doing the job does and what his or her qualifications are. The incumbent may have unique capabilities and the ability to expand the scope of the job to assume more responsibilities. The company would have difficulty finding someone exactly like that individual if he or she left. Consequently, it is useful to focus on core duties and necessary knowledge, skills and abilities (KSAs) by determining what the jobs would be if the incumbents quit or were no longer available to do the jobs.

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### 9.2.5 LEGAL ASPECTS OF JOB ANALYSIS

Typically, job analysis identifies the percentage of time spent on each duty in a job. This information helps determine whether someone should be classified as exempt or non-exempt under the wage/hour laws. Other, legal-compliance efforts, such as those involving workplace safety and health, can also be aided through the data provided by job analysis. In summary, it is extremely difficult for an employer to have a legal staffing system without performing job analysis. Truly, job analysis is the most basic HR activity and the foundation for most of other HR duties.

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### 9.2.6 USES OF JOB ANALYSIS

Job analysis has many uses in human resource management of various organizations; few of them may be summarized as follows:

- It helps in proper placement of employees by matching job requirements and personnel cases of unfits and misfits are reduced.
- It helps to improve efficiency due to better placement and frequently suggests methods for improvements.
- Job analysis helps in improving the design of jobs and work methods. It aids in analyzing work processes and work simplification. It also serves as the basis for times and motion studies conducted to lay down work for incentive plans.
- It assists management in the proper allocation of authority and responsibility by describing the duties of each job and the interrelationship among jobs.

- It provides a basis for manpower planning and for intelligent recruitment and selection of personal. It reveals the nature and qualities of people required for a job.
- Job analysis helps in devising the training and development programmes for employees.
- It facilitates job evaluation and performance appraisal, which are necessary for wage determination, for appraising the working conditions and promotions and transfers.
- By facilitating the matching of employee skills with job requirements, job analysis helps to improve job satisfaction, motivation and morale of the employee's absenteeism and turnover of the personnel can be reduced.
- Helps in establishing a basis for compensation.

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**CHECK YOUR PROGRESS 1:**

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- 1) What is job analysis and describe various approaches to job analysis?

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- 2) Describe the process of job analysis and uses of job analysis?

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**9.3 JOB DESCRIPTION**

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A typical job description contains several major parts. The HR practice provides some suggestions for writing job descriptions. Overviews of the most common components are identification, general summary, essential functions and duties, job specifications and disclaimer and approvals. Further the job description may be written as: *“Job description is an important document, which is basically descriptive in nature and contains a statement of job analysis. It is an organized document, written and factual statement of job contents in the form of duties and responsibilities of a particular job. It describes the scope and functions of a job and summarizes the nature and type of the job.”*

This data collected through job analysis provides the basis for preparing job descriptions and job specifications. Job description is a functional description of what the job entails. It is descriptive in nature and defines the purpose and scope of a job. It is a factual and organized statement describing the job in terms of its title, location, duties, responsibilities, working conditions, hazards and relationship with other jobs. It tells us what is to be done, how it is to be done and why. The main object of a job description is to differentiate it from other jobs and to set out its outer limits. Job description is an important document as it helps to identify the job and gives a clear idea of what the job is. Further, the job description should be prepared considering following things:

- Give a clear, concise and readily understandable picture of the whole job.

- Describe in sufficient detail each of duties and responsibilities.
- Emphasize accuracy, brevity and simplicity rather than an elegant style.
- Use effective verbs e.g. type letters, sort out mail, distribute mail, train workers etc. before each statement.
- Avoid statement of opinion.
- Examples of work performed may be quoted.
- Indicate the extent of supervision received and given.
- Ensure that a new employee can understand the job by reading the job description.

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### 9.3.1 A SAMPLE OF JOB DESCRIPTION

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A sample of job description has been written below to make you the concept clear as:

**Job title:** Director of wages and salary administration of **ABC** travel agency.

**Job summary:** Responsible for agency wage and salary programmes, including job analysis, job evaluation, wage surveys and benefit administration.

**Job duties:**

- Supervises job analysis studies and approves final form of job descriptions.
- Develops, executes and monitors job evaluation procedures in co-operation with operating management.
- Acts as chairman of the company-wide job evolution committee.
- Conducts periodic wage and salary surveys in the community and industry.
- Administers the company's supplementary benefit programmes. Recommends changes in and additions to existing benefits.
- Supervises members of the wage and salary division.

**Working conditions:** Normal working conditions, eight hours per day. It describes the job title, job summary, job duties and working conditions. According to Earnest Dale, following demerits for writing the description:

- (a) The job description should be clear regarding the work of the position, duties etc.
- (b) The job description should indicate the scope and nature of work including all important relationships.

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### 9.3.2 PROCESS/STAGES OF JOB DESCRIPTION

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Job description is an important part of human resource management and involves various stages as identification, general summary, essential functions and duties, job specifications and disclaimer and approvals about a particular job. Various stages have been elaborated as follows:

- (1) Identification.
- (2) General summary.
- (3) Essential functions and duties.
- (4) Job specifications and
- (5) Disclaimer and approvals.

These stages constitute an important part of job description process and must be studied carefully:

**1) Identification:** The first part of the job description is the identification section, in which the job title, department, reporting relationships, location and date of analysis may be given. Usually, it is advisable to note other information that is useful in tracking jobs and employees through HR systems. Additional items commonly noted in the identification section are; job code, pay grade, exempt/non-exempt status etc.

**2) General summary:** The second part, the general summary, is a concise statement of the general responsibilities and components that make the job different from others. One HR specialist has characterized the general summary statement as follows, "In thirty words or less, describe the essence of the job". It is generally recommended that the summary be written after all other sections are completed, so that a more complete overview is prepared.

**3) Essential functions and duties:** The third part of the typical job description lists the essential functions and duties. It contains clear, precise statements on the major tasks, duties and responsibilities performed. It keeps into consideration, the prime works and duties to be delivered by a particular individual while performing a particular job. These functions and duties cannot be neglected as these comprise theme of a job. Writing this section is the most time-consuming aspect of preparing job descriptions.

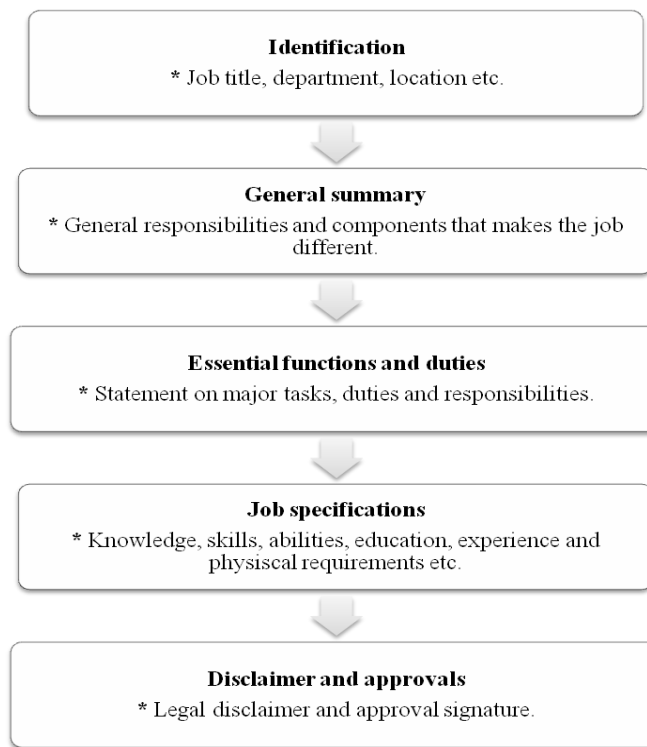
**4) Job specifications:** The next portion of the job description gives the qualifications needed to perform the job satisfactorily. The job specifications typically are stated as:

- Knowledge, skills and abilities.
- Education and experience and
- Physical requirements or working conditions.

The components of job specifications provide information necessary to determine what accommodations might and might not be possible under the acts.

**5) Disclaimer and approvals:** The final section on many job descriptions contains approval signatures by appropriate managers and a legal disclaimer. This disclaimer allows employers to change employee's job duties or to request employees to perform duties not listed, so that the job description is not viewed as a contract between the employer and the employee.



**Figure: 9. 3** Stages of job description in a flowchart.

### 9.3.3 WRITING JOB DESCRIPTIONS

Although not the most exciting part of HR management, developing and maintaining current job descriptions is important. Some key suggestions for writing the essential functions and duties of a job are as follows:

- Compose specific duty statements that contain most of the following elements:
  - (1) A precise action verb.
  - (2) An object of the verb.
  - (3) The expected outcome.
  - (4) The tools, equipment, aids and processes to be used and
  - (5) The frequency of the duties.
- *Be logical:* Make the job description easy for the reader to understand. If the job is repetitive, describe the tasks as they occur in the work cycle. For varied jobs, list the major tasks first and follow those with the less frequent and/or less important tasks in order.
- *Use proper detail:* Make sure the description covers all the meaningful duties of the job. But recognize that excessive detail makes the description difficult to read and use in other HR activities.
- *Use the active voice:* Start each statement with a functional verb in the present tense (*third person singular*). For example, “Bends”, “Approves”, “Analyzes”. Avoid “is responsible for” because each duty is already assumed to be a responsibility.

- *Eliminate the unnecessary words:* Do not use personal pronouns, because they do not add to the description and the gender of the jobholder is irrelevant.
- *Quantify:* For example, instead of saying, "Lifts heavy packages", say, "Frequently lifts heavy packages weighing up to 50 pounds."
- *Describe, do not prescribe:* Say, "Operates electronic imaging machine", not, "Must know how to operate electronic image machine". The latter is a job specification, not a job description.
- *Be specific:* Specify what is done by the employee. Do not say, "Does clerical computations"; better say, "Computer sales frequency percentages".
- *Avoid vague terms:* Avoid terms like prepares, handles, maintains and processes. Substitute active, action verbs like checks and reviews.
- *Be consistent:* Define terms like may, occasionally and periodically. For example, say, "May is used to describe tasks that only some of the employees in a job perform; occasionally can describe tasks performed once".
- *Prepare a miscellaneous clause:* This clause allows flexibility and may be phrased such as "Performs other related duties as assigned by supervisory personnel".

Altogether, you may say that an ideal job description must give a clear, concise and readily understandable picture of the whole job, sufficient detail of each duties and responsibilities, accuracy, brevity, simplicity rather than an elegant style, use of active verbs like type letters, train workers etc. avoidance of statements of opinion, examples of work performed and easy for new employee to understand etc.

**Further**, the job description is necessarily based on the information obtained through the job analysis interview. It is prepared primarily for defining duties and responsibilities and for job evaluation. It is also useful for purposes like organizational analysis, recruitment, employee placement, performance appraisal and training and development. Various activities associated with job description are as follows:

- (1) Policy.
- (2) Preparation of job descriptions by human resources department.
- (3) Review and approval by department management.
- (4) General guidelines.
- (5) Job description form.
- (6) Basic considerations.

**1) Policy:** It is a policy that each approved job should be described on the prescribed form and evaluated under the job evaluation plan.

**2) Preparation of job descriptions by the human resources management:** Job descriptions will be prepared by the human resource department on the basis of facts indicated on the job analysis form. In case of an existing job description requiring revision to certain parts of its content, the revision will be made by the human resources department through an interview conducted with the job supervisor. It is not necessary to complete a job analysis form for such revision.

**3) Review and approval by department management:** Job descriptions prepared or revised by the human resources department are subject to the review and concurrence of the section head and the approval of the department head concerned.

**4) General guidelines:** In compiling a job description, various aspects must be carefully considered like identification, precision, conciseness, organization, coordination and standardization. As far as the **identification** is concerned, the description must be confined to those duties, responsibilities and qualifications specifically relating to the job which distinguish it from other jobs. This permits proper comparison of jobs. The description of the job must be **precise** and use specific terms. Its statements must be clear and in a proper language, aimed at defining each function fully and showing where the duties of the job end and those of other related jobs begin. Job descriptions may vary in length depending upon the content and requirements of the job, but emphasis should be placed on brevity (concise and exact use of words), **conciseness** and the elimination of tedious details. The information contained in the job description must be **organized** and presented in a logical sequence. Related tasks should be grouped under one function. It is always advisable to describe the full cycle of tasks involved in each function. Each job is a part of the organizational structure. Its duties, responsibilities and minimum requirements are related to other jobs. Accordingly, the job description must be prepared, not in isolation, but in close **coordination** with the other jobs in the organization. Each job must be described in a uniform manner and presented on the job description form. The style and terminology used in each job description should conform to an established pattern or **standard**, wherever possible.

**5) Job description form:** Job description should be compiled according to a standard format and forms should be ideally managed, depicting each and every thing about a particular job.

**6) Basic considerations:** In the preparation of a job description, it is necessary to observe certain guidelines that ensure the adequacy of the described information in a way, which will permit its proper evaluation. These are presented below in the order of the heading appearing on the job description form as:

- Basic function.
- Duties performed.
- Work contacts.
- Independence of operation and responsibility for safety.
- Supervisory responsibility and work direction.
- Physical effort.
- Work conditions.
- Minimum requirements.
- Subsequent review and revision.
- Approval of job descriptions.

Further theses have been described as follows:

- **Basic function:** It is a brief statement of the purpose of the job as a whole in order to distinguish it from other jobs. This should be followed by a general description of the scope or range of activities and the responsibilities assigned on the job. To ensure adequate coverage, it is advisable to prepare the basic function after all the other parts of the job description have been written.
- **Duties performed:** Select the main **duties** and responsibilities of the job. These are normally grouped seven to ten headings. Describe the main duties of the job in a **specific** and concise manner indicating what work is done. How it is done and why it is done, unless these details are self-evident. Examples

can be most helpful in clearly describing the work activity and can be inserted into descriptions of duties by using statements like such as or e.g. The duties and responsibilities should be listed in a **logical sequence**. For example, they be listed in the exact order of performance following through a complete work cycle, or in order of importance from the highest to lowest. The lesser duties should be kept to a minimum, as jobs will be rated primarily on the main functions. Indicate briefly the **scope** and **importance** of each duty by giving details of the number of personnel, geographical area, size or value of plant, volume, financial values etc. involved in each function. Describe what impact the job has on the activities of the unit. All paragraphs should begin with **action verbs**, such as operates, recommends, plans, schedules or advises etc. this helps to keep job descriptions brief and emphasizes the nature of the activities of each job. **Clarity** and **accuracy** are essential. Quantitative specific words should be used, rather than vague, general words. For example, the words *assists*, *handles*, *responsible for*, are not in themselves sufficient to indicate the nature and extent of the job function and must consequently be qualified to show the specific action involved. Specify for each duty, where the incumbent's **responsibility ends** and that of the supervisor begins. What decisions does the incumbent make without referring upwards? Note that some jobs in different grades have very similar functions but different levels of responsibility for the work and also perhaps a different scope, e.g. accountant 1 and accountant 2.

- **Work contacts:** State the principal contacts involved in the job together with the individuals and units outside the immediate work unit. The statement must be specific in terms of the job titles and units contacted by the job. In addition, it must include the nature, frequency and means as well as the purpose and importance of such contacts. Does the job represent the section, the department etc.
- **Independence of operation:** Describe briefly the degree of latitude for independent action relating to the job as a whole and the impact of the actions, decisions and recommendations on operations and relations. This should cover the **latitude and impact**. The nature of instructions, procedures, standards and objectives to be followed, the extent of supervision received and the nature of the matters referred upwards for action or a decision. The potential effect the incumbent's actions may have on money, facilities, equipment, materials, operations or relations. Indicate the level and nature of such responsibility and the likely effect of the jobholder's actions on the safety of others (*patients, workmates and subordinates*).
- **Supervisory responsibility and work direction:** List the titles of the jobs immediately supervised, indicating the approximate number of personnel in such jobs. Also state the total number of personnel supervised by each, both directly and through subordinate levels of supervision. Based on the authorized manpower for the organization. Where no supervision is exercised but the incumbent is required to provide work direction and be responsible for controlling the quantity and quality of the work of others, this must be stated and the job titles thus controlled, specified. This includes both work direction provided to other personnel and monitoring of the work of contractor's personnel.

- **Physical effort:** State briefly the nature or intensity of physical effort required by the job, as well as the duration of such effort. Indicate the duration of each effort as a percentage of the daily work period.
- **Work conditions:** Describe the degree of exposure to agreeable or disagreeable work conditions, specifying the intensity of such conditions and the duration of percentage of the daily work period.
- **Minimum requirements:** Specify the minimum level of education, training and qualifications required to enable a normal incumbent to perform the job satisfactorily. Lebanese standards of education and qualifications should be stated. Required related experience must also be indicated, specifying the field of work and the minimum number of years in such work. Wherever alternatives to higher-level qualifications are acceptable, i.e. a lower level academic qualification with more years of experience, these may also be shown on the job description form.
- **Subsequent review and revision:** It is recognized that job contents are constantly changing. In order to fulfill their purpose in the job evaluation process, job descriptions must be reviewed and updated periodically and when changes occur.
- **Approval of job descriptions:** Completed job descriptions must be reviewed by the job supervisor or section head concerned and approval by the department head.

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#### 9.3.4 USES OF JOB DESCRIPTION

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Job description is helpful in the following areas of human resource management:

- Job grading and classification.
- Placement of new employees on a job.
- Orientation of new employees towards basic duties and responsibilities.
- Promotions and transfers.
- Defining and outlining career paths.
- Redressal of grievances relating to duties and responsibilities.
- Investigating accidents.
- Locating faulty work procedures and duplication papers.
- Investigating accidents.
- Work measurement and work improvement.
- Defining the limits of authority.
- Health and fatigue studies.
- Developing performance standards.
- Establishing a common understanding of a job between management and workers.
- Organizational change and development.
- Framing questions to be asked in the selection interview.
- Employee counseling and vocational guidance.
- Easy availability of man-power through easy understanding of the job by the prospected applicant etc

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**9.3.5 JOB SPECIFICATIONS**

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The output from analysis of job is used to develop a job description and its job specifications. Together, these summarize job analysis information in a readable format and provide the basis for defensible job-related actions. They also identify individual jobs for employees by providing documentation from management. In most cases, the job description and job specifications are combined into one document that contains several sections. A job description identifies the tasks, duties and responsibilities of a job. It describes what is done, why it is done, where it is done and briefly, how it is done. Performance standards flow directly from a job description and indicate what the job accomplishes and how performance is measured in key areas of the job description. The reason for establishing performance standards linked to job descriptions and job responsibilities is clear. If employees know what is expected and how performance is to be measured, they have a much better chance of performing satisfactorily. Unfortunately, performance standards are often not developed as supplemental items from job descriptions. Even, if performance standards have been identified and matched to job descriptions, they may not be communicated to employees if the job descriptions are not provided to employees but are used only as tools. Such an approach limits the value of job descriptions. While the job description describes activities to be done, the job specifications list the knowledge, skills and abilities (KSAs) an individual needs to perform a job satisfactorily. KSAs include education, experience, work skill requirements, personal abilities and mental as well as physical requirements. It is important to note that accurate job specifications identify what KSAs a person needs to do the job, not necessarily the current employee's qualifications.

*“Job specification is a written statement of qualifications, traits, physical and mental characteristics that an individual must possess, to perform the job duties and discharge responsibilities effectively.”*

A sample of job specifications has been given below:

- *Physical requirements:* Good health, muscular energy.
- *Education-knowledge:* Must have minimum of eight-grade education.
- *Work experience:* No previous work experience necessary, however, a history of work performed in any capacity would be desirable.
- *Aptitude:* Should have the ability to learn and retain instructions.
- *Personal characteristics:* Should be emotionally stable and have the ability to adapt him to varying conditions and work harmoniously with other individuals.

Job specifications specify the knowledge, skills, background, aptitude and experience, which an individual should possess in order to perform job effectively. Job specifications serve as a guide for the selection, training in development of employees. Thus job specifications are also a part of job description.

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**9.3.6 LIMITATIONS OF JOB DESCRIPTION**

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Besides the usefulness of job descriptions, there are also certain limitations which have been elaborated as follows:

- Job description cannot provide complete details of nature of work, duties and responsibilities of employees.



- Many times employees experience confrontation between the actual work and work as per job description.
- Employees are expected to play a wider range of roles than those just stated in the job description.
- Job description is used as a guideline rather than as a detailed account of duties and responsibilities.

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**CHECK YOUR PROGRESS 2:**

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- 1) Define job description and stages of job description?

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- 2) What are the uses of job description and what is job specification?

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**9.4 LET'S SUM UP**

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Job analysis and job description are closely interrelated. Job analysis is the process of determining through observation and studies the tasks, which comprise of the job, the methods & equipments used and the skills & attitudes required for successful performance of the job. As job analysis is a systematic way of gathering and analyzing information about the content, context and human requirements of jobs on the other hand job description is an important document, which is basically descriptive in nature and contains a statement of job analysis. It is an organized document, written and factual statement of job contents in the form of duties and responsibilities of a particular job. It describes the scope and functions of a job and summarizes the nature and type of the job. The information gathered on each job through job analysis is subsequently organized and compiled in a job description. The adequacy of the job description thus depends largely upon the extent of the information obtained through job analysis. The importance of these two steps in the job evaluation process is quite evident. They represent the starter for the required action and constitute the input upon which the evaluation decisions are based. An inaccurate evaluation of a job is often caused by errors in the basic data contained in the job description. It is therefore essential to assure job analysis and the accurate description of the job duties and specifications.

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**9.5 CLUES TO ANSWERS**

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- 1) Refer to section and sub-sections 9.2, 9.2.1, 9.2.2, 9.2.6 for answers to-check tour progress 1.
- 2) Refer to section and sub-sections 9.3, 9.3.2, 9.3.4, 9.3.5 for answers to-check your progress 2.

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**9.6 REFERENCES**

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**9.7 SUGGESTED READINGS**

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**9.8 TERMINAL QUESTIONS**

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- Q1. Explain the concept of job analysis and its significance with suitable examples.
- Q2. Describe job description and its uses. How job description is different from job specifications?

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## UNIT 10: HUMAN RESOURCE MOTIVATION TECHNIQUES AND IMPORTANCE THEORIES OF MOTIVATION

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### Structure

- 10.1 Objectives
- 10.2 Introduction
- 10.3 Nature
- 10.4 Importance
- 10.5 Challenges of Motivation
- 10.6 Theories of Motivation
  - 10.6.1 Content theories of motivation
    - 10.6.1.1 Maslow's hierarchy of needs
    - 10.6.1.2 Alderfer's existence relatedness growth
    - 10.6.1.3 Herzberg's motivator-hygiene model
    - 10.6.1.4 Mc Clelland's Achievement theory
  - 10.6.2 Process Theory of motivation
    - 10.6.2.1 Equity theory
    - 10.6.2.2 Vroom's Expectancy theory
    - 10.6.2.3 The Porter – Lawler Model
- 10.7 Techniques of Motivation
- 10.8 Motivation of managers
- 10.9 Summary
- 10.10 Terminology
- 10.11 Short Question & answers
- 10.12 Reference/ Bibliography
- 10.13 Suggested Reading
- 10.14 Model Question

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### 10.1 OBJECTIVES

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1. To explain what is motivation
  2. Understanding the nature of motivation and draw a model to understand motivation in better manner
  3. Explain the importance and need of motivation in the organization
  4. Compare and contrast various motivation theories
  5. Explain various motivational techniques used by the organization to motivate their employees
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### 10.2 INTRODUCTION

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Once the employees have been hired, trained and remunerated, they need to be motivated for better performance. The HR specialist must use several ways to motivate the employees to achieve organizational goals.

**What is Motivation:** The term motivation was originally derived from the Latin word *movere* which means *to move*. Motivation is a reflection of the reasons why

people do things. Motivation is the process of channeling a person's inner drives so that he wants to accomplish the goals of the organization. Motivation is a behavior concept by which we try to understand why people behave as they do.

**Definition:** Mullins (1993) summarizes the underlying concept of motivation as some driving force within individuals by which they attempt to achieve some goal in order to fulfill some need or expectations.

Luthans (1986) sees motivation as a combination of needs, drives and incentives. It is defined as a process that starts with a physiological or psychological needs that activates behavior or a drive that is aimed at a goal or incentive.

**Encyclopedia defines it as Motivation** is a term that refers to a process that elicits, controls, and sustains certain behaviors. For instance: An individual has not eaten, he or she feels hungry, as a response he or she eats and diminishes feelings of hunger. According to various theories, motivation may be rooted in a basic need to minimize physical pain and maximize pleasure, or it may include specific needs such as eating and resting, or a desired object, goal, state of being, ideal, or it may be attributed to less-apparent reasons such as altruism, selfishness, morality, or avoiding mortality. Conceptually, motivation should not be confused with either volition or optimism.

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### 10.3 NATURE OF MOTIVATION

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**1. Individual differ in their motivation:** - The viewpoint that there is only one "economic drive" which motivates individual is not completely true. The goals to which an individual aspires are many and so are his motivations

**2. Sometimes the individual himself is unaware of his motivation:** - Freud uncovered this phenomenon while analyzing his critical patients. He found that in many ways man is like an iceberg only a small part is conscious and visible the rest is beneath the surface. This below the surface concept is unconscious motivation. The presence of this explains why man cannot always verbalize his motivation to attain certain goals or even tell what his goals are.

**3. Motivation changes :-** Motivation of each individual changes from time to time though he continues to behave in certain same manner as for e.g. a new temporary employee continue to work hard to become permanent later on when become permanent he continue to work hard to get promotions.

**4. Motivations are expressed differently:** - The ways in which needs are eventually translated into actions are also vary considerably between one individual and another. One individual with a strong security need may play it safe and avoid accepting responsibility for fear of failing and being fired. Another individual with the same security need may seek out responsibility for fear of being fired for low performance.

**5. Motivation is complex**

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### 10.4 IMPORTANCE OF MOTIVATION

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1. Motivated employees are always looking for better ways to do a job.
2. A motivated employee generally is more quality oriented.
3. Highly motivated workers are more productive than apathetic workers
4. Every organization requires human resources, in addition to financial and physical resources for it to function.

5. Motivation as a concept represents a highly complex phenomenon that affects and is affected by a multitude of factors in the organizational milieu.
6. Yet another reason increasing attention is paid towards motivation can be found in the present and future technology required for production. As technology increases in complexity machines tend to become necessary yet insufficient vehicles of effective and efficient operations.

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## 10.5 MOTIVATIONAL CHALLENGES

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The framework of motivation indicates that motivation is a simple process. But in reality the task is more daunting:-

1. Motivation is a difficult task as the workforce is changing, employees join organization with different needs and expectations. Their values, beliefs, background, lifestyles perceptions and attitudes are different. Not many organizations are clear about this and HR experts are clear about the ways of motivating such diverse workforce.
2. They are restrictive and don't consider the broader concerns influencing people in organizations.
3. The models of motivation are narrow. It places the responsibility for actions on individuals rather than the context in which they find themselves.
4. These theories are unable to explain poor quality, low productivity, and high absenteeism.
5. The recession reduces job mobility as workers stay on rather than take risk by changing job. There could be a high correlation between employment stability and dissatisfaction.
6. Research has tended to focus on motivation of lower grade workers rather than management.
7. The meaning people attach to work varies considerably and may account for why individuals' contributions to work vary enormously.
8. The theories and approaches to motivation have a homogeneous view of individuals. However, people's motivation and attitude to work are influenced by age, sex, income, job type and differences in organizational structures.
9. Managers need to discover how motivation varies in different cultures.

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## 10.6 MOTIVATIONAL THEORIES

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There are several approaches to the study of motivation. A perusal of the theories will help us understand the nature of motivation better. Some important theories are:-

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### 10.6.1 Content theories:-

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Four of the most prominent content theories of work motivation will be discussed here they are –

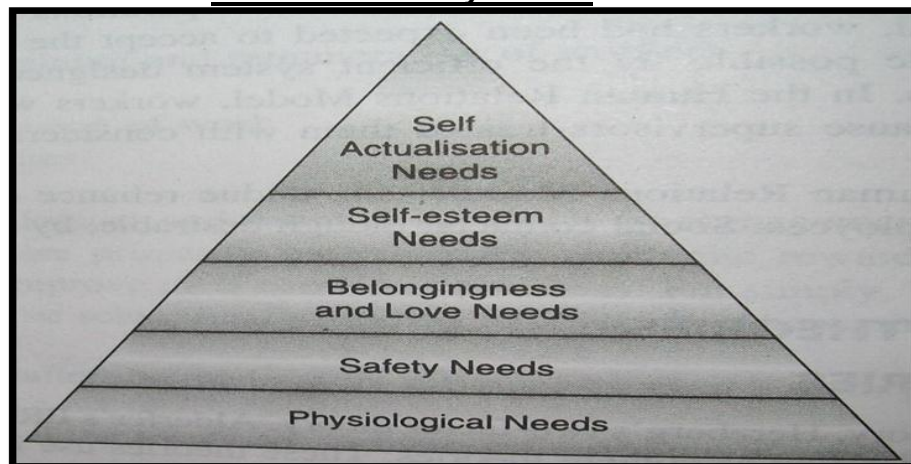
- a) Maslow's hierarchy of needs
- b) Alderfer's existence relatedness growth (ERG)
- c) Herzberg's motivator-hygiene model
- d) Mc Clelland's Achievement theory

**a) Maslow's hierarchy of needs**

The need hierarchy of motivation, propounded by Abraham Harold Maslow (1954-68) is undoubtedly the simplest and most widely discussed theory of motivation. According to Maslow all people have variety of needs and when a person has an unsatisfied need he attempts to identify something that will satisfy the need this is called goal. Once a goal has been identified the person takes action to reach that goal and thereby satisfy the need.

According to Maslow, needs are arranged in a hierarchy or a ladder of five successive categories which works from bottom of the pyramid upwards showing the most basic need and motivation at the lowest levels and those created by or fostered by civilization and society towards the top of it. The needs are as follows:-

- **Physiological**– The need for food, drink , air, warmth, shelter that are basic survival needs related to the instinct for self preservation
- **Safety & Security**– That is protection from danger, threats or deprivation and the need for stability of environment
- **Social**- That is a sense of belonging to a society and the groups within it
- **Esteem needs**– These are the needs for self respect , self esteem, appreciation, recognition and status both on the part of the individual concerned and the society, group in which they interrelate, part of the esteem need is therefore the drive to gain the respect, esteem and appreciation accorded by others.
- **Self Actualization**- That is the need for self fulfillment, self realization, personal development, accomplishment mental, material and social growth and the development and fulfillment of the creative faculties.

**Maslow's hierarchy of need**

Maslow's hierarchy of need categories is the most famous example: specific examples of these types are given below, in both the work and home context. (Some of the instances, like "education" are actually satisfiers of the need.)



<b>Self-actualization</b>	education, religion, hobbies, personal growth	training, advancement, growth, creativity
<b>Esteem</b>	approval of family, friends, community	recognition, high status, responsibilities
<b>Social</b>	family, friends, clubs	teams, coworkers, clients, supervisors, subordinates
<b>Safety</b>	freedom from war, poison, violence	work safety, job security, health insurance
<b>Physiological</b>	food water	Heat, air, base salary

According to Maslow, lower needs take priority. They must be fulfilled before the others are activated. There is some basic common sense here -- it's pointless to worry about whether a given color looks good on you when you are dying of starvation, or being threatened with your life. There are some basic things that take precedence over all else.

**Merits of the theory:-**

1. The theory helps to explain why one man behaves differently from another in a similar situation, and at the same time suggests something that all men have in common.
2. The theory extends to all areas of man's life instead of being limited to the work situation only.
3. The theory gives some insight into history and future trends.

**Demerits of the theory:-**

1. The hierarchy of basic needs is not always fixed.
2. It is difficult to know about the needs and motives of an individual from the analysis of his behavior
3. The theory is almost a non testable theory

## **b) Alderfer's ERG theory**

The ERG theory stands for Existence, Relatedness and growth - the three sets of needs which are the focus of this alternative theory of human needs in organization. ERG theory developed by Alderfer argues as Maslow did that people do have needs that those needs are arranged in a hierarchy and that needs are important determinants of human behavior. However the ERG theory differs from the need Maslow theory in three respects.

First instead of five hierarchies of needs the ERG theory has only three. Second the need hierarchy theory postulates a rigid step like progression. The ERG theory instead that more the one need may be operative at the same time. Third Maslow has stated that a person will stay at a certain level until the need is satisfied. The ERG theory counters this by noting that when a higher level need is frustrating the individual desire to increase a lower level need takes place. Inability to satisfy the need for social interaction for instance might increase the desire for more money or for better working conditions. Thus the ERG theory contains a frustration regression dimension. Frustration at a higher level need can lead to regression to a lower level need.

Alderfer classifies needs into three categories, also ordered hierarchically:

- Growth needs (development of competence and realization of potential)
- Relatedness needs (satisfactory relations with others)
- Existence needs (physical well-being)

### c) Herzberg's Two Factor Theory

Herzberg's motivator hygiene theory or two factor theory is perhaps the most controversial theory of work motivation. The research was conducted on several hundreds of accountants and engineers, it was based on questioning people in organization in different jobs at different levels to establish

**a)** Those factors that led to extreme dissatisfaction with the jobs, the environment and the workplace: and

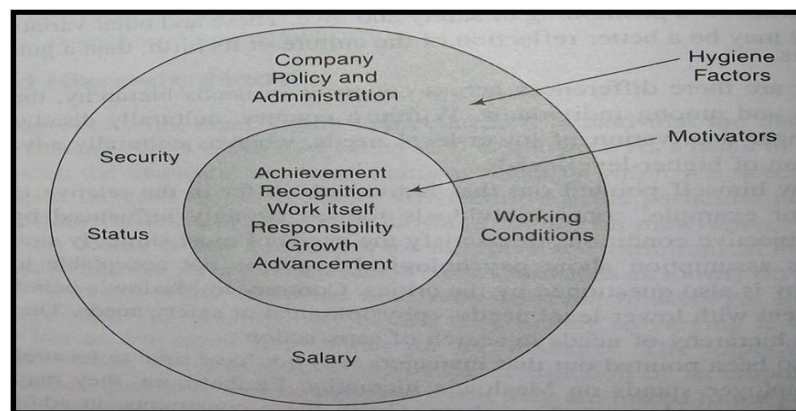
**b)** Those factors that led to extreme satisfaction with the job, the environment and the workplace

The factors giving rise to satisfaction he called them motivators and those giving rise to dissatisfaction he called hygiene factors. Herzberg argued on the basis of these results that eliminating the causes of dissatisfaction through hygiene factors would not result in a state of satisfaction instead it would result in a neutral state. Satisfaction and motivation would occur only as a result of the use of motivators.

Thus according to Herzberg, two kinds of factors affect motivation, and they do it in different ways:

**-Hygiene factors.** These are factors whose absence motivates, but whose presence has no perceived effect. They are things that when you take them away, people become dissatisfied and act to get them back. A very good example is heroin to a heroin addict. Long term addicts do not shoot up to get high; they shoot up to stop being sick -- to get normal. Other examples include decent working conditions, security, pay, benefits (like health insurance), company policies, interpersonal relationships. In general, these are extrinsic items low in the Maslow/Alderfer hierarchy.

**-Motivators.** These are factors whose presence motivates. Their absence does not cause any particular dissatisfaction, it just fails to motivate. Examples are all the things at the top of the Maslow hierarchy, and the intrinsic motivators.



**HYGIENE FACTORS AND MOTIVATORS**

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**d) Mc Clelland's Achievement theory**

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It is also known as Three Needs Theory, The achievement Motivation Theory was advocated by David C. McClelland and his associates. He contends that individuals acquire certain needs from the culture of a society by learning from the events that they experience, particularly in early life. The needs that people may learn are the need of achievement (n Ach), the need for Power (n POW) and the need for affiliation (n Aff). i.e.-

- Need for achievement, accomplish something difficult. As kids encouraged to do things for themselves.
- Need for affiliation, form close personal relationships. as kids rewarded for making friends.
- Need for power, control others. as kids, able to get what they want through controlling others. Again similar to Maslow and alderfer.

A person with a high need for affiliation reflects a desire to interact socially with people. A person with a high need for affiliation is concerned about the quality of an important personal relationship. Thus social relationships take precedence over task accomplishment for such a person.

A person with a high need for power concentrates on obtaining and exercising power and authority. The power is concerned with influencing others and winning arguments power and authority. The person is concerned with influencing others and winning arguments. A person with a high need for achievement derive satisfaction from reaching their set goals, succeeding at a task is important to the high achiever. The theory suggests that each person has a need for all three but that people differ in the degree to which the various needs motivate their behavior, thus it is important to identify the behavior required to perform a set of task effectively and then to determine what individual characteristics are most associated with these behaviors.

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**10.6.2 Process Theory of Motivation**

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In this section the three process theories of motivation discussed are:-

- a) Equity theory
- b) Vroom's Expectancy theory
- c) The Porter – Lawler Model

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**a) Equity theory**

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First articulated by J. Stacey Adams, equity theory is based on the simple premise that people want to be treated fairly .It is based on the assumption that individuals are motivated by their desire to be equitably treated in their work relationship. When employee works in an organization they basically exchange their work or services in return for pay or salary and other benefits. The theory proposes that individual attempts to reduce any inequity they may perceive as a result of this exchange relationship for example if employee perceive they are either overpaid or underpaid they will be motivated to restore equity. Four terms important in the theory are

1. Person- The individual for whom the equity or inequity exist
2. Comparison with others- Any group or individual used by a person as reference regarding inputs and outcomes

3. Input- characteristics which individual bring with them to the job – education, skills, experience etc they are being assumed by the person
4. Outcomes- Pay ,promotion, benefits received from the job these are also subjectively perceived by a person

To reduce tension person will take actions like he will start changing his inputs and output, will try to leave the field etc.

Thus equity theory offers management three messages : *first* everyone in the organization needs to understand the basis for the reward and management if want to give reward to an employee on the basis of work quality rather than on the quantity work it need to be communicated. *Second* employees have different views for their rewards w some get motivated by tangible items while others by intangible and *finally* people base their action on their perceptions of reality if two people get exactly same salary but each thinks that the others get more they will each base their feeling of equity on their own perception rather than on reality Hence if manager think two employees are equally rewarded it is not necessary that employees feel the same.

### **b) Vroom's expectancy theory**

The expectancy model also goes by the name like instrumentality theory, path goal theory, and valance instrumentality expectancy theory (VIE). This theory was formulated by Victor H Vroom.

Expectancy theory is based on the idea that work effort is directed towards behavior that individual believe will lead to desired outcomes Through experiences we develop expectation about whether we can achieve various level of job performance ie employees rationally evaluate various work behavior like working overtime versus leaving early from the job and then chose that they believe will lead to the work related rewards that they value most e.g. promotions. Or in simple employee tries to put effort on those task that they find attractive and that they believe can perform and the attractiveness of a particular task depends upon the extent to which employees believe that its accomplishment will provide them their valued outcomes.

Four important variable that need to be understand to explain expectancy model they are-

1. First level and second level outcomes Performance achieved as result of efforts is the first level outcome Performance include quality of work, productivity etc and the rewards like promotion ,pay rise received on the basis of the efforts of first level outcome are the second level outcomes
2. Expectancy The belief that a particular level of effort will be followed by a particular level of performance is called expectancy. It ranges from 0 to +1 where +1 indicate that a particular first level outcome will follow a behavior  
Effort – to – Performance (E ----→ P)
3. Instrumentality this is the perception by an individual that the first level outcomes are associated with second level outcomes. I.e. instrumentality is the relationship between first level outcome and second level outcome it ranges from -1 to +1 where -1 indicated that second level outcome (rewards) are less in comparison to first level outcome (performance) while +1 indicated that second level outcome has been attained if the result is 0 indicate there is no relationship between first and second level outcomes.

Performance – to – outcome (P -----→ O)

4. Valence This is the extent to which the anticipated outcomes appear attractive or unattractive to the individual work related outcomes such as good pay, good job, being fired etc they vary in their attractiveness from person to person

In nut shell according to expectancy theory

Motivation = Expectancy x Instrumentality x Valence

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### c) The Porter Lawler Model

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Porter & Lawler came out with a comprehensive theory of motivation, they suggested that motivation, performance and satisfaction are all separate variables and relate in ways different from that what was traditionally assumed

The Porter & Lawler model holds that efforts may not necessarily result in job performance for two reasons first the individual may not have the ability to accomplish the task that constitutes his or her job. Second the person may not have a good understanding of the task to be performed there may be a lack of role clarity. High motivation will not result in job performance if the employees does not have a clear grasp of the ways in which the effort may be appropriately directed.

Furthermore Porter & Lawler model indicates that the nature of the task has implications for the satisfaction performance linkage. ie performance on a task may provide the employee with intrinsic rewards, extrinsic rewards or both

In addition the model holds that employees self rating of performance has a major impact on this belief about what levels of rewards are equitable

Finally, Porter & Lawler suggest what may happen after an employee perform. Thus this model suggests that performance leads to satisfaction, rather than the opposite. This was a significant departure from the traditional thinking.

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## 10.7 TECHNIQUES OF MOTIVATION

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After discussing various theories of motivation let's discuss four major motivational techniques which motivate a person in practice

- Money
- Job enrichment
- Goal setting
- Alternative working schedules

➤ **Money:** The Money act as a motivator that an employees receive in exchange for organizational membership is in reality a package made up of pay and various fringe benefits received by the employees. According to Maslow and Aderfer pay should prove especially motivational to people who have strong lower level needs. But at the same time it should also prove that your management cares about you, you receive prestige among friends and your family and your competency as a worker will be confirmed. Thus using need hierarchy terminology pay can also function to satisfy social, esteem and self actualization need. According to expectancy theory if pay can satisfy a variety of need it should highly be valent it should be a good motivation to the extent that it is clearly tied to performance.

➤ **Job Enrichment** : it is the design of jobs to enhance intrinsic motivation and the quality of work life many job enrichment schemes combine tasks establish clients relationship reduce supervision form teams, or make feedback ,more direct. Despite the theoretical attractiveness of job enrichment as a motivational strategy enrichment can encounter a number of challenging problems

➤ **Goal Setting**: Goal setting as a motivator if the employees are to achieve acceptable performance some method of translating organizational goals into individual goals must be implemented. Goal setting is that kind of motivational techniques that uses specific challenging and acceptable goals and provides feedback to enhance performance.

➤ **Alternative working schedules**: The purpose of using this motivating technique is to meet diverse workforce needs and promote job satisfaction. One alternative to a work schedule is Flex time in which arrival and quitting times are flexible. It is highly acceptable by the employees as it allow the employee to manage their own personal needs like childcare etc and can perform their duties as well.

A second alternative to traditional work schedule is comprehend work week This system compresses the hours worked each week into fewer days the most common compressed work week is the 4-40 system in which employees work for ten hour days each week rather than the traditional five eight hours days.

Another is Job Sharing occurs when the part time employees divide the work of a full time job. The two can share their work as one does the half job and the other does the remaining job.

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## 10.8 MOTIVATION OF MANAGERS

Managers also has the same urge of motivation just as the other common employee, Koontz hold the view that Maslow's hierarchy of human needs does not apply to managers as for e.g. some managers may prefer to achieve recognition for their accomplishment even before their need for security is fulfilled. According to these writers the motivation system for managers should be comprehensive enough to include a variety of rewards appealing to productive drives of individual managers. These rewards may be prompt recognition, avoidance of boredom, increase control over job and provision of opportunities for managers to prepare themselves for greater responsibilities.

In recent studies it has been found that motivation of managers in large sized organization motivational factors like personal growth and development, recognition for good work done and accomplishment are perceived by the senior and middle level executives as more important motivators than factors like job security, promotion, pay, decision making authority but in case of junior level executives the more important motivators are job security and personal growth and development.

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## 10.9 SUMMARY

Motivation is an important concept that has been receiving considerable attention from the past as it is a well aware fact that a motivated employee come out with new ways of doing jobs. They are quality oriented. They are more productive.



Several approaches or theories of motivation are available. Among the content theories, Maslow's need hierarchy, Herzberg's two factor model and Alderfer's ERG are very popular. Maslow believes that there exists a hierarchy of needs and a person gets motivated to satisfy them in order of hierarchy. Herzberg suggests that two distinct sets of factors affect motivation. Improve hygiene and provide motivators so that motivation take place. This is the essence of Herzberg theory. Alderfer has distinguished need into – existence, relatedness, and growth needs. He argued that once the lower needs gets satisfied person move for higher needs but at the same time he can be influenced by several other needs also and moreover frustration at one level can push an individual down to lower level needs. McClelland's achievement motivation theory suggests that individual are motivated by three needs – need for achievement, need for power and need for affiliation.

Process theory includes Vroom's expectancy model where Vroom suggests motivation is the product of three variables they are valence (an individual's preference for an outcome), expectancy (his/her belief that effort will lead to task competition) and instrumentality (his/her conviction that performance will result in the desired outcome). Adam's equity theory stress that an individual motivation depends on his/her perceiving inequity. Inequity is said to exist when his/her ratio of outcome to input is lower than that of others. Perceived inequity motivates him to restore equity. The performance satisfaction model of Porter & Lawler suggests that valence and expectancy leads to effort. Effort accompanied by ability, skill, and the role clarity will lead to performance which finally leads to satisfaction.

Though no single theory is successful in bringing out the clear picture of motivation but collectively they help us understand the behavior of employee. Money alone is not the method of motivating the employee there are several other ways of motivating the employee and the managers thereby helps in motivating the employee and thereby increasing the efficiency and productivity of the organization.

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## 10.10 TERMINOLOGY

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- **Motivation:** is the process of channeling a person's inner drives so that he wants to accomplish the goals of the organization
- **Valence:** This is the extent to which the anticipated outcomes appear attractive or unattractive to the individual work related outcomes such as good pay, good job, being fired etc they vary in their attractiveness from person to person
- **Motivators:** These are factors whose presence motivates
- **Expectancy** The belief that a particular level of effort will be followed by a particular level of performance is called expectancy
- **Hygiene factors:** These are factors whose absence motivates, but whose presence has no perceived effect
- **The need of achievement (n Ach):** A person with a high need for achievement derive satisfaction from reaching their set goals, succeeding at a task is important to the high achiever
- **The need for Power (n Pow):** The power is concerned with influencing others and winning arguments power and authority.

- **The need for affiliation (n Aff):** A person with a high need for affiliation reflects a desire to interact socially with people.

### 10.11 SHORT QUESTIONS AND ANSWERS

**Q1** Define motivation. Why it is critical issue of interest to managers in organization?

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**Q2.** What is the ERG theory of motivation? Discuss.

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**Q3.** What is the essence of Vroom's expectancy and model of motivation?

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**Fill up the blanks:**

**Q4.** Maslow need hierarchy suggests \_\_\_\_\_ type of need at the third stage followed by psychological and safety need.

**Q5** \_\_\_\_\_ has distinguished need into – existence, relatedness, and growth needs.

**Q6.** Herzberg suggests that two distinct sets of factors affect motivation. Improve hygiene and provide \_\_\_\_\_ so that motivation take place

**Q7.** McClelland's achievement motivation theory suggests that individual are motivated by three needs \_\_\_\_\_, need for power,

**Q8.** \_\_\_\_\_ suggested motivation is the product of three variables they are valence, expectancy and instrumentality.

**Q9.** The performance satisfaction model of \_\_\_\_\_ suggests that valence and expectancy leads to effort

**Q10.** \_\_\_\_\_ act as one of the major motivating technique to motivate employees.

**Q11.** \_\_\_\_\_ is the process of channeling a person's inner drives so that he wants to accomplish the goals of the organization

**Q12.** \_\_\_\_\_ occurs when the part time employees divide the work of a full time job. The two can share their work as one does the half job and the other does the remaining job.

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**10.13 SUGGESTED READING**

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**10.14 TERMINAL QUESTIONS**

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- Q1.** Define Motivation? Explain Maslow's Need Hierarchy theory?
- Q2.** "Motivation is the core of the management". What can management do to motivate their employees?
- Q3.** Critically examine the Achievement – Motivation Theory?
- Q4.** Describe Herzberg's two factor theory of motivation and point out its similarity with Maslow's Need Hierarchy Theory?
- Q5.** Explain various techniques of motivating the employee?
- Q6.** Discuss the nature and importance of motivation?
- Q7.** Bring out the essence of Porter and Lawler's theory of motivation? Do you think model is comprehensive? Yes or No? Justify

## **UNIT 11: EMPLOYEE WELFARE AND COMPENSATION MANAGEMENT**

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### **STRUCTURE**

- 11.1 OBJECTIVES
- 11.2 INTRODUCTION
- 11.3 DEFINATION OF EMPLOYEE WELFARE
- 11.4 IMPORTANCE OF EMPLOYEE WELFATRE
- 11.5 TYPES OF WELFARE ACTIVITIES
- 11.6 LABOUR WELFARE OFFICER
- 11.7 ADMINISTRATION OF WELFARE ACTIVITIES
- 11.8 COMPENSATION
- 11.9 CONCEPT
- 11.10 OBJECTIVES OF COMPENSATION PLANNING
- 11.11 EQUITY AND PAY RATES
- 11.12 ESSENTIAL OF COMPENSATION SYSTEM
- 11.13 COMPONENTS OF PAY STRUCTURE IN INDIA
- 11.14 WAGES AND SALARY ADMINISTRATION
- 11.15 OBJECTIVES OF COMPENSATION MANAGEMENT
- 11.16 FACTORS INFLUENCING COMPENSATION LEVELS
- 11.17 WAGE POLICY
- 11.18 WAGE POLICY IN INDIA
- 11.19 WAGE BOARD
- 11.20 INCENTIVES AND BONUS
- 11.21 NON MONETARY COMPENSATION
- 11.22 MANAGERIAL COMPENSATION
- 11.23 SUMMARY
- 11.24 TERMINOLOGY
- 11.25 SHORT QUESTION AND ANSWER
- 11.26 REFEEERENCES
- 11.27 SUGGESTED READING
- 11.28 MODEL QUESTION

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### **11.1 OBJECTIVE**

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- To understand the meaning, nature and importance of Employee Welfare
- Identify the types of welfare schemes
- Identity the steps in administration of the welfare schemes
- Outline the objectives of compensation planning
- Explain the wage policy in India
- Discuss principles of Wage & Salary Administration
- Discuss Compensation practices employed in India

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## 11.2 INTRODUCTION

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Two inevitable consequences of urbanization and industrialization is that

- a) In the factory it has made workers powerless: they have lost control over the process and products of their labour as all decision regarding production are made by entrepreneur.
- b) It has made job meaningless : Jobs have become so much specialized that they require very little skill from worker's part and give them no opportunity to demonstrate their skill thus becoming their job more dull

These conditions when coupled with exploitive management practices lead to decline in self interest and career increase towards job thereby making the task of personnel manager tougher to satisfy employees and retain them thereby introducing the need of presence of employee welfare. In case of employee welfare, employees enjoy services like canteen, crèche, educational and recreational facilities without any reference to specific work done. In case of economic benefits such as unemployment, compensation, compensation for employment injury, medical and maternity benefits etc, amount is not fixed and can be ascertained only after the event.

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## 11.3 DEFINITION OF EMPLOYEE WELFARE

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Welfare means doing well. It is a comprehensive term that includes mental, physical, moral, emotional well being of an individual.

The oxford dictionary defines "employee welfare as efforts to make life worth living for workmen".

Labour welfare also referred to as betterment work for employees i.e. relates to all those efforts of employers, trade unions, voluntary organization and governmental agencies which help employees feel better and perform better.

Definition as per Royal Commission on labour "Labour welfare is a term which must necessarily be elastic, bearing a somewhat different interpretation in one country from another, according to the different social customs the degree of industrialization and education level of the worker"

However ILO at its Asian Regional Conference defined labour welfare as a term which is understood to include such services, facilities and amenities as may be established in or in the vicinity of undertakings to enable the persons employed in them to perform their work in healthy, congenial surroundings and to provide them with amenities conducive to good health and high morale.

Principal of Employee Welfare services

1. The services should satisfy the real needs of workers
2. The services should be such as can be handled best by group approach
3. The employer should not assume benevolent posture
4. The cost of the services should be calculated and its financing established on a sound basis
5. The management should ensure cooperation and active participation of unions and workers in formulating and implementing the services
6. There should be timely evaluation or assessment of the services and necessary and timely improvement should be done.

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### 11.4 IMPORTANCE OF WELFARE MEASURES

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1. The industrial worker is indeed a soldier safeguarding the social & economic factors of the industrial economy and his/her actions and interruptions within the industrial framework will have a great impact and influence on industrial development. The social & economic aspects of the life of a worker have a direct influence on the social and economic development of the nation. There is every need to take extra care of the worker provide facilities to him/her
2. Employee welfare provide healthy hygienic environment help in motivating employee and thereby reducing turnover and retaining employees
3. Welfare may help minimize social evils such as alcoholism, gambling, drug addictions etc as if employees are frustrated and dissatisfied with the management may get indulge in these social evils
4. Welfare activities tend to make employees happy, cheerful, & confident I.
5. Welfare activities followed by organization also building and presenting good image of the organization in the market and thus assist in recruitment.
6. Welfare may not directly increase the productivity but it may add to general feeling of satisfaction of employee thereby reducing employee turnover.

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### 11.5 TYPES OF WELFARE ACTIVITIES

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A comprehensive list of welfare activities is given by Moorthy in his monumental work on labour welfare he divides welfare into two broad groups namely (Moorthy, op.cit., p.10.)

#### A) Welfare Measures Inside the work Place

##### (I) Conditions of the Work Environment

- a) Neighborhood safety and cleanliness : attention to approaches
- b) Housekeeping : up keeping of premise-compound walls, lands gardens, etc
- c) Workshop(room sanitation & cleanliness ;temperature, humidity, ventilation, lighting, elimination of dust, smoke, fumes & gases
- d) Control of effluents
- e) Convince and comfort during work i.e. operative posture, seating arrangement
- f) Distribution of work hours and provision for rest ours meal time and breaks
- g) Workmen's safety measures, i.e. maintenance of machines and tools, fencing of machines, providing guards, helmets, apron, goggle and first aid equipment
- h) Supply of necessary beverages and pills and tablets i.e. salt tablets, milk, soda
- i) Notice boards posters pictures : slogans information or communication

##### (II) Convenience

- a) Urinals and lavatories, wash basins , bathroom provision waste disposal
- b) Provision for drinking water
- c) Canteen services
- d) Management of workers cloak rooms, rest room, reading room and library.



**(III) Workers and health services**

Factory health center; dispensary Ambulance, Emergency Aid, Medical Examination for workers for health services, health Research, Family planning services

**(IV) Women and Child welfare;**

- a) Antenatal and postnatal care, maternity Aid, crèche and child care
- b) Women general education
- c) Separate services for women workers i.e. lunch room urinals rest room, women's recreation, and Family planning services.

**(V) Workers Recreations;** Indoor games etc.**(VI) Employment follow-up:**

Progress of the operative in his or her work, his or her adjacent problem with regard to machine and work load, supervisors and peers.

**(VII) Economics services;**

Co-operatives, loans, financial grants; thrifts and saving schemes; bud get knowledge, unemployment insurance, employment bureau, profit sharing and bonus schemes; transport services; provident fund and pension; rewards and incentives; workmen's compensation for injury; family assistance in times of need.

**(VIII) Labour-Management Participation**

- a) Formation and working of various committees, that i.e. works safety committee, canteen committee; consultation in welfare area, in production area, in the area of administration, in the area of public relation.
- b) Worker's arbitration council.
- c) Research bureau.

**(IX) Workers' Education;**

Reading room, library, circulating library; visual education; literary classes' adult education. Social education; daily news review; factory news bulletin; cooperation with workers in education services.

**B) Welfare Measures Outside the work place**

- 1) Housing : bachelors' quarters; family residences according to types and rooms
- 2) Water sanitation, waste disposal
- 3) Roads, lighting, parks, recreational, playgrounds
- 4) Schools: Nursery, primary, secondary and high school
- 5) Markets, cooperative, consumer and credit societies
- 6) Bank
- 7) Transport
- 8) Communication: post telegraph and telephone
- 9) Health& medical services :dispensary, emergency ward, outpatient, and in patient care, family visiting, family planning
- 10) Recreational I:games, clubs, craft center, cultural programmes music clubs, interest and hobby circles, festival celebrations, study circles, reading rooms and library, open air theater

11) Watch & ward security

12) Community leadership development : council of elders, committee of representative, administration of community services & problems: youth & women's club

- **Welfare Facilities by the Government:** With a view to make it mandatory for employers, to provide certain welfare facilities to the employees, the government had passed several Laws from time to time. These laws are the Factories Act 1948, Mines Act 1952, the plantation Labour Act 1951, the Bidi & Cigar Act 1970. Another important step taken by government has been to constitute welfare funds for the benefit of the employees these funds have been established in coal, mica, iron ore etc mines. the facilities covered by these funds are housing, medical, educational, recreational for employees and their dependent

- **Welfare Activities by Trade Unions:** Labour unions have contributed their share for betterment of the employees. The welfare activities of the Textile Labour Association, Ahmadabad are worth knowing the Association runs

1. Twenty Five cultural & social centers.
2. School for worker's children. Reading room, libraries, gymnasia
3. Dispensary, & Maternity homes
4. A cooperative Bank
5. Office offering legal help to members
6. Training programmes in the principles & practice of trade union
7. A bi weekly, the Mazdoor Sandesh

- **Welfare work by Voluntary agencies**

Many voluntary social service agencies have been doing useful labour welfare work like Bombay Social service League, the YMCA, the Seva Sadan Society etc. The welfare activities of these organization covers night schools, libraries, promotion of public health etc.

- **Statutory & Non-statutory**

- **Statutory Provision**

These are mandated by the Factories Act 1948, The Mines act 1952, The Plantation Labour act 1951 and some other Acts.

- **The Factories act 1948**

The welfare provisions under the act are given below:-

- 1) Washing Facilities
- 2) Facilities for storing and dry clothing
- 3) Sitting facilities for occasional rest for workers who are obliged to work standing
- 4) First Aid box or cupboard – one for every 150 workers and ambulance facilities if more than 500 employees
- 5) Canteen if more than 250 workers
- 6) Shelters, rest rooms, & lunch rooms- if more than 150 workers
- 7) Shelters, Rest Rooms, & lunch rooms if more than 150 workers
- 8) Crèches if more than 30 women
- 9) Welfare Officer if more than 500 or more worker

- **The Mines Act 1952**

- 1) Maintenance of crèche if more than 50 women are employed
- 2) Provision for shelter if more than 150 workers are employed.
- 3) Provision for canteens in mines if more than 250 employees

4) Maintenance of First aid box or room for if more than employees are employed

5) Provision in coal mines: - Pit head baths equipped with shower baths, sanitary latrines & locker separately for men & women workers.

6) Appointment of welfare officer in mines if more than 500 employees are employed

▪ **The Plantation Labour Act 1951**

1) Canteens in plantation employing 150 or more workers

2) Crèches in plantation employing 50 or more women workers.

3) Recreation facilities for worker & their children

4) Education facilities in the estate

5) Housing facilities for every workers residing in the plantation

6) The state government may make rules requiring every plantation employer to provide the workers with such number and type of umbrellas, blankets, raincoats or other like amenities for the protection of the worker from rain or cold

7) Appointment of welfare officer in plantation employing more than 300 or more workers

**(ii) Non Statutory Benefits:** These are also called as voluntary benefits include loans, for house building, education of children, leave travel concession, fair price shops, loans for purchasing personal conveyance and other facilities.

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## 11.6 LABOUR WELFARE OFFICER

Schedule 49 of the Act provides that in every factory wherein 500 or more workers are ordinarily employed the employer shall appoint at least one welfare officer. The officer is expected to act as advisor, counselor, mediator and Liaisoning officer between labour and management

His duties and responsibilities include:-

**1) Supervision of**

a) Safety, health and welfare programmes like housing, recreation and sanitation etc

b) Working of joint committee

c) Grant of leave with wages

d) Redressal of workers grievances

**2) Counseling workers in**

a) Personal and family problems

b) Adjustment to their work environment

c) Understanding their right and privileges

**3) Advising Management in matters of :**

a) formulating welfare policies

b) Apprenticeship training programmes

c) Complying with statutory obligation to workers

d) Developing fringe benefits

e) Worker's education

**4) Liaisoning with workers so that they may**

a) Appreciate the need for harmonious industrial relations in plant

b) Resolve disputes if any

c) Understand the limitation under which they operate

d) Interpret companies policies directly

5) **Liaisoning** with the management so as to appraise the latter about worker's viewpoint on organizational matters.

## 11.7 ADMINISTRATION OF WELFARE FACILITIES

Administration of welfare facilities involves decision on

- (i) Welfare Policies
- (ii) Organization of welfare
- (iii) Assessment of effectiveness

**i) Welfare Policies:** The first step in welfare administration is to have a clearly defined policy towards it. The policy must cover willingness of the management, objectives sought to be achieved, range of facilities to be provided and the timing of facilities.

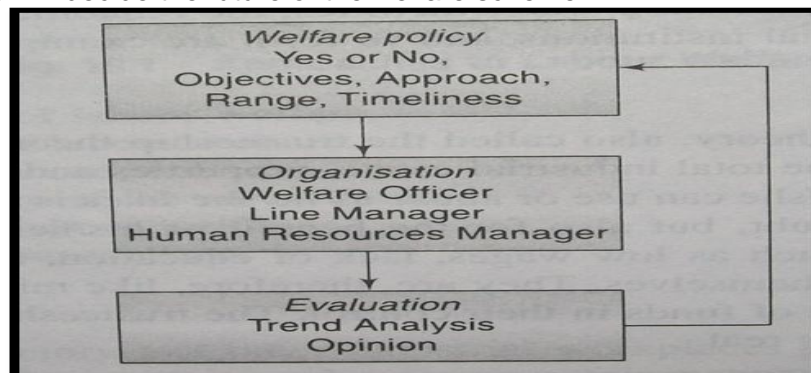
**ii) Organization of welfare:** In most organization welfare is the responsibility of welfare officers. The Factories Act 1948 mandates that every individual establishment will appoint welfare officer if the numbers of employees are 500 or more. Welfare Officer are well educated and in their field therefore in a better position to manage welfare well. But the main problem with these officers is that they are more concerned with compliance of statutory provision. Legal provision invariably stipulate that certain minimum facilities should be provided to employee should be provided to employees in industrial establishment. The minimum facilities are inadequate to protect the welfare of workers. Welfare officer too often fail to enforce compliance of even minimum requirement.

**iii) Assessment of effectiveness:** Effectiveness of welfare must be assessed periodically. Feedback thus obtained must act as the basis for initiating remedial actions where desired results have not been obtained.

Assessment of effectiveness of welfare is rather difficult because well being of employees is abstract and is not possible to quantify. However two methods of assessment can be Trend analysis and Opinion survey.

Trend analysis suggests that HR should immediately take post implementation reactions of the employees regarding the introduction of new welfare scheme if accepted by employees' it should be continued or otherwise it should be discontinued.

Opinion Survey suggests that employees may be requested to express their views on the usefulness or futility of a particular welfare scheme. Views thus obtained will decide the future of the welfare scheme.



Administration of welfare

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## 11.8 COMPENSATION

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Compensation is the amount of money and other items of value (e.g., benefits, bonuses, perks) given in exchange for work performed and Compensation package is The sum total of the money and other valuable items given in exchange for work performed.

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## 11.9 CONCEPT

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Compensation is what employees receive in exchange for their contribution to the organization. Generally employee offer their services for receiving three types of rewards: Pay refers to base wages and salaries employee normally receive. Another form of compensation like bonus, commissions, & profit sharing plans are incentives designed to encourage employee to perform beyond expectations. Benefits such as insurance, medical, recreational, retirement, etc represents a more indirect type of compensation. Thus there term compensation is comprehensive which include pay, incentive so offered by employer while hiring employees. Besides that management have to observe legal formalities that offer physical as well as financial security to employees.

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## 11.10 OBJECTIVES OF COMPENSATION PLANNING

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1) the most important objectives of any pay structure is **fairness or equity**, the term equity has three aspects:

- Internal Equity This ensure that most difficult jobs are paid more
- External Equity This ensures that jobs are fairly compensated in comparison to similar job in labor market
- Individual Equity It ensures equal pay for equal work i.e. each individual's pay is fair in comparison to others doing the same/similar jobs

In addition there are other objectives also. The ultimate goal of compensation management is to reward desired behavior and encourage people to do well in their jobs. Thus other objectives of compensation management are:

**2) Attract talent:** Compensation needs to high enough to attract talented people if the firm offers high salaries it will motivate more talented employees to apply

**3) Retain talent:** If compensation levels fall or are not much attractive or competitive employees may quit in frustration

**4) Ensure equity** Pay should be equal **the worth of a job**. Similar jobs should get similar pay

**5) New and desired behavior:** Pay should reward loyalty, commitment, experience, risk taking, initiative and desired behaviors if company fails to reward such employee , the employee may quit in frustration

**6) Control Cost:** The cost of hiring employees should not be too high Effective compensation management ensures that employee are neither overpaid nor underpaid

**7) Comply with legal rules:** Compensation programme must invariably satisfy government rules regarding minimum wages, bonus, allowances benefits etc.

**8) Ease of Operations:** The compensation management should be easy to understand and operate then only it will help better understanding regarding pay related matters between unions, managers, and employees.

### 11.11 EQUITY AND PAY RATES

The need for equity is the most important factor in determining pay rates. This is achieved through the following steps (Dessler p347-359)

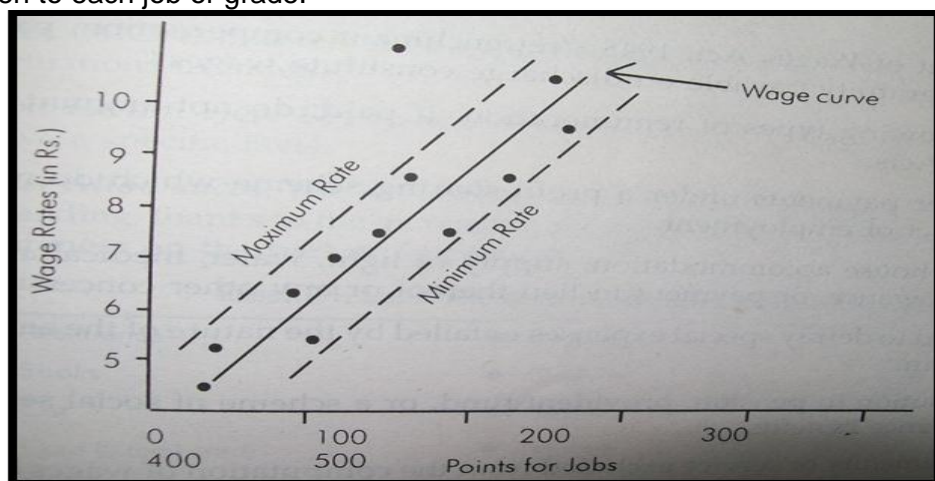
1. Find the worth of each job through job evaluation
2. Conduct a salary surveys to find other employees are paying for comparable jobs
3. Group similar jobs into pay grades
4. Price each pay grade by using wage curves
5. Fine tune pay rates

➤ **Job evaluation:** Job analysis provide valuable information for developing the compensation system by providing information about the duties and responsibilities that are to be undertaken by the employees. The worth of the job is ascertained by the job evaluation. A committee is appointed to collect information and come up with hierarchy of jobs according to their values. The evaluation is done through the use of market pricing, ranking or factor comparison method.

➤ **Wage & Salary Surveys:** Job evaluation ensures internal equity, wage and salary surveys ensure external equity. A wage and salary surveys provides information as to what other organization that compete for employees are paying. Formal & informal surveys could be done to collect data, published sources also provide valuable information regarding industry wise trends in salary structure in and round the county.

➤ **Group Similar jobs into Pay Grades:** In this step similar jobs items of their ranking or number points as ascertained by the job evaluation committee, are grouped into grades for pay purposes Price each

➤ **Pay Grades – Wage Curves:** In the next step pay rates are assigned to pay grades through a wage curves. The wage curve show graphically the pay rates currently paid for jobs in each pay grade relative to the points or rankings given to each job or grade.



Plotting a wage curve

➤ **Fine Tune Pay rates & Determine Wage Structure:** Here the employees fix a pay range for each grade (Officer grade I, II & III for e.g. in Govt Sector ) The wage structure of company is nothing but a pay scale showing ranges of pay within each grade.



➤ **Components of Pay Structure in India:** The pay structure a company depends on several factors such as labour market conditions, company's paying capacity and legal provisions.

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## 11.12 ESSENTIALS OF COMPENSATION SYSTEM

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Managing compensation is, to a great degree, the management of employee expectations and perceptions. To do this well, HR managers must devise an effective compensation system. To be useful, such a system typically includes:

**1. Categorizing of jobs:** Not all employees do the same work, and the result is that employee pay differences do exist. It is also true that most employees will readily accept this rationale as the reason for pay variations. It is easy for most employees to understand, for example, employees will undoubtedly understand that a fine - dining operation 's executive chef would be paid more than that operation 's sous chef. When employees understand real differences in job responsibilities, they can better understand the reasons for differences in pay.

HR managers can add flexibility and enhance employees ' understanding of their compensation programs by creating several categories within the same job, each of which may have its own pay range . For example, desk agents in a hotel may be classified as trainee, intermediate, senior, and so on to designate different experience or skill levels. Each classification would, under this system, have its own pay range. Employees can also routinely be made aware of the skills or experience needed to advance to higher levels and of any opportunities offered by the employer to help them become trained or eligible for these higher positions.

**2. Comparison of employee pay to the local labor market:** Compensation is based on prevailing local wage rates, each based on the individual community and labor market in which the operation is located. HR managers can stay abreast of local wage rates by conducting periodic salary survey. You can easily conduct your own salary surveys by talking to your counterparts working at other hospitality operations in your area. They will usually be happy to share such information, because they want to have the benefit of your data just as much as you desire access to their numbers. In addition, managers may be able to purchase commercial salary surveys in some locations. Salary surveys can tell you a lot. First, they provide a way to establish pay ranges for various jobs. Second, they can tell how your wages or salaries compare with the labor market. Third, surveys can give you an idea of how many job categories should be established for each job group. Managers need not follow the local market conditions by matching the wage rates found in a salary survey.

**3. Management of internal pay equity:** Most HR managers agree that managing internal pay equity is more important than ensuring external equity. This is so because employees are much more likely to know the hourly pay or salary of the persons they work with than the amount paid to a person in another operation. Also, many employees realize that it is difficult to compare, for example, the pay at two different restaurants because each may offer differing benefit packages that help explain the pay differences. Employees typically feel that they can make comparisons about coworkers within their own operation. Also, employees will have a better foundation for pay comparisons because they have a better idea of what their coworkers actually do on the job and how well

they do it. All of these factors create a much higher potential for morale problems and turnover if pay rates are not seen as equitable.

**4. Linkage of pay to job performance:** Most managers and employees agree that workers who perform their jobs better should receive greater pay and larger pay increases than their peers who do not. At the same time, they may not believe that their own companies do a good job of rewarding superior effort.

**5 Maintenance of open communications:** While some HR managers find it uncomfortable to talk to employees about pay, it is a topic that every employee talks or thinks about on an ongoing basis. The amount of pay - related communication that is appropriate will vary between operations. Many companies do not effectively communicate the mechanics of compensation plans in the organization.

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### 11.13 COMPONENTS OF PAY STRUCTURE IN INDIA

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- ❖ **Wages:** In India different Acts include different items under wages though all Acts include basic wage and dearness allowances under the term wages. Under the Workmen's compensation Act 1923 "wages for leave period, holiday pay, overtime pay, bonus, attendance bonus, and good conduct bonus" form part of wages.
- ❖ **Basic Wage:** The basic wage in India corresponds with what has been recommended by the Fair Wages Committee(1948) and the 15<sup>th</sup> Indian Labour conference (1957). While deciding the basic wage following criteria may be considered (1) skill needs of the job (2) Experience needed (3) Difficulty of work ; mental as well as physical (4) Training needed (5) Responsibilities involved (6) Hazardous nature of job.
- ❖ **Dearness Allowances:** It is the allowances paid to employees in order to enable them to face the increasing dearness of essential commodities. It serves as a cushion, a sort of insurance against increase in price levels of commodities. Instead of increasing wages every time there is a rise in price levels, DA is paid to neutralize the effects of inflation when prices go down DA can always be cut down to size.

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### 11.14 WAGE & SALARY ADMINISTRATION

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Employee Compensation may be classified in to two types –

1. Base Compensation
2. Supplementary Compensation

Base Compensation refers to monetary payments to employees in terms of wages and salaries where the term wages implies remuneration to a worker doing manual job. The term salaries refer to compensation to office, managerial, technical and professional staff. The distinction however is rarely observed in actual practice. Base compensation is a fixed and non incentive payment on the basis of time spent by an employee on the job.

Supplementary Compensation suggests incentive payments based on actual performance of the employee or group of employees

The term Compensation administration or wage and salary administration denotes the process of managing a company's compensation programme. The goals of compensation administration are to design a cost effective pay structure that will attract, motivate and retain competent employees.

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### 11.15 OBJECTIVES

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A sound plan of compensation administration seeks to achieve the following objectives:

- To establish a fair and equitable remunerating offering similar pay for similar work.
- To attract qualified and competent personnel
- To retain the present employees by keeping wages level in tune with competing units
- To control labour and administration cost
- To motivate employee raise their morale of employees
- To project a good image of the company and to comply with legal needs relating to wages and salaries.

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### 11.16 FACTORS INFLUENCING COMPENSATION LEVELS

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They are as follow:

**1 Job Needs:** Jobs vary greatly in their difficulty, complexity and challenge. Some need high level of skill and knowledge while other can be handled by almost anyone. Simple task can be done less skilled worker and can be paid less while those with more complex job are paid more.

**2. Ability to pay:** Project determines the paying capacity of a firm. High profit levels enable companies to pay higher wages. This can explain that computer software industries pay better salaries than commodity based industries.

**3 Cost of living:** Inflation reduces the purchasing power of employees. To overcome this unions and workers prefer to link wages to the cost of living index. When the index rises due to rising prices, wages follow suit.

**4 Prevailing wage rates:** Prevailing wage rates in competing firms within an industry are taken into account while fixing wages. A company that does not pay comparable wages may find it difficult to retain the talents.

**5 Unions:** Highly unionized sectors generally have higher wage because well organized unions can exert pressure on the management and can get benefits and concession for the employees.

**6 Productivity:** This is the current trend in most of private sector companies When workers' wage rates are linked to their productivity levels. If your job performance is good you get good wages.

**7 State Regulation:** The legal stipulations in respect of minimum wages, bonus, dearness allowances, allowances etc determine the wage structure in an industry.

**8 Demand & Supply of Labour:** The demand for and the supply of certain skills determine prevailing wage rates. High demand for software professional, engineers ensures high wages.

Most employers now days are interested to pay fair wages to all employees which are neither very high nor very low.

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### 11.17 WAGE POLICY

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A wage bill is an important part of the production cost. For any reason whatsoever if the wage exceeds beyond the paying capacity of an employer, the

very survival of the firm becomes difficult. From the employee's point of view wages determine his standard of living. Wage policy therefore is an important issue and recognizing its importance the Constitution of India guaranteed 'equal pay for equal work' for both men and women and reiterated that the State must ensure to secure for all workers a living wage and conditions of work which ensure a decent standard of life.

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### 11.18 WAGE POLICY IN INDIA

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- **Minimum Wage:** It is that wage which must invariably be paid whether the company big or small, makes profit or not. It is the bare minimum that a worker can expect to get for services rendered by him.
- **Fair Wage:** It is that wage which is above the minimum wage but below the living wage. According to the committee on fair Wage, 1948 fair wage should be determined by taking the following into accounts:
  - The productivity of labour
  - The prevailing rates of wages in the same or similar occupations in the same region or neighbouring regions
  - The level of national income and its distribution
  - The place of industry in the economy of the country
  - The employer's capacity to pay
- **Living Wage:** According to the committee of fair wages, the living wage is the highest amount among the three. It must provide:
  - Basic amenities of life
  - Efficiency of worker
  - Satisfy social needs of worker eg medical, education, retirement, etc
  - Living wage rises in line with the growth of the national economy.

#### **STATE REGULATION OF WAGES**

The Government has adopted several methods to regulate wages in India such as prescribing minimum rates of wages, regulating payment of wages, settlement of wages related disputes through adjudication process, setting of wage boards etc.

#### **MINIMUM WAGES ACT, 1948**

The Act prescribes minimum rates of wages certain sweated and unorganized sectors covered under the act. The minimum wages act can be fixed by hour, day, month or any other longer period. The act provides for setting up a triplicate body consisting of employees, unions, and the government to advice and assist in fixing and revising minimum wage rates. The rates could be revised at intervals not exceeding 5 years.

#### **THE PAYMENT OF WAGES ACT, 1936**

The main objective of this act is to provide for regular payment of wages without any unauthorized reductions to a person who are employed in any industrial establishment or factory or railway or by railway contractor whose monthly wages are less than 1600. The Act provides the following deductions to be made from employer's salary: fines, deductions for absence, deductions for loss of goods entrusted to worker, house given by employer, services provided by employer,

advances given to worker, tax payable by employer, deduction under court orders, cooperative society, PF, insurance premium etc.

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### 11.19 WAGE BOARDS

This is one of the important institutions set up by Government of on and revision of wages. Separate wage boards are set up for separate industries. Wage boards are not governed by any legislation but are appointed on an adhoc basis by the government.

Each wage board consists of one neutral Chairman, two independent members and two or three representatives of workers and management each. The Wage board took into consideration several factors before making recommendation for wages these recommendations are first referred to Government for acceptance, the government may accept with or without modifications or reject the recommendations of the wage boards. The recommendations accepted by the government are enforceable by the parties concerned. The wage boards take the following factors into consideration for fixing or revising the wages in various industries:

- 1) Job evaluation
- 2) Wages rate for similar jobs in comparable industries
- 3) Employee's productivity
- 4) Firms ability to pay
- 5) Various wage legislation
- 6) Existing level of wage differential and their desirability
- 7) Government objectives regarding social justice, social equality, economic justice and economic equality
- 8) Place of the industry in the economy and the society of the country and the region
- 9) Need for incentives, improvement in productivity etc.

The Wage Board fixes and revises various components of wages like basic pay, dearness allowance, incentive earnings, overtime pay, house rent allowance and all other allowances.

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### 11.20 INCENTIVES AND BONUSES

In addition to salaries and wages, many hospitality organizations that are committed to developing compensation systems designed around performance-based pay include incentives and bonuses in their overall programs. Incentive or bonus programs may be designed to reward individuals, work teams, departments, or entire operations. Incentive and bonus programs are becoming increasingly common in the hospitality industry, because managers believe that they increase their workers' quality and quantity outputs. From a motivational perspective, tying compensation to specific job accomplishments will typically focus employee efforts on those tasks that lead directly to increased financial rewards. When designed carefully, performance - based pay components can increase worker income and lead directly to improvements in guest service and product quality levels.

Besides the direct monetary compensation in the form of salaries , wages and incentives offered by the organizations they also some of indirect monetary

compensation in the form of medical facilities, retirement plan, welfare scheme, family welfare schemes, holidays, travel plan etc to motivate their employee so as to increase the productivity and to retain the employees.

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### **11.21 NONFINANCIAL COMPENSATION/NON MONETARY COMPENSATION**

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Experiences has shown that in many cases monetary incentives which are usually built on rationalized engineering and accounting base fail to achieve high production. According to Mason Haire there are two reason for failure as it suggest both positive and negative implication as it say if you work more I will pay you more this is positive it represent gratitude, but if you work less you will be paid less this is negative it represent fear and it is proven fact that both gratitude and fear cannot be sustained for long and secondly a monetary incentive usually overlooks the satisfaction of high order needs of an individual which are largely responsible for his increased accomplishment. "If money were the only force to motivate the employee why would he indulge in the hobby which is unpaid". People have desires and aspirations for things other than money. The importance of social and egoistic needs satisfaction in raising productivity has already been proved thus man is not only 'economic men' but he is also a 'ego men', therefore not only money can satisfy or motivate employee but also non monetary items like

- Increased participation in decision making
- Greater job freedom to work
- More responsibility
- Flexible work hours
- Opportunities for personal growth
- Diversity of tasks

Perhaps the most critical part of an effective intrinsic compensation package is provided simply by giving employees more responsibility in their work assignments. Effective HR managers determine their employees ' suggestions about changes that can yield efficiency, productivity, customer service, or other improvements, and then determine if it is possible to make these changes.

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### **11.22 MANAGERIAL COMPENSATION**

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Organization decides executive compensation packages, consisting of basic pay, allowances, perquisites, stock, opinion etc based on a number of factors. The United States Compensation institutes Phoenix plan uses 28 compensable factors they are:

- Job related experience
- Training time required
- Frequency of review of work
- Utilization of independent choice
- Frequency of references to guidelines experienced
- Frequency of work train suffered through supervisor,
- Analytical Complexity
- Time spent in processing information



- Supervisors' reporting to position
- Travel outside work location
- Salary grade to which this position reports
- Salary grade of position supervised
- Management responsibility
- Revenue size
- Asset size,
- Employment size
- Budget size,
- Payroll size
- Time spent in planning
- Contact with suppliers/customers
- Directing of others
- Training of staff physical stress
- Time spent working under deadline
- Time spent in hazardous conditions

The Hay group, another specialized US agency uses three compensable factors accountability, problem solving and know how. Sibson and company determines base compensation depending on the market value of the job, its relationship to others position in the organization and the person's value to the organization based on long term performance and experience.

### **Indian Practices**

Executive compensation in India is basically built around three important factors: job complexity, employer's ability to pay, and executive human capital.

The complexity of the chief executive job will depend on the size of the company as measured by its sale volume, earning and assets growth, the geographic dispersal of the unit etc. The employer's ability to pay is also a major factor while considering executive compensation as for e.g. a sick company cannot afford to pay to his executives the same kind of salary as that of a healthy company. This partly explains why executive compensation in public sector undertaking is less as compared to private sector units. The economic theory of human capital says that the compensation of worker should be equal to his marginal productivity. The productivity of an executive depends on his qualification, job knowledge, experience and contribution. Indian companies usually structured executive compensation along the following factors: salary, bonus, commission, PF, family pension, medical reimbursement, leave travel assistance, house rent, allowance and other perquisites. In recent years instead of increasing the base compensation, companies have been enhancing the worth of an executive through novel payment plans based on earnings/assets or sales growth of the company over a period of time, well supported by an ever expanding list of allowances and perquisites including stock optioned, educational recreational academic allowances and other developmental initiatives aimed at overall development of an executive.

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## **11.23 SUMMARY**

Labour welfare refers to taking care of the well being of workers by employees, trade unions and governmental and non governmental agencies. Recognizing

the unique place of the worker in the society and taking care of them, motivating them, satisfying their psychological and social needs of the employee, minimizing social evils and building up the goodwill of the company in the eyes of employee thereby in the eyes of society and competitors.

Welfare facilities may be confined to the workplace or may be provided outside the workplace. Administration of welfare involves three steps:

1. Defining welfare policy
2. Organization for welfare
3. Assessment of the effective of welfare.

A good compensation plan makes employee happier in their work, raises their output and quality and make them loyal to the organization. The whole topic of compensation can be dealt with three parts (a) Primary compensation (b) Incentive compensation and (c) Non monetary compensation.

Primary compensation is the basic pay in the form of wages or salaries. A sound primary compensation structure is a function of internal and external alignments. Internal alignment means that there should be a proper relationship between wages and salaries of various positions within the enterprises. This will depend upon correct job evaluation. External alignment means that company wages rates should be comparable with the rates in other companies. This will depend upon the correct survey of wage rates prevailing in community. Incentive compensation is the device to increase worker's productivity. Non monetary incentives are necessary to satisfy the social and egoistic needs of workers. Managerial compensation is mean for manager's part of primary compensation.

In India there are number of acts which regulate wages. These are Minimum wages Act, Payment of wages Act etc.

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## 11.24 TERMINOLOGY

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- **Employee Welfare:** Welfare means doing well. It is a comprehensive term that includes mental, physical, moral, emotional well being of an individual.
- **Non Statutory Benefits :** These are also called as voluntary benefits include loans, for house building, education of children, leave travel concession, fair price shops, loans for purchasing personal conveyance and other facilities
- **Trend analysis :** It suggests that HR should immediately take post implementation reactions of the employees regarding the introduction of new welfare scheme if accepted by employees' it should be continued or otherwise it should be discontinued.
- **Opinion Survey:** It suggests that employees may be requested to express their views on the usefulness or futility of a particular welfare scheme. Views thus obtained will decide the future of the welfare scheme
- **Compensation:** It is what employees receive in exchange for their contribution to the organization
- **Incentives:** Motivations devices used to encourage special work effort such as bonus or commission
- **Wages:** The amount paid by the employer for the services of hourly, daily, weekly, fortnightly employees.

- **Salaries:** Remuneration paid to the clerical and management personal employed on a monthly or yearly basis
- **Earnings:** Total amount of remuneration received by an employee during a given period.
- **Minimum Wage :** Wage sufficient to sustain and preserve the efficiency of the worker and to provide him basic amenities
- **Wage Rate:** It is the amount of remuneration for a unit of time exchanging in centers overtime pay etc
- **Wage Policy :** Principles acting as guidelines for determining a wage structure
- **Wage Structure:** Consist of various pay scales showing ranges of pay within each grade.

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### 11.25 SHORT QUESTIONS & ANSWERS

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**Q1** Mention the duties of Labour Welfare Officer?

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**Q2.** Define compensation? What is pay structure? How it is designed?

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**Q3** Define and Differentiate between living wages and minimum wages?

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**Q4.** \_\_\_\_\_ means doing well. It is a comprehensive term that includes mental, physical, moral, emotional well being of an individual.

**Q5.** The amount of money and other items of value (e.g., benefits, bonuses, perks) given in exchange for work performed is called as \_\_\_\_\_.

**Q6.** \_\_\_\_\_ The sum total of the money and other valuable items given in exchange for work performed.

**Q7.** Motivations devices used to encourage special work effort such as bonus or commission is called as \_\_\_\_\_

**Q8.** \_\_\_\_\_ is the amount paid by the employer for the services of hourly, daily, weekly, fortnightly employees

**Q9.** Remuneration paid to the clerical and management personal employed on a monthly or yearly basis is known as \_\_\_\_\_

**Q10.** \_\_\_\_\_ suggests that employees may be requested to express their views on the usefulness or futility of a particular welfare scheme. Views thus obtained will decide the future of the welfare scheme.

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**11.28 TERMINAL & MODEL QUESTIONS**

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**Q1** Define the term labour welfare. Bring out the importance of labour welfare programme in the organization?

**Q2** Bring out the various types of welfare?

**Q3** How does effective compensation management helps an organization achieve its strategic objectives

**Q4** Critically examine the components of a compensation package in organized industry in India?

**Q5** Write short note on wage policy in India?

**Q7** Write a short note on Managerial compensation

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## **UNIT 12: EMPLOYEE DISCIPLINE AND GRIEVANCE HANDLING**

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### **STRUCTURE**

- 12.1 Objectives
- 12.2 Introduction
- 12.3 Grievances
- 12.4 Forms of Grievances
- 12.5 Causes of Grievances
- 12.6 Effects of Grievances
- 12.7 Need of Grievances procedure
- 12.8 Importance of Grievances procedure
- 12.9 Identification of Grievances
- 12.10 Essential Pre Requisites of a Grievance Procedure
- 12.11 Steps of Grievances Handling procedure
- 12.12 Model Grievances Handling Procedure
- 12.13 Guidelines for handling grievances
- 12.14 Discipline
- 12.15 Concept
- 12.16 Red Hot Stove Rule
- 12.17 Judicial Approach to Discipline
- 12.18 Misconduct or Indiscipline
- 12.19 Causes of Misconduct
- 12.20 Disciplinary Action Against indiscipline
- 12.21 Punishment for Indiscipline
- 12.22 Essentials of a Good Disciplinary System
- 12.23 Summary
- 12.24 Terminology
- 12.25 Short Question & Answers
- 12.26 Reference/Bibliography
- 12.27 Suggested Reading
- 12.28 Model Questions

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### **12.1 OBJECTIVES**

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1. Outline the features of Grievances and identify the causes and Effects
2. Discuss the settlement of Grievances in Indian Industry
3. Present the concepts of Discipline
4. Understand the causes of misconduct
5. Explain Punishment
6. Various forms of punishment Suspension & Discharge

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### **12.2 INTRODUCTION**

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Every employee has a certain expectations which he think must be fulfill by the organization he is working for. When the organization fails to do this employee develops a feeling of discontent or dissatisfied and when a employee feels that

something unfair in the organization he is said to have grievance, this results in employee unrest and thereby reducing the efficiency of the worker and ultimately hampering the growth of the organization. Thus HR has developed several methods of identification and curing employee grievances.

Discipline though in reality is not an ear loving term but without its presence the life can be jeopardized like every coin has two faces in the same manner discipline can be accepted as positive discipline and negative discipline.

It has been found that sometimes punishment is essential for the employee to make him understand the importance of discipline and code of conduct.

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## 12.3 GRIEVANCES

According to Julius a grievance is “any discontent or dissatisfaction, whether expressed or not whether valid or not arising out of anything connected with the company which an employee thinks, believes or even feels to be unfair, unjust or inequitable.”

If one analyzes this definition some features that emerge are:-

A grievance refers to any form of discontent or dissatisfaction with any aspects of the organization.

The dissatisfaction must arise out of employment and not due to personal or family problems.

The discontent can arise out of real or imaginary reasons. When the employee feels that injustice has been done to him he has a grievance though the reason for it may be valid or not.

Broadly speaking thus a grievance is traceable to perceived non fulfillment of one's expectations from the organization.

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## 12.4 FORMS OF GRIEVANCES

A grievance may take any one form:

- **Factual:** A factual grievance arises when legitimate needs of employees remain unfulfilled e.g. increase in wages were agreed but due to certain reasons not implemented
- **Imaginary;** When an employee's dissatisfaction is not because of any valid reason but because of wrong perceptions, wrong attitude or wrong information he has such situation will create imaginary grievance
- **Disguised:** An employee may have dissatisfaction for reasons that are unknown to himself. If he/she is under pressure from family, friends, peers etc the person will reach the work spot with heavy heart, if a new employee gets a new table and almirah this may become an eye sore for others who have not been treated likewise previously.

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## 12.5 CAUSES OF GRIEVANCES

Grievances may occur due to several reasons few of which are:

**A) Grievances resulting from Working Conditions**

- i) Improper matching of the worker with the job
- ii) Changes in schedules or procedure
- iii) Non availability of proper tools, machines and equipment for doing the job
- iv) Tight production Standards



- v) Bad physical conditions of workplace
- vi) Failure to maintain proper discipline
- vii) Poor relationship with the supervisor

**B) Grievances resulting from Management Policy**

- i) Wage payment & job rates
- ii) Leaves
- iii) Overtime
- iv) Bonus
- iv) Seniority
- vi) Transfer
- vii) Promotion, demotion & discharge
- viii) Lack of career planning & employee development plan
- ix) Hostility towards a labour union

**C) Grievances resulting from alleged violation of**

- i) Central or State law
- ii) Past practices
- iii) Company rules
- iv) Management responsibility
- v) Over ambition
- vi) Excessive Self team
- vii) Impractical attitude to life

Thus Economic Wage fixation, overtime, bonus Employees may feel that they are paid less as compared to others, Work Environment Poor physical conditions of workplace, tight productions norms, defective tools and equipments, Supervision Related to the attitude of the supervisor towards the employee e.g. Favoutisim, bias etc Work group employee is unable to adjust with his colleagues, suffers from feeling of neglect, Victimization and become object of ridicule and humiliation and finally Miscellaneous these include issues relating to certain violence in respect of promotion, safety methods, and medical facilities.

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**12.6 EFFECTS OF GRIEVANCES**

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Grievances, if they are not identified and then care may adversely effect the managers and workers in the organization the effect are:

**1. On Production include**

- Low quality of production
- Low quality of productivity and production
- Increase in the wastage of material , spoilage/leakage of machinery
- Increase in the cost of production per unit

**2. On the employees**

- Increase the rate of absenteeism and turnover
- Reduces the level of commitment , sincerity and punctuality
- Reduces the level of employee morale

**3. On the managers**

- Strains the superior- subordinate relations
- Increase the degree of supervision, control and follow up
- Increase in indiscipline cases
- Increase in unrest and thereby machinery to maintain industrial peace

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## 12.7 NEED FOR A GRIEVANCE PROCEDURE

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It is essential to have proper handling of grievances of employees as

- a) It effect the harmony of the organization
- b) It creates distrust among employees and managers
- c) It hampers the healthy relationship between manager-employee
- d) It causes reduction in the production
- e) It effect in the profit margin of the organization
- f) It result in lack of motivation among employees
- g) It may result in disputes among employee and management.

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## 12.8 IMPORTANCE OF GRIEVANCES HANDLING PROCEDURE

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The following are some of the important reasons of having effective grievances handling procedure

- a) The management can know the employee's feeling and opinion about the company's policies and practices
- b) With the help of grievances handling procedure the employees get a chance to ventilate his feelings
- c) It help employee to release their stress
- d) It keeps a check on superior attitude and behavior towards employee.
- e) The morale of the employees will be high with the existence of proper grievance handling procedure.
- f) It helps in preventing grievances from assuming big proportion. The management tries to solve the grievances before it take the shape of dispute.
- g) It helps in establishing and maintaining a work culture or way of life,
- h) It keeps a check upon arbitrary and capricious management action

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## 12.9 IDENTIFICATION OF GRIEVANCES

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Grievances cab be uncovered in number of ways

- a) **Observation:** A manager / Supervisor can usually track the behavior of people working under him. If a particular employees is not getting along with people, spoiling materials due to carelessness showing indifference to commands, absenteeism it clearly indicate, and the supervisor is close to the scene of action he can always find out such unusual behavior and report promptly.
- b) **Grievance Procedure:** A proper grievance procedure is the best means to employee dissatisfaction at various levels. Management to this end must encourage to use it whenever they have anything to say. In the absence of such a procedure grievances pile up and burst in front of the management. If management fails to settle employees grievances unions will take over and emerge as powerful bargaining representatives.
- c) **Gripe Boxes/ Complain Boxes :** A gripe box may be kept at prominent locations in the factory for lodging anonymous complain pertaining to any aspect relating to work Since the complainant need not reveal his identity so that they can express their feelings without any hesitation.

- d) **Open door Policy** this is a kind of walk in meeting with the manager when the employee can express his feeling openly about any work related grievance. The manager can cross check the details of the complaint through various means at his disposal.
- e) **Exit Interview:** Employees usually leave their current jobs due to dissatisfaction or better prospects outside. If the manager tries sincerely through an exit interview the might be able to find out the real reason that why the employee is leaving the organization.
- f) **Opinion surveys** may be conducted periodically to elicit the opinions of employees about the organization and its policies.

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## 12.10 ESSENTIAL PRE REQUISITES OF A GRIEVANCE PROCEDURE

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Every organization should have effective grievances procedure in order to redress the grievance effectively for this it is essential that grievances should have certain pre requisites

- a) **Conformity with statutory provisions** ; Due consideration must e given to the prevailing legislation while designing the grievance handling procedure
- b) **Unambiguity:** every aspect of grievance procedure should be unambiguous employee should know whom to approach and how to approach.
- c) **Simplicity:** The grievance handling procedure should be simple and short. If the procedure is complicated it may discourage employee and they may fail to make use of it in a proper manner.
- d) **Promptness:** The grievance of the employee should immediately taken care of and necessary action must be taken immediately.
- e) **Training:** The supervisors and union representative should be properly trained to handle the grievance procedure.
- f) **Follow up:** The Personnel Department should keep track of the effectiveness and the functioning of grievance handling procedure and make necessary changes to improve it from time to time.

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## 12.11 STEPS IN GRIEVANCE PROCEDURE

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- a) **Identify grievances:** Employee dissatisfaction or grievance should be identified by the management if they are not expressed. If they are ventilated, management has to promptly acknowledge them.
- b) **Define correctly** the management should clearly define the problem once it is identified.
- c) **Collect Data** Complete information should be collected from all points relating to the grievance.
- d) **Analyze & Solve** : The information should be analyzed, alternative solution to the problem should be developed and the best solution should be selected
- e) **Prompt Redressal** The grievance should be redressed by implementing the solution
- f) **Implement & follow up** Implementation of the solution must be followed up at every stage in order to ensure effective and quick implementation.

## 12.12 MODEL GRIEVANCE PROCEDURE

The Model Grievances Procedure suggested by National Commission on Labor involves six successive time bound steps each leading to the next like:

The aggrieved worker first will go to the foreman with his problem who will listen and try to take necessary remedial action if not possible grievances will be forwarded to the supervisor who will provide the satisfactory answer within 48 hours. In the solution of supervisor is not acceptable or if supervisor does not replies than worker will go to the next level (either alone or accompanied by departmental representative) to the Head of Department who has to give the reply within three days.

If the Hod fails to give reply or if his answer is not satisfactory the worker can appeal to the Grievance Committee, consisting of the representative of employer and employees. The recommendation of this committee should be communicated to the manager within seven days from the date of grievance reaching it. Manager may either accept the unanimous decision of the committee or may take his own decision but has to inform the worker within three days.

The worker can make a appeal against the manager's decision and such an appeal has to be decided within a week. An official may accompany the worker to the manager for discussion and if no decision is arrived at this stage both the union and management may refer the grievance to voluntary arbitration within a week of the receipt of the management decision.

Procedure	Time frame
Appeal against within a week	
<pre> graph BT     Worker --&gt; Foreman     Foreman --&gt; Supervisor     Supervisor --&gt; HOD     HOD --&gt; Grievance Committee     Grievance Committee --&gt; Manager           </pre>	
Manager	3 days
Grievance Committee	7 days unanimous
HOD	3 days
Supervisor	48 hours
Foreman	
Worker	

## 12.13 GUIDELINES FOR HANDLING GRIEVANCES

The following guideline may held a supervisor while dealing with grievances thus following points need to be taken care of

- Treat each case as important and get the grievance in writing
- Talk to the employee directly Encourage him to speak the truth. Give him a patient hearing.

- Discuss in a private place Ensure confidentiality if necessary
- Handle each case within time frame
- Examine company provision in each case
- Get all relevant facts about the grievance
- Gather information from the union representatives
- Gather information from the union representative what he has to say what he wants etc
- Control your emotions your remarks & behavior
- Maintain Proper records and follow up the action taken in each case.

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## 12.14 DISCIPLINE

Discipline is required for both the organization and the individual. In the organization it is needed to regulate the behavior of people, maintain peace and channel their efforts towards organizational goals.

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## 12.15 CONCEPT

Discipline is not an attractive term. People fear from the term in the organization. The multiple explanations advanced by different experts in the field have only added to the prevailing confusion.

- **Negative Discipline:** Basically Discipline is interpreted as a sort of check or restrain on the freedom of person. It is referred to the act of imposing penalties for wrong behavior. If employee fails to follow the rules is punished the fear of punishment puts employee back on rails. Discipline is the force that prompts an individual or a group to observe the rules. "Discipline is the force that prompts an individual or a group to observe the rules, regulations and procedure which are deemed to be necessary to the attainment of the objective".
- **Positive Discipline:** Today the definition of discipline is getting new dimensions today employees comply with rules not out of fear of punishment but out of an inherent desire to cooperate and achieve goals Where the organizational climate is marked by two way communication, clear goals, effective leadership, adequate compensation helps employee need not be disciplined.
- **Self Discipline & Control:** According to Megginson self discipline means the training that corrects moulds and strengthens .It refers to one's efforts at self control for the purpose of adjusting oneself to certain needs and demands. This form of discipline is raised on two psychological principles first punishment does not always produce desired results and second a self respecting person tends to be better worker than one who is not.
- **Progressive Discipline:** The concept of progressive discipline states that penalties must be appropriate to the violation .If inappropriate behavior is minor type and is never done before the punishment given should be an oral warning will be sufficient. If violation requires written warning, it must be done according to procedure. After written warning, if the employee still does not follow than serious punitive action could be initiated .In case of major violation employee termination can be the punishment taken.

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## 12.16 THE RED HOT STOVE RULE

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With the continuous support from the juniors, managers cannot get the work done, but disciplinary action against a delinquent employee is painful and generates resentment on his part. Thus it is important to understand that how to impose disciplinary action without having resentment from other employees. For this Douglas McGregor gave Red Hot Stove Rule which states disciplinary action should have following consequences:

**Burns Immediately** If disciplinary action is to be taken, it should be taken immediately and proper reason should be told the person so that there remains no confusion. **Provides Warnings** It is important to give prior warnings that you need to change or the consequences can be bitter i.e. punishment will follow after continual indiscipline behavior. **Gives Consistent Punishment** Disciplinary action should also be consistent as everyone who behaves the same manner will be punished accordingly. **Burns Impersonally** Disciplinary action should be impersonal i.e. there should not be any biasness.

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## 12.17 JUDICIAL APPROACH TO DISCIPLINE

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The Industrial Employment (Standing Order) act was passed in 1946 with a view to industrial relation climate. The Act requires that all establishment must define the service rule and prepare standing order. The term Standing Order refers to rules and regulations which governs the condition of employment of worker. They indicate the duties and responsibilities on the part of both employer and employee.

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## 12.18 MISCONDUCT OR INDISCIPLINE

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Misconduct is violation of established rules and procedure. It is an act which is prejudicial to the interest of the organization. It is a serious form of indiscipline against the management. Misconduct include

- Does not discharge his duties properly
- Remain absent without leave
- Indulge in acts which are unsafe for the employer
- Is grossly immoral, dishonest
- Is insulting, abusive and disturbs the peace of others
- Is unfaithful, corrupt, disloyal
- Indulge in theft, fraud bribery
- Does not obey orders and Resort to illegal strikes
- Cause willful damage to property

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## 12.19 CAUSE OF INDISCIPLINE

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Mostly non cooperation results in indiscipline. The common causes of indiscipline are:

- a) **Absence of effective leadership:** Absence of effective leadership results in poor management in the areas of direction, guidance, instruction etc, results in indiscipline.
- b) **Non Uniform disciplinary action** Management should treat all cases of indiscipline in a fair and equitable way.



- c) Unfair Management practices Management sometimes get involve in Unfair practices like wage discrimination, handling of grievances, transfer and promotional policies etc resulting in low quality work and thus indiscipline
- d) Communication Barriers Communication Barriers especially the upward communication, absence of understanding approach especially from the seniors leads to frustration among subordinate which leads to indiscipline
- e) Divide and Rule Policy Managers often divide the employees into group and collect information about others and encourage spying , dividing the employees in group leads to indiscipline
- f) Inadequate attention to personnel problems and delay in solving personal problems creates frustration among individual workers.
- g) Victimization and excessive pressure on the work of subordinate may also lead to in discipline.

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## 12.20 DISCIPLINARY ACTION

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There are no rigid and specific procedure for taking disciplinary action, the disciplinary procedure followed in Indian Industries usually consist of following steps:

- **Issuing a letter of charge:** When any employee commit any misconduct against which disciplinary action is to taken, the letter of charges or charge sheet should be issued against him, clearly explaining reason of issuing and all charges should be clearly mentioned, further the charge sheet should ask for an explanation from the employee, the time for answering should be given to the employee.
- **Consideration of Explanation:** On getting an answer from the employee for the letter of changes, the explanation should be considered and if the management is satisfied with the explanation on disciplinary action should be taken but if no satisfied then there is need for serving a show cause notice
- **Show Cause Notice:** Show cause notice is issued by the manager when he believes that there is sufficient prima facia evidence of employee misconduct. However this gives employee another chance to heard, once to reply for misconduct and clear the charges against him Enquiry should also be initiated by first serving him a notice of enquiry indicating clearly the name of enquiry officer, time, date and place of enquiry
- **Holding of a full fledged enquiry:** This should be similar to the procedure of court of law, here also the employee should be given equal chance to speak and clear himself and he should be properly heard. When the process of enquiry is over and the findings of the same are recorded, the enquiry officer should suggest the nature of disciplinary action to be taken
- **MAKING A FINAL ORDER OF PUNISHMENT:** At the time of disciplinary action to be taken against employee, when his misconduct is proved his previous records, precedents, effect of action on other employee should also be considered.

When the employee feels that the enquiry conducted was not proper and the action taken is unjustified he must be given a chance to make an appeal. He can further appeal to labour court or industrial tribunal

- **Follow Up:** After taking the disciplinary action a proper follow up action should be taken and the consequences of the implementation of disciplinary action should be noted and taken care of.

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## 12.21 PUNISHMENT

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Depending on the gravity of misconduct, management may initiate the following punitive actions against the employees who is found guilty:

- 1) **Dismissal** : Termination from employment for any of the misconduct's mentioned in the Industrial Employment (Standing Order) Act, 1946
- 2) **Discharge** : Termination for any misconduct
- 3) **Discharge Simpliciter** : Termination of employee's services for loss of confidence and trust and does not carry the stigma of misconduct
- 4) **Suspension** : Prohibiting an employee from attending work, preventing him from discharging the duties assigned to him and withholding the wages payable to him for specific period of time, it does not mean complete termination of the employee.
- 5) **Demotion to lower grade**
- 6) **Withholding of increments**
- 7) **Fine**
- 8) **Loss of Privileges**: For such offences as leaving work without permission etc the employee may be put to loss of various privileges such as good assignment, right to select machine or other equipment.
- 9) **Warning** : It includes
  - a) **Oral Reprimand**: This is the mildest form of punishment in which the supervisor makes it clear by informing the subordinate that he does not approve his particular behavior and he needs to change for the betterment.
  - b) **Written Reprimand**: An oral warning or reprimand may not be sufficient in case of habitual inefficiency or misconduct. In such situation it is desirable to issue in writing and brought into record so that it may support, if necessary any substantive punishment that may be given to employee in future, if he continues to repeat his behavior.

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## 12.22 ESSENTIALS OF A GOOD DISCIPLINARY SYSTEM

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These are as under:

- 1) **Knowledge of rules**: The employees must be informed clearly about what constitutes good behavior and the rewards that may be emanate from it.
- 2) **Prompt Action**: All violations or misconduct whether small or large should be properly enquired into
- 3) **Fair Action**: All disciplinary action taken need to be fir and justified.
- 4) **Well Defined Procedure**: The procedure to be followed to reach a penalty decision should be carefully laid down.
- 5) **Constructive Handling of Disciplinary Action**: Disciplinary action should be handled in a constructive manner.

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## 12.23 SUMMARY

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Every employee working in an organization has certain expectations which he think must be taken care of or fulfilled by the organization he is working for but

when the organization fails to do this he develops a feeling of discontent or dissatisfaction. Grievances can be understood as any real or imaginary feelings of dissatisfaction and injustice which an employee has about an employment relationship. Grievances are a sign of employee discontent with job and its nature. Effective grievances management is an important and integral part of HRM. The best approach for grievances handling is to anticipate it and take steps to tackle them before they assume dangerous proportions. Grievances are natural in any human being but the only remedy is to solve them immediately. Discipline in the broadest sense means orderliness- the opposite of confusion. There are two aspects of discipline – positive and negative. Misconduct or indiscipline is the serious violations of the organization rules or regulations. Proper Disciplinary actions need to be taken to take care of the employee, punishment though not much accepted term but should be taken to bring thing in orderliness.

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## 12.24 TERMINOLOGY

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- **Grievance** : Any discontent or dissatisfaction whether expressed or not, whether valid or not, arising out of anything connected with the company which employees thinks, believes or even feels to be unfair
- **Discipline**: In a restricted sense, it is the act of imposing penalties for wrong behavior
- **Misconduct**: Violation of established rules and norms of behavior
- **Dismissal**: Termination from employment for any of the misconduct mentioned in the Industrial Employment
- **Suspension**: Prohibiting an employee from attending work preventing him from discharging the duties assigned to him and withholding the wages payable to him
- **Lock Out**: Temporary Closure of a unit

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## 12.25 SHORT QUESTIONS AND ANSWERS

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Q1. What are the various forms of grievances?

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Q2. Differentiate positive & Negative Discipline

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Q3. What are the steps of grievances handling procedure?

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### Fill up the Blanks:

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Q4 Preventing employee to work and withholding his wages for specific period of time is \_\_\_\_\_

Q5 A \_\_\_\_\_ refers to any form of discontent or dissatisfaction with any aspects of the organization.

Q6 \_\_\_\_\_ is violation of established rules and procedure in the organization.

Q7 Termination for any misconduct is \_\_\_\_\_

Q8 When the employee can express any of his grievances directly to manager that is called as \_\_\_\_\_

Q9 \_\_\_\_\_ refers to rules and regulations which governs the condition of employment of worker.

**Q10** \_\_\_\_\_ notice is issued by the manager when he believes that there is sufficient prima facie evidence of employee misconduct.

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## 12.28 MODEL QUESTIONS

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**Q1.** Define the term Grievances. How would you try to uncover grievances?

**Q2.** Discuss the Model grievances procedure that is applicable in India. What are the essential pre-requisites of a grievances procedure?

**Q3.** Outline the various forms of indiscipline and examine the factors leading to indiscipline?

**Q4** Write notes on

- a) Punishment
- b) Red Hot Stove Rule
- c) Discipline

**Q5.** Explain Disciplinary System. What are the essentials of good disciplinary system?

**Q6.** What are the various causes of grievances in the organization. Explain the effect of grievances in the organization?

**Q7.** An effective grievance handling procedure is preventive rather than curative? Explain

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**UNIT 13: HUMAN RESOURCE ACCOUNTING AND AUDIT**

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**CONTENTS:**

- 13.1. INTRODUCTION
- 13.2. OBJECTIVES
- 13.3. DEFINITION OF HUMAN RESOURCE ACCOUNTING (HRA)
- 13.4. NEED, SIGNIFICANCE, OBJECTIVES FOR HRA
- 13.5. ADVANTAGES OF HRA
- 13.6. INFORMATION MANAGEMENT IN HRA
- 13.7. MEASUREMENTS IN HRA
- 13.8. HUMAN RESOURCE AUDIT
- 13.9. NEED OF HUMAN RESOURCE AUDIT
- 13.10. THE SCOPE OF HUMAN RESOURCE AUDIT
- 13.11. CONDUCTING HUMAN RESOURCE AUDIT
- 13.12. HUMAN RESOURCE AUDIT PROCESS
- 13.13. SUMMARY
- 13.14. GLOSSARY
- 13.15. ANSWERS TO CHECK YOUR PROGRESS EXERCISE
- 13.16. REFERENCE / BIBLIOGRAPHY
- 13.17. SUGGESTED READINGS
- 13.18. TERMINAL AND MODEL QUESTIONS

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**13.1 INTRODUCTION**

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In the previous units we learnt about Employee Discipline and Grievance Handling. In this we shall discuss measuring the potential value of human resource or its contribution to the organization. We have seen a global shift from manufacturing to service based economies in the past few decades. In service based economies, competencies of the employees are more significant. In services like hospitality, tourism, leisure firms etc., the effectiveness of the organization relies on the skills of its employees and the services they render. Therefore the prosperity of the business is directly proportional to the quality and management of Human Resource. This is also true for other industries as all businesses need people.

Thus Human Resource is a vital component of the company assets and is called - 'Human Capital'. To arrive at a tangible worth or value of Human Capital, some methods of measuring the worth or value of human resource and related processes viz. hiring, training etc. have been developed. These methods or processes of measuring or quantifying human resource are termed as Human Resource Accounting.

The present unit also tells you about the important points you need to know before conducting HR Audit. Without conducting HR Audits HR policies and practices cannot be evaluated. An audit can help to evaluate how effective the

programs and services are: how well HR delivers on the programs and services; or where there are opportunities to either enhance, change, or remove programs and processes. The present unit is an effort to highlight the Human Resource Accounting and Audit in the business organizations.

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## 13.2 OBJECTIVES

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After reading this Unit, you will be able to:

- Discuss the concept of human resource accounting.
- Understand needs, significance and objectives of human resource accounting
- Describe the advantages of human resource accounting
- Describe measurements in human resource accounting
- Know the concept of HR Audit
- Define need and scope of HR Audit
- Comprehend HR Audit process

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## 13.3 DEFINITION OF HUMAN RESOURCE ACCOUNTING

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The American Accounting Association's Committee on Human Resource Accounting (1973) has defined Human Resource Accounting as "the process of identifying and measuring data about human resources and communicating this information to interested parties". HRA, thus, not only involves measurement of all the costs/ investments associated with the recruitment, placement, training and development of employees, but also the quantification of the economic value of the people in the organization.

According to **Flamholtz (1971)** HRA is defined as "the measurement and reporting of the cost and value of people in organizational resources".

As far as the statutory requirements go, the Companies Act, 1956 does not demand furnishing of HRA related information in the financial statements of the companies. The Institute of Chartered Accountants of India too, has not been able to bring any definitive standard or measurement in the reporting of human resources costs. While qualitative pronouncements regarding the importance of Human Resources is often made by the chairmen, in the AGM, quantitative information about their contribution is rarely recorded or communicated. There are a few organizations, however, that do recognize the value of their human resources, and furnish the related information in their annual reports. In India, some of these companies are: Infosys, Bharat Heavy Electricals Ltd (BHEL); the Steel Authority of India Ltd. (SAIL), the Minerals and Metals Trading Corporation of India Ltd. (MMTC), the Southern Petrochemicals Industries Corporation of India (SPIC), the Associated Cement Companies Ltd, Madras Refineries Ltd, the Hindustan Zinc Ltd., Engineers India Ltd, the Oil and Natural Gas Commission, Oil India Ltd., the Cement Corporation of India Ltd. etc.

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## 13.4 NEED, SIGNIFICANCE, OBJECTIVES FOR HRA

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### 13.4.1 Need for HRA:

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The need for Human Resource accounting comes from a simple belief that anything that needs to be improved needs to be measured first.

Once organizations realized the value of Human Resource and its contribution to



the effectiveness of the business, they felt the need of sustaining and increasing this value. In order to identify whether or not they are moving in this direction, it was imperative to measure value of people in the organization. In order to measure this a few methods were developed and employed. These methods or processes form Human Resource Accounting.

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### 13.4.2 Significance of HRA:

In any organization, management takes decisions on various business aspects. These decisions have both long term and short term implications. Human Resource Accounting helps the management take well informed decisions for the betterment of the organization.

In absence of HRA there could be decisions which are seemingly profitable in the short term but may have adverse effects in the long run. For instance an organization hiked the sales incentives to spruce up sales for a particular month. The desired targets were achieved for that month. However, in the next few months the performance deteriorated drastically as the organization could not offer the same hiked incentives due to pressures on the bottom line.

HRA provides vital information to the management and assists in effective human resource management. It also adds value to critical HR processes - Hiring, Training, Developing, Retaining, Rewarding etc.

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### 13.4.3 Objectives of HRA:

According to **Likert (1971)**, HRA serves the following purposes in an organization:

1. It furnishes cost/value information for making management decisions about acquiring, allocating, developing, and maintaining human resources in order to attain cost-effectiveness;
2. It allows management personnel to monitor effectively the use of human resources;
3. It provides a sound and effective basis of human asset control, that is, whether the asset is appreciated, depleted or conserved;
4. It helps in the development of management principles by classifying the financial consequences of various practices.

Basically, HRA is a management tool which is designed to assist senior management in understanding the long term cost and benefit implications of their HR decisions so that better business decisions can be taken. If such accounting is not done, then the management runs the risk of taking decisions that may improve profits in the short run but may also have severe repercussions in future. For example, very often organizations hire young people from outside on very high salaries because of an immediate business requirement. Later on, however, they find that the de-motivating impact of this move on the existing experienced staff has caused immense long term harm by reducing their productivity and by creating salary distortions across the organizational structure.

HRA also provides the HR professionals and management with information for managing the human resources efficiently and effectively. Such information is essential for performing the critical HR functions of acquiring, developing, allocating, conserving, utilizing, evaluating and rewarding in a proper way. These functions are the key transformational processes that convert human resources

from 'raw' inputs (in the form of individuals, groups and the total human organization) to outputs in the form of goods and services. HRA indicates whether these processes are adding value or enhancing unnecessary costs. In addition to facilitating internal decision making processes, HRA also enables critical external decision makers, especially the investors in making realistic investment decisions. Investors make investment decisions based on the total worth of the organisation. HRA provides the investors with a more complete and accurate account of the organisations' total worth, and therefore, enables better investment decisions. For example, conventional financial statements treat HR investments as "expenditures. Consequently, their income statement projects expenditures to acquire, place and train human resources as expenses during the current year rather than capitalizing and amortizing them over their expected service life. The balance sheet, thus, becomes distorted as it inaccurately presents the "total Assets" as well as the "net income" and, thereby, the "rate of return" which is the ratio of net income to the total assets. HRA helps in removing this distortion.

Furthermore, in a business environment where corporate social responsibility is rapidly gaining ground, HRA reflects the extent to which organization contributes to society's human capital by investing in its development.

Finally, in an era where performance is closely linked to rewards and, therefore, the performance of all groups/departments/functions needs to be quantified to the extent possible, HRA helps in measuring the performance of the HR function as such.

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### 13.5 ADVANTAGES OF HRA

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Apart from reporting the value of HR and HR processes, HRA also implies whether the processes are genuinely necessary and are adding value. It also highlights reducible and unnecessary costs.

HRA not only helps internal decision making but also influences external decisions. It helps Investors and stakeholder to make investment decisions. For instance the cost of training and development will feature under 'expenditures' in the balance sheet; whereas the returns on investment (ROI) of training will not feature in the balance sheet. Thus it does not provide a complete picture to the investor. So if the organization is able to include such information in the annual/quarterly report, it will add a lot of value to performance and depict a true picture of the potential. It gives the promoters and investors a measure of efforts being made to enhance the organizational capability and a sense futuristic approach.

HRA can also be deployed to gain a competitive edge over other organizations. For instance, let us consider company A and company B competing each other in the market. Currently company A is doing better than company B as it has a product advantage. However, company B has revamped its research to close this product advantage gap. Also company B has instituted HRA in the organization. In the long term, company B is more certain to be more successful as it has closed the technical gaps and also concentrated on valuing the human resource. This enables it to stay ahead of others as it is more preventive to any loss or inefficiency on account of human resource.

HRA highlights the organization's efforts towards development of its employees and measures the performance of Human Resource Development Function. In conclusion, the benefits of HRA are:

1. The adoption of the system of HRA discloses the value of human resources. This helps in proper interpretation of Return on capital employed. Such information would give a long term perspective of the business performance which would be more reliable than the return on capital employed under the conventional system of accounting.
2. The maintenance of detailed record relating to internal human resources (i.e. employees) improves managerial decision-making specially institutions like direct recruitment versus promotions; transfer versus retention retrenchment or relieving versus retention; utility of cost reduction programs in view of its possible impact on human relations and impact of budgetary control on human relations and organizational behavior. Thus, the use of HRA will definitely improve the quality of management.
3. The adoption of the system of HRA serves social purposes by identification of human resources as a valuable asset which will help prevention of misuse and under use due to thoughtless or rather reckless transfers, demotions, layoffs and day-to-day maltreatment by supervisors and other superiors in the administrative hierarchy; efficient allocation of resources in the economy ; efficiency in the use of human resources; and proper understanding of the evil effects of avoidable labor unrest / disputes on the quality of internal human resources.
4. The system of HRA would no doubt, pave the way for increasing productivity of human resources, because, the fact that a monetary value is attached to human resources and that human talents devotion and skill considered as valuable assets and allotted a place in the financial statements of the organization, would boost the morale, loyalty and initiative of the employees, creating in their mind a sense of belonging towards the organization and would act as a great incentive, giving rise to increased productivity.

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### 13.6 INFORMATION MANAGEMENT IN HRA

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Like any accounting exercise, the HRA too depends heavily on the availability of relevant and accurate information. HRA is essentially a tool to facilitate better planning and decision making based on the information regarding **actual** HR costs and organizational returns. The kind of data that needs to be managed systematically depends upon the purpose for which the HRA is being used by an organization.

For example, if the purpose is to *control the personnel costs*, a system of standard costs for personnel recruitment, selection and training has to be developed. It helps in analyzing projected and actual costs of manpower and thereby, in taking remedial action, wherever necessary.

Information on *turnover costs* generates awareness regarding the actual cost of turnover and highlights the need for efforts by the management towards retention of manpower.

Accountability in the management process is often enhanced when information involving an *evaluation of managerial effectiveness* is generated.

Finally, information on the intangibles like intellectual capital/human capital becomes necessary to measure the true worth of the organisation. This

information, though un-audited, needs to be communicated to the board and the stockholders.

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### Check Your Progress- I

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1) Write in short about the significance of Human Resource Accounting.

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 .....

2) Write a short note on prime advantages of HRA?

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 .....  
 .....

3) State whether True or False:

- a) HRA helps control future costs - True/False
- b) HRA is mainly used to calculate cost of Human Resource - True or False
- c) HRA identifies direct and indirect value attached to human resource - True or False
- d) HR is the only function which is involved in HRA - True/False

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## 13.7 MEASUREMENTS IN HRA

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The biggest challenge in HRA is that of assigning monetary values to different dimensions of HR costs, investments and the worth of employees. The two main approaches usually employed for this are:

1. The **cost approach** which involves methods based on the costs incurred by the company, with regard to an employee.
2. The **economic value approach** which includes methods based on the economic value of the human resources and their contribution to the company's gains. This approach looks at human resources as assets and tries to identify the stream of benefits flowing from the asset.

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### 13.7.1 Cost Approach:

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**Cost** is a sacrifice incurred to obtain some anticipated benefit or service. All costs have two portions, viz., the expense and the asset portions. The expense portion is that which provides benefits during the current accounting period (usually the current financial year), whereas the asset portion is that which is expected to give rise to benefits in the future. Arriving at a clear distinction between the two, however, remains an accounting problem even today (**Flamholtz, 1999**).

Two types of costs are of special importance in HRA. These are original or historical cost, and replacement cost. The **historical cost** of human resources is the sacrifice that was made to acquire and develop the resource. These include the costs of recruiting, selection, hiring, placement, orientation, and on the job training. While some of the costs like salaries, for instance, are direct costs, other costs like the time spent by the supervisors during induction and training, are indirect costs.

Sometimes, **opportunity cost** method, that is, a calculation of what would have been the returns if the money spent on HR was spent on something else, is also used. However, this method is seen to be not as objective as desired. Hence its use is restricted to internal reporting and not external reporting.

The **replacement cost** of human resources is the cost that would have to be incurred if present employees are to be replaced. For instance, if an employee were to leave today, several costs of recruiting, selection, hiring, placement, orientation, and on the job training would have to be incurred in order to replace him. Such costs have two dimensions- *positional replacement costs* or the costs incurred to replace the services rendered by an employee only to a particular position; and *personal replacement cost* or the cost incurred to replace all the services expected to be rendered by the employee at the various positions that he might have occupied during his work life in the organization.

Though replacement cost method can be adapted for determining the cost of replacement of groups, this method is used essentially to determine the replacement cost of individuals.

Other cost based methods that may be used are the **standard cost method and the competitive bidding method**. In the *standard cost method*, the standard costs associated with the recruitment, hiring, training and developing per grade of employees are determined annually. The total costs for all the personnel signify the worth of the human resources.

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### 13.7.2 The Economic Value Approach:

The value of an object, in economic terms, is the present value of the services that it is expected to render in future. Similarly, the economic value of human resources is the present worth of the services that they are likely to render in future. This may be the value of individuals, groups or the total human organization. The methods for calculating the economic value of individuals may be classified into monetary and non-monetary methods.

#### A. Monetary Methods:

**1. Flamholtz's Model of Individual Value:** According to Flamholtz the value of an individual is the worth of services offered by the individual in his current role/profile and the role/profile he may hold in future on account of a transfer or a promotion.

This value is difficult to derive as it has two dimensions. The first is **Expected Conditional Value** which is the productivity, transferability and promote-ability of the employee. This depends upon the motivation and energy levels of the employee as well as organizational factors like environment, opportunities and need of the organization.

Second dimension is **Expected Realizable Value** which is derived from expected conditional value and the probability that the employee will be associated with the organization till his retirement or till the time he is productive. Employees are free to switch over from one organization to the other: so it is important to determine the probability of their turnover.

The individual and organizational factors discussed above lead to job satisfaction. Job satisfaction is inversely proportional to employee turnover and therefore it is directly proportional to expected realizable value. So greater the job satisfaction. Higher is the expected realizable value.

**2. Flamholtz's Stochastic Rewards Valuation Model:** The movement or progression of employees through different organizational roles/levels is termed as a Stochastic Process. This model assumes that employees generate value during the stochastic process. However there is a presumption that the employee will move from one role/state to another, in a specified period of time. 'Exit' is also considered to be a state in this model.

There are some prerequisites to this model:

- A clear differentiating structure of roles/states/positions an employee would move/progress during this career with the organization
- The value of these positions to the organization
- An employees' expected tenure with the organization
- Probability of movement from one role to another at specified durations

**3. Hekimian and Jones Competitive Bidding Model:** In this method, an internal market for labour is developed and the value of the employees is determined by the managers. Managers bid against each other for human resources already available within the organization. The highest bidder 'wins' the resource. There is no criteria on which the bids are based. Rather, the managers rely only on their judgement.

#### **B. Non Monetary Methods:**

The non-monetary methods for assessing the economic value of human resources also measure the Human Resource but not in dollar or money terms. Rather they rely on various indices or ratings and rankings. These methods may be used as surrogates of monetary methods and also have a predictive value. The non-monetary methods may refer to a simple inventory of skills and capabilities of people within an organization or to the application of some behavioral measurement technique to assess the benefits gained from the Human resource of an organization.

1. The *skills or capability inventory* is a simple listing of the education, knowledge, experience and skills of the firm's human resources.

2. *Performance evaluation* measures used in HRA include ratings, and rankings. *Ratings* reflect a person's performance in relation to a set of scales. They are scores assigned to characteristics possessed by the individual. These characteristics include skills, judgment, knowledge, interpersonal skills, intelligence etc. *Ranking* is an ordinal form of rating in which the superiors rank their subordinates on one or more dimensions, mentioned above.

3. *Assessment of potential* determines a person's capacity for promotion and development. It usually employs a *trait approach* in which the traits essential for a position are identified. The extent to which the person possesses these traits is then assessed.

4. *Attitude measurements* are used to assess employees' attitudes towards their job, pay, working conditions, etc., in order to determine their job satisfaction and dissatisfaction.

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## **13.8 HUMAN RESOURCE AUDIT**

The word "audit" comes from the Latin verb *audire*, which means, *to listen*. Listening implies an attempt to know the state of the affairs as they exist and as they are expected/ promised to exist. Auditing as a formal process is rooted in



this feature of listening. Consequently, it is a diagnostic tool to gauge not only the current status of things but also the gaps between the current status and the desired status in the area that is being audited.

Auditing has been a routine exercise in the area of finance, especially because it is a statutory obligation. However, in case of Human Resource, there is no legal binding to adopt auditing. Some of the companies nevertheless prefer to have HR audits. Like any audit, the Human Resource Audit is also a systematic formal process, which is designed to examine the strategies, policies, procedures, documentation, structure, systems and practices with respect to the organization's human resource management. It systematically and scientifically assesses the strengths, limitations, and developmental needs of the existing human resources from the larger point of view of enhancing organizational performance.

The human resource audit is based on the premise that human resource processes are dynamic and must continually be redirected and revitalized to remain responsive to the ever changing needs. Human Resource Audits are not routine practices aimed at problem solving. Instead of directly solving problems, HR audits, like financial audits, help in providing insights into possible causes for current and future problems.

The findings of these audits aid decision making in the organization and are usually internal documents that need not necessarily be shared with the public. Moreover, unlike Financial Audits that are routine, regulated and standardized, Human Resource Audits are non-routine and may be designed to cater to the unique needs of the organization at a particular point in time. These are in fact, studies of an unusual nature. The manner in which the Audit is conducted could vary from self-directed surveys to interventions by outside consultants.

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### 13.9 NEED OF HUMAN RESOURCE AUDIT

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Human Resource practices and functions have a far reaching impact on the employees morale and performance, which in turn, affects the overall performance of the organisation. This is why they are claimed to be closely related to a business's 'balance scorecard' through "productivity, people, and processes" (Ulrich,). Given its criticality, a regular assessment of the HR function, like that of finance function, becomes essential for sustaining organisational health and growth. The need for such assessment is even greater in today's dynamic and, at times, turbulent, environment, where human resource management needs continuous up-gradation and re-alignment.

Moreover, with increased importance of the human contribution to organisations' competitive advantage, especially in the knowledge driven economy, the human resource function itself is under transformation. It is gradually moving from the role of a service provider to that of a strategic business partner. In order to perform this emerging role effectively, the HR function has to continually assess:

1. Whether it is adding tangible value to the organisation through its strategies, policies, processes and practices;
2. Whether it is doing so at a competitive cost; and
3. Whether it is doing so in a manner that is satisfying to its people, acceptable to the society and the law, and, from a long term perspective, sustainable.

Answers to all these questions need regular HR Audit.

Moreover, HR Audit becomes significantly critical in situations of Merger or Acquisition. Often Human Resource is not even informed about such transactions till they are complete. However, most often if mergers or acquisitions fail, it is due to the people related issues. Consequently, it is important that managements spend adequate time and energy to learn about the human resource component of the target company. An audit or due diligence prior to the closure of the deal can have a direct impact on the success or failure of the acquisition. Regulatory Compliance is another area of major concern for most organizations. With increased judicial scrutiny and pressures for compliance with the statutory requirements of the country, it has become vital that HR continually remains vigilant with respect to the legal compliance. It must keep itself abreast with the new laws and regulations, ensure that they are being followed and also eliminate the gaps between what it does and what it says, as that by itself, carries legal liability.

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### 13.10 THE SCOPE OF HUMAN RESOURCE AUDIT

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The HR audit usually covers three parameters, namely, the **HR policies and practices, the HR professionals and the HR department**. With respect to each of these, the Audit tries to find out:

- The actual state;
- The congruence between the desired/professed state and the actual state;
- The alignment with the overall organisational strategy and goals; and
- The compliance with the laws and regulations.

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#### 13.10.1 Auditing HR Practices

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All HR departments provide several services that may be clustered into six key domains (**Ulrich and Lake, 1990**), staffing, training and development, appraisal, rewards, organisation governance and communication. For each of these six domains, Ulrich recommends four types of assessments.

The first is an assessment of activity that not only describes the services being provided by the HR department but also assesses the focus of the HR strategies, the distribution of responsibility, the resource utilisation, and the competencies of the HR portfolio.

The second type of assessment is that of customer value. HR departments may be said to be providing a range of services to customers, who are the employees of the firm. Customer surveys are conducted to capture the employees' perceptions about the importance and the quality of the HR services. Often Cost benefit or utility analyses of HR functions are made to define the value of each of the HR functions. Formulae that can trace the cost and benefit of the services, are developed and the results compared over time and with the results of other companies, to make an assessment.

Research, involving HR experiments are also sometimes conducted by using experimental and control groups. These groups may be formed across sites, or across departments. The purpose of these research studies is to identify the effective HR practices by generating comparative data. This data enables the organisation to adopt the best HR practices.

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**13.10.2 Auditing HR Professionals**

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An audit of HR professionals is essentially an assessment of the extent to which the professionals demonstrate competence for HR function. Such an assessment requires a 360 degree feedback, and, according to Ulrich, usually employs the following five steps:

**1. Developing a Model of Competencies:** Before embarking on an assessment of competence, it is necessary to first determine what the competencies that make a successful HR professional are. These competencies usually stem from knowledge of business, knowledge of HR, knowledge of change and finally personal credibility. In addition to determining the competencies that account for a successful HR professional, it is also important to determine the behavioural attributes that reflect these competencies. A model that reflects both these aspects may be said to be a comprehensive model for auditing of HR professionals.

**2. Collect data using the Model:** Several techniques may be employed to collect data about the extent to which an HR professional exhibits the modeled competencies. These include interviews, questionnaires and focused groups.

**3. Summarise data and give feedback to the HR professionals:** The quantitative and qualitative data that is collected in the above mentioned ways needs to be synthesised and codified so that specific themes emerge. These themes are then used as aids to help the HR professionals identify his/her strengths and weaknesses.

One of the key activities of an HR audit is to give feedback. This needs to be done in a way that protects the confidentiality of the participants. The manner of the feedback should take into account the sensitivities of the receiver. The tenor of the feedback should neither be accusatory nor defensive. In addition, the individual data that is collected may be integrated into an audit for the overall HR function.

**4. Create action plans:** The HR audit goes beyond defining the competencies and inadequacies of the HR function. It also identifies the measures to develop the competencies at both, the individual and the departmental level. At the institutional level, this may involve doing an 'HR for HR.' At the individual level, the action plan will concentrate on developing a tailored set of trainings, readings, assignments and training opportunities.

**5. Continuous Improvement:** Auditing of HR professionals is not a onetime **Human Resource Audit** activity but an ongoing continuous process through which HR professionals are able to constantly build on their HR competencies and strengthen the HR functions in the organization.

**Auditing HR Function or Department**

Auditing HR function and the HR department may be an integration of individual HR competencies. However, at the same time, there are additional overall indicators of HR functions, such as ratio of total employees to HR professionals, the performance of the department against the plan, the ratio of expenditure on HR to total sales, general costs and other such measures. Temporal and spatial analyses of these can provide an overall assessment of the HR department. Comparisons against benchmarks is also a technique often used in HR audits.

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### 13.11 CONDUCTING HUMAN RESOURCE AUDIT

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The Audit can be carried out internally or with the help of an external consultant. Where it is conducted internally, four things are extremely important:

- unless the scope of the Audit is very limited, the Audit should be conducted by a team and not an individual;
- the team should represent a cross-section of the organization's staff, including, the line personnel, middle and upper management, and those responsible for HR functions;
- the team should be trained in survey techniques and data analysis; and
- The organizational culture should be trust based and open. Otherwise, the information given will be distorted and the whole diagnosis will become inaccurate.

Many firms prefer to engage independent consultants to conduct the audit. This is done primarily with a view to obtain greater objectivity and impartiality in diagnosis and reporting. Moreover, consultants are expected to have wider experience and specialization in the field. They, therefore, tend to possess an uncanny eye for details and data that might otherwise be looked as insignificant by the internal personnel. Their audits, thus, are supposed to be both free of prejudice and more professional and accurate.

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### 13.12 HUMAN RESOURCE AUDIT PROCESS

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The Auditing process is a function of the objectives and the scope of the Audit, the nature of the organization and the level of involvement of the top management. Though this process may vary from organization to organization, it essentially follows the stages described below.

**1) Briefing and orientation:** This is a preparatory meeting of key staff members to:

- i) Discuss particular issues considered to be significant
- ii) Chart out audit procedures, and
- iii) Develop plans and programme of audit

**2) Scanning material information:** This involves scrutiny of all available records and documents pertaining to the personnel as well as personnel handbooks and manuals, guides, appraisal forms, material on recruitment, computer capabilities, and all such other information considered relevant. Human Resource Audit is the critical analysis of the existing human resource management within the organization. To be able to do that, the audit will have to be served with the data that is quantitative, authentic as well as comprehensive. In other words, the success of this stage of human resource planning solely rests upon the manner in which personnel records and other information are maintained. Hence, the quality of the HRIS becomes critical.

**3) Surveying employees:** Surveying employees involves interview with key managers, functional executives, top functionaries in the organizations, and even employees representatives, if necessary. The purpose is to identify and enumerate issues of concern, present strengths, anticipated needs and managerial philosophies on human resources.

**4) Conducting interviews:** The key issue here is to list the pertinent and probing questions. The decision on these questions depends on the scope and

purpose of the Audit as well as on the culture of the organization. The skill of the interviewer lies in getting relevant and correct information without threatening the interviewees.

**5) Synthesizing:** The data thus gathered is synthesized to present the:

- current situation
- priorities
- staff pattern, and
- issues identified.

Similarly, future needs are identified and appropriate criteria developed for spotlighting the human resource priorities and specific recommendations made.

**6) Reporting:** Like planning meetings for briefing and orientation, the results of the audit are discussed within several rounds with the managers and staff specialists. In the process, the issues get further crystallized. Based on the findings and the discussion during the meetings, then a final report is prepared and presented formally to the Management. This report should include, the “state of the organization” report, the assessment of effectiveness and efficiency of various areas covered by the Audit, a legal compliance/ areas of concern report, and critical recommendations for improvement.

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### Check Your Progress- II

1) Write in short about the non monetary approach of HRA.

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2) Write a short note on the needs of Human Resource Audit?

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3) State whether True or False:

- a) Aspects of HR Functions are not important while conducting HR Audit. (True/False)
- b) HR Audit helps to find out the reasons for low productivity & improve HRD strategies. (True/False)
- c) HR Audit is always conducted by internal employees. (True/False)
- d) HR Audit has nothing to do with legal requirement of the companies. (True/False)

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### 13.13. SUMMARY

There are efforts being made to quantify the worth of human capital, intellectual capital and relationship capital. There are different methods being employed to derive this value. HRA and its benefits is hugely dependant on availability of complete, accurate, timely and relevant information. Organizations, where resources for making this available are inadequate. Finding out what is inadequate is the first step toward improvement. Similarly, there is no meaning in carrying out an Audit if the management has no intention of taking measures to plug the gaps pointed out by the Audit. HR Audit, therefore, should be undertaken only as a part of the overall improvement/change strategy of the organization rather than as an isolated activity.

Human resource audit is an important approach to human resource planning. It is practical because, if correctly conducted, it can increase the effectiveness of the design and implementation of human resource policies, planning and programmes. A periodic and systematic audit helps human resource planners develop and update employment and programme plans.

An HR audit reviews the full range of HR activities, including how an organization is structured to deliver the HR function, recruitment/selection, compensation and benefits administration, performance management, employee communications, safety and recordkeeping. Identifying “gaps” between policy and practice can not only increase legal compliance but also increase efficiency and productivity of the organization’s HR activities. It can significantly contribute to the quality improvement processes and employee satisfaction.

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### 13.14. GLOSSARY

- **HRD:** standing for human resource development, it is the framework for helping employees develop their personal and organizational skills, knowledge, and abilities.
- **HRM:** standing for human resource management, it is the function within an organization that focuses on recruitment of, management of, and providing direction for the people who work in the organization.
- **HRA:** Human Resource Accounting is the process of identifying and measuring data about human resources.
- **HUMAN RESOURCE AUDIT:** It is a systematic assessment of the strengths, limitations, and developmental needs of its existing human resources in the context of organizational performance.
- **HR AUDIT TEAM:** It is a group of individuals who actually conduct HR Audit

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### 13.15. ANSWERS TO CHECK YOUR PROGRESS EXERCISE

#### Check Your Progress - I

- 1) Read Section 13.4.2
- 2) Read Section 13.5
- 3) **True or False:**
  - a) True
  - b) True
  - c) False
  - d) True

#### Check Your Progress - II

- 1) Read Section 13.7.2.
- 2) Read Section 13.9
- 3) **True or False:**
  - a) False
  - b) True
  - c) False
  - d) False



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**13.16. REFERENCE / BIBLIOGRAPHY**

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**13.17. SUGGESTED READINGS**

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**13.18. TERMINAL AND MODEL QUESTIONS**

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1. What is human resource accounting? Discuss with reference to a few definitions of human resource accounting.
2. Explain the need, purpose and the scope of the HR Audit.
3. Elaborate the process of conducting HR Audit?
4. "In the present era of dynamic business environment, HR audit is important tool for managing workforce in the organization."Comment.

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## UNIT 14: HUMAN RESOURCE POLICIES

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### CONTENTS:

- 14.1. INTRODUCTION
- 14.2. OBJECTIVES
- 14.3. NEEDS OF UNDERSTANDING HUMAN RESOURCE POLICIES
- 14.4. HUMAN RESOURCE POLICY ISSUES
- 14.5. STRATEGIC HRD (SHRD) FACILITATORS
- 14.6. THE SERVICE SECTOR
- 14.7. IMPORTANCE AND ROLE OF HRD IN THE SERVICE SECTOR
- 14.8. HRD IN TOURISM SECTOR
- 14.9. SUMMARY
- 14.10. GLOSSARY
- 14.11. ANSWERS TO CHECK YOUR PROGRESS EXERCISE
- 14.13. REFERENCE / BIBLIOGRAPHY
- 14.13. SUGGESTED READINGS
- 14.14. TERMINAL AND MODEL QUESTIONS

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### 14.1 INTRODUCTION

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In the preceding units you have studied Human Resource Accounting and Audit. The present unit comprises of discussion on Human Resource Policies with special reference to hotel operations and management.

Employees and organizations will experience inevitable change. Human resource development (HRD) enhances employee competence in their jobs by increasing knowledge, abilities, and skills. In this environment, the employee will be primarily responsible for career development but the company will also have responsibilities that include clearly stating the company's corporate strategy, its goals and providing information about its business. The organizations must follow those type of policies which help in accomplishing organizational goals with an addition to develop the human resource.

The business policy must be linked with the human resources. It is essential to consider the differing characteristics of people when setting a plan for an organization to follow. The stage of development- embryonic, high-growth matures, or aging- that the company is in will determine the HRD goals.

The present unit is an effort to highlight the policies with relation to human resources of the hospitality/ tourism organizations.

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### 14.2 OBJECTIVES

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After reading this Unit, you will be able to:

- Have an idea about the Needs of Understanding HR policies,
- Know Human Resource Policy Issues,

- Know about Strategic HR Facilitator,
- HRD in tourism Sector

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### 14.3 NEEDS OF UNDERSTANDING HUMAN RESOURCE POLICIES

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Companies that are just starting out are interested in strong managers. The next stage is characterized by high growth. While vying for a place for their product in the market, they are also spending a lot of time developing their intellectual capital, i.e., their people. When at the mature stage, companies begin to put more limits on employee actions. Good managers at this stage can assemble employees to be able to perform tasks in the best way possible. Companies that are aging will be very concerned with economic survival and will need a staff that can revitalize it. Organizational culture will be strongest when the company is at the mature stage. "Culture is the pattern of basic assumptions a given group has developed in learning to adapt to both its external environment and its internal environment" **[Cascio, 1998]**. Corporate commitment must exist for establishing and clearly communicating organizational culture. Managers who have well-developed human resource skills will recognize the value in a strong culture. They will be better suited and committed to aiding their staff in personal career development. There can be varying cultures across organizations. People who choose jobs that are in line with their own values and culture are likely to be more productive and well suited to work together **[Blake]**. Successful human resource managers must tie human resources to business goals.

HRD can assist managers in adopting strategic thinking and can facilitate the implementation of business strategies **[Garavan, Heraty, and Morley]**. The role of human resource staff is changing all the time. Their responsibility in the future is to staff projects with people committed to fulfilling business strategy. Human resource functions such as compensation, benefits and recruiting can be out-sourced. The judgment, knowledge, and foresight needed to staff effectively and efficiently will be the most important role of the human resource manager **[Weiss]**.

Developing the skills of this carefully chosen staff is essential to achieving business strategy. Continual education for employees is one of the most vital organizational strategic goals. When the right people are hired and their skills are developed on an ongoing basis, the human resource manager is insuring the staffing needs for future projects and goals. It only makes sense to keep good quality people and develop their skills to be exactly what you need. Their ability to adapt and change for newer projects will be a reflection of the development preparation that they have received.

Employees need to have good people skills in every organization. This certainly helps them to relate to customers. It also aids the organization by having a staff that can work well together. The development of human-relation skills can help to improve communication, which decreases conflict in the long-run.

Better understanding and effective communication abilities will no doubt increase productivity amongst staff. This creates a more positive work environment that motivates employees. Human-relation skill development

means improved performance, which is a main business strategy goal  
**[Dilenschneider]**

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## 14.4 HUMAN RESOURCE POLICY ISSUES

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A policy is a course of action planned to be undertaken to achieve desired goals. HRD policy indicates the desired course of action planned by an organization to achieve HRD goals or HRD outcomes. The course of action may deal with the choice of various means to achieve the desired goal and a plan for implementing the chosen action. Thus the HRD policy adopted by an organization may deal with the following dimensions:

- What are the HRD goals? What major purposes is the HRD policy supposed to serve?
- What instruments are expected to be used? In what order are they expected to be used?
- What major purposes is the HRD policy supposed to serve?
- What are the methods in which the instruments are envisaged to be implemented?

Now it is widely acknowledged that integration of HR policy with business policy is important for organizational success. HR policies embedded in business strategy of the organization not only serves to attain the organizational objectives but also act as a key resource for competitive advantages.

In 1950s the writers like Peter Drucker and McGregor laid down the stress on the need of visionary goal directed leadership and management of integration. That was succeeded by the Maslow, Argyris, Herzberg, contributors of Behavioural Science Movement in 1960. The origin of HRM as a defined school of thought is usually traced back to the 1970s with a development of human resource accounting theory proposed by Flamholtz in 1974.

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### 14.4.1 Assessment of Employees:

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Part of development includes realizing the skills and abilities that employees already have. Even the most well trained employees will perform poorly if they are not assessed properly. Reinforcing previously covered information, teaching new concepts, and introducing new ideas are development aspects that must be measured and assessed. Employees need to know what is expected of them. Acceptable performance can only be known if the employees are assessed and if the assessment information is communicated to them. Then, the measurement of what people have learned after training will be more accurate. Feedback from managers to subordinates and vice versa is essential to the development function.

Research conducted over the past 70 years indicates tests to evaluate intellectual ability, the ability to draw conclusions from verbal or numerical information, and an individual's interests can help in selecting successful managers **[Cascio]**. An employee needs to be assessed-for readiness to accept management responsibilities. Assessment centers can focus on business simulations as well as formal assessments. These programs allow the employee to develop his/her skills in a structured and focused process. This kind

of development encourages promotion and increases job satisfaction. Weaknesses are identified and the employee is empowered to tailor development to fit his or her future career plans.

These centers use multiple assessment techniques, such as situational tests, tests of mental abilities, and interest inventories. They also use standardized methods to make inferences from these techniques as well as pooled judgments from multiple assessors to rate each candidate's behaviour. The assessment center prediction doesn't help very much if you are only trying to predict performance in management such as the clarification and evaluation of the promotion system in an organization. They are, however, helpful in capturing the promotion policy of the organization. Both job and person analyses need to be included in assessment of the trainee **[Cavanaugh]**.

It is important to remember that no one predictor of performance is perfectly valid and some mistakes in selection are inevitable. Conscious selection of managers and lower level employees based on their fit with demonstrated job requirements, the strategic direction of a business, and organizational culture will minimize mistakes and enable you to make optimum choices.

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#### **14.4.2 Return on investments:**

By retaining employees, the value of their development increases. They will increase productivity and contribute to the over-all success of the organization. Their expanded knowledge makes them valuable assets for the company. Overtime, this added value will more than cover the costs of their development. This reflects a payback model with an emphasis on quantitative and tangible results. However, senior managers, education providers, and HR and HRD specialists believe in the pay-forward model, i.e., results should accrue in the longer term primarily as cultural change and increased incorporation of corporate goals by individual employees. The pay-forward model "... is more in tune with the contribution ..." HRD specialists believe they can make **[Garavan, Heraty, and Morley]**.

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#### **14.4.3 Technology:**

The responsibility for managing new technological advances has fallen on the human resource manager. Proper development of technical skills from understanding how to use a computer to interfacing with networks is increasingly difficult. If technical goals and policies are expanded, the job of developing employees will be more focused.

Technological changes will alter the face of communication and also the way in which employees learn. People should be encouraged to develop their abilities individually especially with the ease of delivery of information through the Internet. Sharing knowledge, exchanging resources and learning can be improved within an organization. Interactive forums and tutorials allow learning to be done from even the most remote area. Real-time conferencing allows employees to be students in virtual classrooms.

All levels of business functions need technological development. HRD should focus on competent trainers. These will be the people with initial responsibility for working on technical skills. Then, as programs are further developed, people will welcome the technological change as it works its way into the

organizational culture. For example, if the accounting department is up and running with new systems, why isn't the administrative level? Employees will welcome chances to develop their technical skills to keep the internal competitive climate more equal.

Changes in organizational structure will enable management to develop technical skills. They should allow an organization to restructure by enabling employees to learn, make contacts, and develop more efficiently. This can be done with effective strategic goals that allow development to take place. An example would be to have development designed internally, but the actual training would be out-sourced.

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**Check Your Progress- I**

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1) Write in short about the needs of studying HR policies.

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2) Write a short note on the Technological policies influencing business operations?

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**14.5 STRATEGIC HRD (SHRD) FACILITATORS**

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Top management, trade unions, frontline officers/workers, devoid of any apprehension about the developmental issues might play a facilitator role, where as the apprehension of these players inhibit the SHRD practices. These factors are discussed here in detail.

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**14.5.1 Concern of Top Management**

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The mutual involvement of workers and management to achieve common goal is difficult due to significant differences in their interests. It creates conflict between employees and employer. The increased communication with employees, team participation technique, harmonization of terms and conditions, appraisal and reward can lead to difficulties between management and employees. It is believed that union management relationships are not voluntary. Management is required by law to bargain with union. Developmental initiatives could also turn out to be good for unions and not for employers. A few studies suggested that Quality-of-work- life (QWL) participation result in positive outcomes for unions.

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**14.5.2 Concern for Trade Unions**

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Linkages between unions and HRD initiatives are not simplistic. There are two strong conflicting arguments based on sound analytical and empirical studies. One is positive relationship and another is negative relationship.

**The positive relationship:** The approach assumes that mutual compatibility exists between the need of employees and employers. In the long run, there



is a co-incidence of interest between employees, management and shareholders. If they have some conflicts in interests in short run, it would become ignored in lieu of common interest in long run. At bottom, the interests of unions and management are similar and compatible. They will tend to be trustworthy, mutually supported and helpful if they are given the chance. In a pro-active relationship, there is no need to take an opposing stand between union and management. In that way, union can become a supportive and collaborative unit with management for HRD initiatives, creating the right climate rather than opposing approaches and stands.

There are several enterprises that have adopted genuinely consultative IR systems, supplementing bargaining and creating substantive participative forum. An example is Durgapur Steel Plant, which achieved a major modernizing program through consultative method at every stage. The developmental interventions in the field of IR can help a great deal in creating a basic climate of trust and problem solving and bring out IR from traditional chaos, violence, conflict and litigation.

**The negative relationship:** HRM poses a threat to unions in following ways:

- The soft policies of HRM emphasize on establishing a commitment, which tends to reduce the collective representation and negotiation with union.
- The soft policies of HRM treat employees as valuable assets of organization, reducing the protective role of union against arbitrary and exploitative action of Union.
- HRM policies may obviate the need for a union at existing union plants and on green field sites.

According to Hyman, the object of joint consultation is replacing the collective bargaining by direct communication and involvement which aims to provide relationship between management and individual employees without mediation of unions. HRM is in essence the development of a set of policies, practices and arrangements designed essentially to individualize industrial relations, thus circumvent the unions and weaken individual membership commitment and loyalty to the union.

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#### 14.5.3 Concern of frontline officers/supervisors

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Drucker noted that no job is going to change more in the next decade than that of the front line supervisor. And quite a few people in the workforce are less prepared for the changes and less likely to welcome. Loss of authority, loss of identity, blur of hierarchical line between workers and front line supervisors, emergence of new individualistic worker, fear of substitutability need to acquire new managerial and technical skills seem to be major concern of front line supervisors. The level of sophistication of the foreman's subordinates has risen along with their level of education. There might be some problems such as, role and status conflicts, peer relations among supervisors, and relationship with

superiors. A number of predicted future trends seem to have ominous implications for the supervisor's autonomy and influence. These are increased emphasis on various participative management techniques, increased use of self managed and autonomous work groups, increasing application of computer driven automation and information management in work place, continued growth in the size and importance of specialized staff units.

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#### **14.5.4 Concern of Workers**

Concern of individual workers range from fear of substitution, loss of employment, possibility of redeployment, break of traditional norms, more exploitation, etc. and the apprehension that developmental initiative is an activity to discover the management prerogative exist and influence the implementation and effectiveness of HRD initiatives. It challenges the worker's identification with the trade unions due to cultivation of internal mechanisms. Participation in developmental activities leads to a conflicting situation for an individual worker in terms of his loyalty to a union and organization.

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#### **14.5.5 Industrial Relation Scenario**

The employment relationship in Indian organization is not voluntary. Labour legislation has placed more emphasis on regulatory, conflictual relationships. This hinders the developmental initiatives. Workers and employers both find that industrial relations system in India remains largely static and shows a more traditional picture of IR with a rapid change. In the year 1992 alone, a total of 16, 44,882 workers are involved in strikes and lockouts.

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#### **14.5.6 Labour Status**

That our trade union and IR laws are hopelessly outdated is a fact and supported by acknowledged experience for at least four decades. Our IR system confers on the Government to mediate between labour and management. The government does not want to give up its own power, but wants others to change. There are 150 central and state laws governing labour and trade unions. All of them bestow rights, privileges, facilities, remuneration and pay hikes with almost negligible linkage to performance of the individual or his contribution to the business result of the company. The industries cannot progress effectively in the present scenario. Management of many companies feel overwhelmed by existing labour laws and contend themselves by fulfilling their obligation mentioned in labour laws and thus do not examine the possibilities of going beyond statutory requirement and allocate resources for growth and development of workers. The significant advances in production and productivity will need to have a relook at the existing laws. The future conflict resolution will have to be free from outside influence,

possessing independent character and provisions of industrial relations legislations should inspire greater confidence in the parties.

The laws on occupational health and safety in India leave wide gaps, and the larger part of the working population is not protected. Sometime, it may be seen that increasing government legislation and regulation designed to further social goals and ensure fairness in employment practices, endanger a legislative flexibility and proactiveness. When decisions are made in firms with an overriding concern for legality and avoidance of political litigation, other important decisions may be overlooked.

Thus legalistic organization may increase control mechanisms, formal policies and adoption of legal procedures as culturally acceptable.

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### 14.5.7 Trainability

The term trainability means aptitude of workers to learn and practice new things, physical health standards, academic background, and age which influences the workers development practices. Workers with better aptitude; health and academic background would be more enthusiastic in participating workers development activities. Or, the workers lacking these features have limited participation in those activities.

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### 14.5.8 Employment Externalization

Employment externalization in organization occurs through two different forms: through contingent employment of workers, and outsourcing of services.

**(i) Contingent Employment:** It is important to bring a workforce that has the ability to achieve competitive success that cannot be readily duplicated by others. In the face of changing basis of competitive success, the recent trends are using temporary help, part-time employees, and contract workers.

Labour market studies clearly show that sub-contracting has grown significantly over last ten years. Two decades ago, 19% of the workforce was full time employed by "Fortune 500" companies, the proportion has shrunk to 10% by 1992, wherein many cases, all direct labour is temporary or contracted. There are various reasons to use labour on part time bases, such as:

- The expanding service sector is rapidly becoming more labour intensive.
- Part-time worker proves more efficient and flexible staffing alternative.
- Just to bring down labour costs
- Part time employees allow organizations to respond quickly to cyclical economic pattern.

There are three broad categories among part time workers.

**1. Short time-** Employees are used by cyclical business e.g. construction, most work part time on an involuntary basis.

**2. Secondary Part time** - Jobs are characterized by low skill

requirement and low pay. These part time workers are classic secondary labour markets relatively cheap, given no fringe benefits and no long term commitment by organization.

**3. Retention quality-** To attract and retain highly skilled employees whose personal lives prevent them from working full time.

A research conducted on seven-hundred part time workers in USA concluded that respondents believed that they were given insufficient autonomy to do their jobs correctly and they do not get paid according to their capabilities. Many of them commented on the boring and repetitive nature of their job and they felt that there was lack of training and education on new procedure and equipment.

Studies by Belous, Kassalow, Nye and Zeytinoglu concluded that the flexibility part time workers provide to their employers and the savings in the wages and benefits are employers primary reasons for hiring part-time workers.

**(ii) Outsourcing:** Outsourcing refers to a situations where a company sub-contracts to another supplier the work that it was previously performed in house. It means the externalizing of production and services. By outsourcing core activity, the opportunity to learn and to develop new combinations may be diminished. But it is often difficult to identify in advance where this new learning will come from.

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#### 14.5.8 Downsizing

Many scholars define it as a purposeful reduction-in size of an organization work force. During the last decade, downsizing has become the strategy favoured by many companies with a view to cope with fundamental and structural changes in the world economy. The following factors necessitate downsizing:

- Acquisition and mergers leading to reduced personnel.
- Technological innovations, resulting in productivity need improvements that reduce the number of workers involved.
- International competition, causing product and employee redundancy.
- Slow economic growth.
- Need to be cost competitive.
- Changing market place.

In recent years, many firms are again re-examining their policies towards employment security. The changed technology shortened product life cycle and increased consumer sensitivity to product quality are all placing a premium on HR policies that can achieve high levels of employee motivation, commitment and flexibility. On the contrary, enhanced cost competition, changing skill requirements and the maturity of market that had been expanding rapidly all lead to pressures to cut staffing level.

Many researchers concluded that serious problems arise in those organizations where downsizing practices are followed. This is because of negative outcomes of downsizing like loss of morale, trust and decreased communication in organization. However, a few

studies pointed out the positive outcomes such as expeditious decision making, more employee involvement and an opportunity for their personal growth.

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#### **14.6 THE SERVICE SECTOR**

The service sector has a crucial economic role to play in society. Services create value by providing a bridge between the producers of goods and the beneficiaries, or between the production and consumption segments of society. This is why the growth of the service sector in modern society is linked with the increased productivity of the manufacturing sector. The value which the service sector provides consumers, may be private benefits which are paid for, or they may be public benefits which are free or subsidized, like, health, education, information, etc.

A major characteristic of modern socio-economic development has been the increasingly dominant role of the service sector. As an economy develops, the relative contribution of the primary and secondary sectors to the total economy decreases, whereas that of the service sector increases.

The range of services in India has increased in both breadth and depth. For examples, in financial services, we have gone far beyond deposit banking and life assurance. We now have hire purchase and leasing. Banks are entering into project lending, merchant banking, foreign exchange, etc. Various personal and business risks can be insured. In the tourism industry, there has been an increase in a variety of services. Health services include government hospitals, community health centres, private clinics, etc. One of the fastest growing service sectors in India has been the tourism sector.

Within the service sector there is a need to develop the service culture. It is here that the concept of customer care becomes extremely relevant. The changing business environment (both external and internal) forced many companies to review their relationship with customers and here according to Warren Blanding (Editor Customer Service Newsletter), "Customer service has become a strategic tool" which is regarded as a "positive force for increasing sales". More emphasis on customer care and service leads to focus on service excellence and all these can be achieved only when there is a service attitude in the personnel handling service operations. This naturally leads to the issue of the importance and role of HRD in service sector.

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#### **14.7 IMPORTANCE AND ROLE OF HRD IN THE SERVICE SECTOR**

Unlike goods manufactured in the agricultural and industrial sectors, a service is intangible and perishable in the sense that it cannot be stored for future consumption. This implies that the service organizations are responsible not only for producing products but also for immediately transmitting, i.e., providing these to the consumer. In other words, in the service sector the production and delivery of goods are carried out simultaneously. The consumer, therefore, is an integral part of the whole service delivery system. The services of a doctor or teacher involve the patient or student as a consumer. The services of a tourist guide will require a tourist, the consumer. Unlike a product there is no lead time in the production and consumption of services. The customer does not possess



any tangible product while buying the services and value received may also vary from customer to customer. “Unlike a bad product a bad service cannot be replaced – at best one can be sensitive to customer dissatisfaction and recover the situation with such remarkably good service that the customer may both forgive and forget the bad service just received”. In fact all these characteristics of the service industry have important implications for the kind of human resources and human competencies required for the service sector. When compared with the secondary or industrial sector, the service sector may be less labour intensive but probably requires more human related skills and competencies. While technology has advanced considerably, the technical and operational skills which characterized earlier agrarian or industrial societies, have given way to an emphasis on human and managerial competencies at the macroeconomic level as well as at the organizational level.

The service sector organizations also play a very important social role. By extending benefits to people of all social and economic segments, provide opportunities for development and for reduction of socio-economic disparities. They enable the weaker sections have access to the benefits of modernization. By providing common service to all sectors they reduce social and psychological distances. For instances, government services, such as, administration and judicial services are available to all without discrimination. The professionalization of the service industry has made services, such as, hospital, travel agent, hotel, legal aid, rehabilitation, etc., available to all those who can pay the prescribed fee regardless of social background. Thus, as M.B. Athreya points out, the services themselves have an HRD effect – first by developing individuals and deprived groups, and secondly by gradually changing societal culture towards a more egalitarian, democratic direction.

HRD has aspects which are universal to all organizations as well as some which are specific to the nature of the service industry. As far as the universal aspects are concerned we can say that HRD is relevant to all sectors as it is at the base of all development. Other resources, like physical and financial resources, can only be activated through the agency of human resources. Whatever you have read in this course till now must have made it clear that HRD aims at developing the individual, matching the individual to roles, both by developing individual and the role, and catalyzing individual and organizational self-renewal. A generalised model of HRD will include the following sub-systems: role analysis, selection and placement, transfer and rotation, reward and punishment, i.e., disciplinary action, performance and potential appraisal, feedback and counselling, training and development, career planning, succession planning, participative devices, and HRD data bank. Of these systems, some are essential to all organizations in any sector: selection and placement, transfer, rotation, and reward and punishment. At least these sub-systems need to be designed well. If one wants to go beyond a status-quo bureaucracy, at which stage many service institutions get stuck up, performance appraisal, potential appraisal and training and development are particularly relevant. If high levels of performance is a goal, then the relevant additional sub-systems are feedback and counselling, and of participative devices. Finally, if one is concerned about the long-term vitality of any institution including a service institution, the remaining sub-systems become



essential, namely role analysis, career planning, succession planning, and development of an HRD database.

We have mentioned earlier customer care and service quality as two unique aspects. These along with some other special features call for particular emphasis in the design and implementation of HRD systems. These are:

**i) Intangibility of product:** Service is the provision of value to a customer, without a physical product. This could create lack of clarity about the tasks and erosion of self-confidence. So HRD has to create appreciation of client needs, and pride in the potency of the service to meet those needs.

**ii) High public exposure:** The service industry is much more exposed to its clientele. Even if the industry does not proactively promote its service, the clients may take the initiative and beat at its doors. The staff needs relationship skills and tolerance of customer reactions. In the case of subsidized or free services, some customers may be arrogant in their demands and misuse the service, while some others may be less literate, gullible and timid.

**iii) Size constraints:** To be effective, the service industry should not be perceived as a huge, slow, monolith, in the face of which the customer is anonymous and insignificant. Conceptualization of roles is especially important. The roles at the environment/customer interface need to be so designed, as to enhance service. Examples are the bank teller and the 'single window clearance' concept used by some organizations recently or the concept of Front Office staff and Guest Relation Executives (GREs) in the hotels.

**iv) Back-room technology:** At the customer end, a service has to be simple to understand. For example, air travel should be made easy, but behind it may be complex aeronautics and computerized, real-time reservation systems. HRD has to ensure that those at the delivery end of a service industry understand the power and limitations of this back-up technology, while at the same time the technicians understand customer needs, abilities and limitations.

**v) Specialised knowledge:** The level of general and specialised education tends to be relatively high in a service industry. Infact, a service industry like a consultancy, has to be intellectually a few steps ahead of its clients to be of real value to them. So, a research and learning orientation is needed. The service industry tends to have a preponderance of white collar workers and executive manpower. Their motivation is more complex. Besides monetary rewards, they, many a times, also look for ego satisfaction, quality of work and also glamour and fame.

**vi) Propensity for disintegration:** Service industry seems to have a higher tendency to disintegrate. Depending upon personal ambitions, bruised egos, inequity, etc., rebel groups break away from the mother organization and form new ones. For example, many smaller tour companies are opening up from a mother tour organization leading to a dent in the mother organization's clientele. This may be partly due to low capital cost, low barrier to entry and the preference of the customer for specific resource persons. Therefore, HRD needs to provide for more participation in planning and control of the projects, as well as sharing of rewards, whether psychic satisfaction, fame, visibility; profits or upward mobility.

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## 14.8 HRD IN TOURISM SECTOR

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Tourism is a sector requiring a lot of HRPD (Human Resource Planning and Development). In India, tourism sector has both Government of India and private sector looking in the development of human resources according to the needs of the sector. Over the years Government has introduced many ambitious projects for tourism industry like introducing Visit India Year and giving Tourism the status of Industry. Efforts are on for HRP and HRD in all the constituents of the tourism industry. Examples:

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### 1) Transport Sector

- **Airlines:** pilots, cabin crew, ground operations, front office, etc. (intensive training)
- **Road Transport:** drivers, supervisors, workshop mechanics (intensive training)
- **Rail:** customer care orientation programmes for railway personnel.
- **Water:** regional requirements for training for water cruises, etc.

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### 2) Accommodation Sector

- House Keepers, Waiters, Front Office Staff, etc. (training in institutes)
- Finance, Public Relations, Marketing, etc. (Management Development Programmes)

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### 3) Tour Operations Sector

- Escorts, Guides, Tour Planners, etc. (on the job training and retraining)

Government of India has opened up few vocational colleges and institutes to cater to the development of human resources specifically for the tourism sector. For example, the National Council of Hotel Management and Catering Technology runs institutes for hotel management and food craft training. The manpower development usually deals with the following areas:

**1)** Special skill development and training sessions and workshops are organized to develop managerial and entrepreneurial skills. Management courses are run by both Government and private sector to impart the necessary skills.

**2)** Tourism sector, like other sector employ both skilled and unskilled labourers and workers. Special packages are developed to impart short term vocational courses so that they can adapt and work in a fast and unpredictable environment. The skills are more to deal with clients and their various needs.

**3)** Many agencies in the private sector impart training to mould the employees according to their own needs and requirements. For example, a particular group of hotels selects employees usually from high school itself and then train the young freshers according to their specific job but they also take in their organizations both freshers and experienced personnels from IHM and other hotel management institutes.

**4)** HRD planners have to keep in mind the responsibility of developing both semi-skilled and skilled personnels, such as, drivers, guides, escorts, entertainers, mechanics, stewards, pilots, computer operators, operations handling executives and so on. Just dealing with managerial training does not help any industry as proper plans have to be manifested to train and develop the

subordinates.

An organization in practice will have to keep in view the fact that the subordinates of today are the supervisors and managers of tomorrow. Proper training and work should be allotted so that when the need arises they can take over from their seniors. This is the reason that many academicians are saying that HRD alone cannot work without HRP. In other words, HRP and HRD should not be treated as two separate entities but they should work side by side. It should be better to make HRP and HRD work together as HRPD (Human Resource Planning and Development). The planning process should not be kept in the pipeline for so long that when the plans are put in practice they become obsolete. Proper planning and development provides best results when they are put in practice side by side. The HRD planner of an organization in tourism should always remember that:

1) Tourism is the service industry sector which has maximum human interaction. The skills taught should be more to do with the dealing of human nature and behaviour and less of the technical type for those who are directly dealing with the clients. Even the technical staff should have some knowledge of dealing with the clients,

2) The subordinates of today are the managers of tomorrow. Some autonomy has to be accorded to them to handle the day to day working. The decision making capabilities have to be developed so that they are more decisive and confident,

3) The managers are not only to look at the profit making of the company but also to check the working of the subordinates. The work atmosphere have to be handled accordingly so that a congenial atmosphere exists and the employees work productively,

4) The supervisors and managers also have to check the career development, counselling, performance monitoring and appraisal of the subordinates. The regular update of employees is required so as to decipher their work pattern and productivity. A supervisor should be adept to handle all these and more.

5) That all the employees are human beings and concern should be shown to their well beings both psychological and physical.

HRD is the most important factor of an organization and though many have HRD, others don't. A comprehensive plan has to be made to see to the manpower requirement and development in tourism sector at micro as well as macro levels. Training local youth would fulfil the objectives of locals participation in tourism planning and development.

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### Check Your Progress- II

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1) Write in short about the employment externalization?

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2) Write a short note on the service sector and its characteristics?

.....

3) Write in brief about the role of HRD in tourism sector?

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## 14.9. SUMMARY

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Human Resource Development being one of the most integral part of Human

Resource Management explains the need that the workforce/employees should be developed in such a manner that they prove an asset to the organisation. With minimum resources and less wastages an optimum production can be carried out. HRD helps organizations to provide learning related activities to its employees and employers. This lesson focused on understanding the framework of strategic HRD. Strategic HRD system consists of two broad components, namely SHRD practices and SHRD facilitators. SHRD practices encompassing developmental factors and initiative factors. SHRD facilitators include, concerns of management, concerns of workers, industrial relations scenario, labour statuses, trainability, employment externalization, manpower downsizing. The lesson has included the positive and negative outcomes of downsizing.

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## 14.10. GLOSSARY

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- **Downsizing:** The process of reducing, usually dramatically, the number of people employed by a firm.
- **Performance Appraisal:** Evaluating an employee's current and/or past performance relative to his or her performance standards.
- **Human Capital:** The knowledge, education, training, skills and expertise of a firm's workers.
- **Human Resource Management:** The policies and practices involved in carrying out the 'people' or human resource aspects of a management position, including recruiting, screening, training, rewarding and appraising.
- **Strategy:** The company's long-term plan for how it will balance its internal strengths and weaknesses with its external opportunities and threats to maintain a competitive advantage.
- **Outsourcing:** Letting outside vendors provide services.

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## 14.11. ANSWERS TO CHECK YOUR PROGRESS EXERCISE

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### Check Your Progress - I

- 1) Read Section 14.3
- 2) Read Section 14.4.3

### Check Your Progress - II

- 1) Read Section 14.5.8
- 2) Read Section 14.7
- 3) Read Section 14.8

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### 14.14. TERMINAL AND MODEL QUESTIONS

1. Explain in detail about importance of HRD policies for the service sector?

2. If you were an HRD manager what would have been your role in today's scenario?

3. Does HRD help in enhancing Quality of Life? If yes, how and also cite at least one examples to justify the statement.

4. Explain the following in detail:

a) Downsizing

b) Concern of frontline officers/supervisors

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## UNIT 15 HUMAN RESOURCE RECORDS AND INFORMATION SYSTEMS

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### CONTENTS:

- 15.1. INTRODUCTION
- 15.2. OBJECTIVES
- 15.3. CONCEPT OF HR INFORMATION SYSTEM
- 15.4. NEED OF COMPUTERISED PERSONNEL RECORDS AND INFORMATION SYSTEMS - HRIS
- 15. 5. GUIDELINES TO SELECT HRIS
- 15.6. EXAMPLES OF HR INFORMATION SYSTEMS
- 15.7. IMPORTANCE OF HR INFORMATION SYSTEMS
- 15.8. FEATURES OF HR INFORMATION SYSTEMS
- 15.9. DESIGNING AND IMPLEMENTING AN HRIS
- 15.10. SUMMARY
- 15.11. GLOSSARY
- 15.12. ANSWERS TO CHECK YOUR PROGRESS EXERCISE
- 15.13. REFERENCE / BIBLIOGRAPHY
- 15.14. SUGGESTED READINGS
- 15.15. TERMINAL AND MODEL QUESTIONS

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### 15.1 INTRODUCTION

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In the preceding units you have studied about **Human Resource Policies**. The present unit comprises of discussion on **Human Resource Records and Information Systems**.

An information system is an inter-related set of procedures and processes to provide information for decisions. Information is data that have been processed so that they are meaningful. It adds to the representation of an idea. It corrects and confirms previous information. It tells us something which we did not know. Many organizations have computer-assisted information systems.

An information system especially developed for human resource management is referred to as HRIS – a human resource information system. Human resource management, when it doesn't include the human resource planning function, requires only a basic HRIS. If this basic HRIS is computer-supported, it is likely to include a transaction processing system or management information system. An information system provides for the accumulation by gathering, processing by deleting extraneous information, deciding among divergent information and



putting the information in a logical arrangement that promotes its understanding. Finally, the information is stored in a readily accessible configuration. Information is maintained by ensuring its security and by updating it. Information is delivered to potential users in a configuration and at a time most suited for its use.

This unit will familiarize you with the concept of managing human resources with the help of software applications. Therefore, in this unit, you will learn more about the features of Human Resource Information Systems (HRIS) like payroll, training, performance record, and benefits administration. Human Resource Information Systems (HRIS) include systems and processes which combine the functions of Human Resource Management (HRM) and the tools of information technology. HRIS helps organizations to carry out their Human Resource (HR) administrative functions in an effective manner and reduces the manual work to be done by the HR personnel. HRIS helps in reducing costs and saves time.

In the following section, we will see an overview of Human Resource Information Systems. Thereafter, we will discuss the features of HRIS and the importance of implementing HRIS in organizations.

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## 15.2 OBJECTIVES

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After reading the present unit, you will be able to:

- Define Human Resource Information System.
- Explain the importance of HRIS.
- Explain the features of HRIS.
- Know the of HRIS
- Assess important of HRIS applications.
- Design and implement HRIS

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## 15.3 CONCEPT OF HR INFORMATION SYSTEM

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HRIS is a key management tool which collects, maintains, analyses and reports information on people and jobs. It is a **system** because it integrates all the relevant data, which otherwise might have been lying in a fragmented and scattered way at various points in the larger system; converts this data into meaningful conclusions or information and makes it accessible to the persons, who need it for their decisions. This integration of data can be at the macro level at the level of a nation or geographical regional groupings- or at the micro level, that is, at the level of an organization. Macro level HRIS is generally focused towards manpower planning and includes statistical information on population, technology and economy. Such information can be obtained from several sources like publications of the Planning Commission, Ministry of Labour, The National Sample Survey Organisation, The National Labour Institute, The World Economic Forum, International Labour Organisation etc. to name a few.

At the micro level, the information requirements include modules on recruitment, personal data, skills assessment, training and development, performance appraisal, rewards and punishment, grievance handling and so on. This information is used for understanding the patterns of HR policies, actions, and employee behaviours as well as for identifying gaps in the HR system and the effectiveness of the HR system. As we shall see in the next Unit, HR Audit is an activity that cannot be undertaken unless a proper HRIS is in place.

Human Resource Information Systems is a software application that caters to the human resource information needs of the organization like monitoring employee attendance, payroll and benefits administration, career development, employee information, performance management, and training. HRIS is a collection of components which work together to gather, process and store information that the HR department can use to make decisions, to coordinate and to plan its activities. HRIS facilitates easy access and management of employee related information.

Initially, mainframe computers were used by organizations to manage human resource management functions. A large amount of capital was needed to operate these systems. The advent of client-server architectures and Software as a Service (SaaS) models has lowered the maintenance costs of HRIS. HRIS comprises of the following modules:

- **Payroll:** This module of HRIS keeps track of the pay grades and positions of the employees. Pay raise details are also recorded. This module gathers information on employee time and attendance. It calculates the deductions and taxes and generates pay slips and tax reports. Cheques get automatically deposited in the employee bank accounts. Inputs for this module are obtained from HR and time keeping modules. This module integrates with the current financial systems of the organization.

- **Benefits Administration:** This module tracks and administers employee benefits programmes. The benefits programmes include Insurance, reimbursements, profit sharing and pension programmes.

- **HR Management:** This module covers many HR aspects which range from employee recruitment to retirement. It records employee details like addresses, training programmes undergone, skills, position and so on. The functions addressed by this module are recruitment, placement, evaluation and career development of the employees. Job sites on the Internet are increasingly being used for recruitment. This module tracks job applications. Interviews and selection details are also maintained.

- **Training:** This module administers and tracks employee training and development programmes. Records of employee education, qualification, and skills are maintained. It also outlines the training courses and training materials (CDs, books, web based learning programmes) which help employees develop their skills. Courses can be planned and scheduled using the data stored. Managers can approve training and budgets.

- **Performance Appraisal:** This module evaluates the job performance of employees in terms of quality, time and cost. This helps in analysis of employee strengths and weaknesses and suitability for promotions. It gives feedback to employees on performances and identifies employee training needs. It also documents criteria which can be used for organizational rewards.

- **Work Time:** This module helps to track the work done by the employees. This module merges the functions of work management and time management across a wide range of activities that include project, tasks, requests and deployment. This module maintains attendance and leave details of employees which are exported in various formats for further processing.

- **Employee Self - Service:** This module permits employees to update their personal details, query HR databases and perform HR transactions. Employees

are allowed to apply for leave, raise purchase requests, file expenses, view their salary details and keep track of their project related activities. Employees use this to update their tax savings details and bank related information. **Table 15.1** outlines some of the applications that are used in HRIS.

**Table 15.1: HRIS Applications**

Application	Function	Example
Internet Portal	Merges data from several sites in a single site. Users can customise data.	The state of West Virginia (USA) uses an enterprise portal to offer timely information and e-government services to its citizens.
Shared Service Centres	Consolidates different functions at one location. This eliminates redundancy and reduces administrative costs.	'Allied Signal' combined different functions of finance and HR at a shared service centre.
Application Service Providers (ASP)	Companies pay rent and use a remote computer system to manage their HR activities	KPMG uses an ASP for implementing its employee learning programmes.
Business Intelligence	Provides information on business trends and practices and enables accurate decision making	A hotel franchise uses business intelligence to gather data about average occupancy rates and predict revenue.

## 15.4 NEED OF COMPUTERISED PERSONNEL RECORDS AND INFORMATION SYSTEMS - HRIS

We have noted that a periodic and systematic analysis of the personnel records can be used for a variety of purposes such as:

- provide data essential to human resource planning,
- aid the evaluation of current personnel policies and practices,
- enable to produce an inventory of manpower, and
- preparation of several reports and returns for submission to various government/non-government agencies, etc.

In manually operated personnel record systems, entries on forms and insertion of changes from time to time in the relevant records often fall behind so that the records are not showing the current position always. This leads to a fresh exercise toward collecting and compilation of original data elements, every time the information is required. All that can be very time consuming. Hence, let us look at some of the shortcomings inherent in manual personnel records systems so that the perspective of potential benefits of going in for a computerized personnel record and information system becomes clearer.

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**15.4.1. DEFICIENCIES AND DRAWBACKS OF THE MANUAL SYSTEM:**

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These include the following:

**i) Cost:** Manual systems involve significant clerical and routine administrative work load, the maintenance and updating of records being labour intensive and costly. In addition, the documentation being relatively non-standardize, the same have to be provided time and again; the same have to be produced separately.

**ii) Accuracy:** The manual transfer of data from one record to another increase the chances of error. It is not uncommon to find the data collected from the same source at different times or by different people giving almost a different picture. As a result, the accuracy and reliability of the manual system is held to be very much in doubt.

**iii) Fragmentation:** Manually stored information is frequently held in a fragmented manner with different pieces of information being kept in separate files at different places. Thus, many manual systems are unable to provide a single comprehensive picture of an employee on one record.

**iv) Duplication:** As it happens, some of the information held in the personnel records may be needed simultaneously by a number of other user departments, such as, payroll department/salary group, training department may like to keep duplicate records to meet their respective needs. Such practices are not only prone to duplication but add to the costs.

**v) Difficulty of analyses:** The manual analysis of data is time-consuming and quite often not available on time for the purpose of decision making. As a result the difficulty in extracting information promptly from manual systems may put the personnel function in a backstage position where it may be overlooked or bypassed for as a source of useful information for decision making. So much so, the role and opportunities of the personnel function to influence manpower planning decisions may get consequently reduced. In the ultimate, in that event, it is likely to create scope for decisions being taken on ad hoc basis – so very prejudicial to systematic planning and decision making leave aside any meaningful control and measurement mechanism being available to the management. The problems need to be considered in the context of one's own organization. Moreover, as organizations grow larger, the manual systems tend to break down under the burden of manual processing.

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**15.4.2. BENEFITS OF COMPUTERIZED PERSONNEL RECORDS/INFORMATION SYSTEM:**

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While it would be presumptuous to assume that computerization would automatically solve all the problems associated with manual systems, in the fast changing technological and information processing environment, it does present several potential benefits:

**i) Cost effectiveness:** Taking into consideration the factors of time, speed and the enormous amount of data which a computer can process, the computerization offers an option. When personnel function faces conflicting pressures to provide more information while at the same time to reduce administrative overhead costs, the computerized system can become increasingly cost effective because in the long run the costs of computer hardware fall relatively to the cost of employing ever-increasing clerical staff. But

let it be understood clearly that it would be a false analogy to draw a straight cost comparison between a manually operated system and a computerized system because the computer is capable of performing a fundamentally different job. Thus, to put the concept of cost-effectiveness in the right perspective, the improvement in the quality of human resource decision making which is made possible through computerization, need also be taken into consideration.

**ii) Effective human resource information:** Perhaps more than the cost effectiveness is the potential provided by computerization for establishing an effective human resource information system. The following **Table-15.2** makes it clear:

**Table – 15.2**

<b>MANUAL SYSTEM</b>	<b>COMPUTERIZED SYSTEM</b>
Retrieving information is slow and cumbersome	Retrieving information is fast and simple
Personnel function is bypassed as a source of useful information	Personnel is considered as a reliable source of information useful for decision making
Identity of personnel function is lost	With information as a power tool, the personnel function is in a position to influence policies and decisions
Duplication of reports deals to dual work and lots of paper	As many copies of reports can be printed without much paper work.
Not able to respond to ad hoc enquiries for information and complex data needs	Information can be readily manipulated, merged and disaggregated in response to special and complex demands and presented promptly

**iii) Improved accuracy:** In addition, a computerized human resource information system can eliminate the shortcomings of manual system noted earlier. Significantly, computerised systems do not depend upon constantly copying out data form one record to another as in the manual system. That means the data is entered only once with provision for updating at regular intervals. Therefore, once the relevant data have been fed accurately, they will remain in pure form and accurate until any item is changed.

**iv) Validation of data-error detection:** Further, availability of good software systems should enable validating and editing data and detecting errors in a number of ways such as:

- criterion checks for particular fields, for example, an error warning if a post is reserved for a certain category of person, if a salary is above or below a certain minimum/maximum, or if age exceeds 58 years and, so on.
- link checks, for example, that salary is incompatible with grade, date of joining is at least 18 years after date of birth, etc.

Finally, a computerized system can greatly reduce fragmentation and duplication of data. All data can be stored in a single system to enable retrieval of a complete picture of each employee or of each defined parameter in a desired number of permutation and combinations. In advanced systems, other user departments outside the personnel function can be provided with an on-line link

into the data base from remote control terminals programmed with passwords to restrict access and update only those parts of the data base which are necessary for meeting out specific needs.

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## 15.5 GUIDELINES TO SELECT HRIS

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Human Resource Information Systems have become very essential for organizations to manage employee information and administer benefits effectively. In this section, we will discuss how managers decide which HRIS will best suit their needs. The following guidelines help management to choose the correct HRIS:

- Find the degree of flexibility and scalability that the HRIS offers. The HRIS has to allow importing of data from varied sources like spreadsheets, databases and documents. The HRIS has to enable interfacing with different kinds of system and data.
- Find whether the HRIS incorporates the rules of the company.
- Find if the HRIS is able to grow as the company creates new employee records, new benefit details and new rules. The limits of this capability to grow have to be assessed.
- Find whether the HRIS is able to integrate with different systems. Information in one system needs to be shared with other systems. For example, the payroll module and the benefits module needs to share employee details.
- Determine the level of training and technical expertise required to use the HRIS. Costs of training have to be assessed.
- Resolve issues of ownership of data. Companies need to be able to transfer their data to any Application Service Provider (ASP). If the data is stored in the server of the HRIS developing company, the company may charge fees for transferring data to another ASP.
- Determine the type of maintenance required. Plan the method of updating technologies.
- Determine how secure the HRIS is. Find if the service provider (carrier) ensures back-ups if the HRIS is being implemented online. Find the systems and procedures which will safeguard and protect the data. The HR of the organization has to have the absolute authority to determine the access permissions of the information in the HRIS.
- Find if employees can update their personal details in real time. Employee-self service must be enabled and employees have to be able to access the HRIS at anytime and from anywhere through the Internet. Employees have to be guided on how to use the system.
- Find the reporting capabilities of the HRIS. Multiple reporting formats (PDF, HTML, spreadsheets) are necessary for organizations. The HR personnel have to be able to assess changes in employee data and make decisions.
- Determine the features that help HR save time, Batch processing, self billing and self notification are features that save time.
- Find if the HRIS enhances employee communication. The HRIS has to offer flexible means of communication like mass e-mail, electronic bulletin boards and filtered communication based on departments, designations, location, insurance plans, retirement status and so on.



- Find if the HRIS provides checks and balances which enable the HR personnel to audit carrier bills, assist the enrollment of employees, judge the eligibility of employees for benefits schemes.
- Find how information is exchanged with the carriers and the type of connection which will enable this exchange. Managers need to select carriers who offer clean and accurate transfers.
- Determine the level of customer service offered. Online-help, online chats, telephone help, direct conversations, etc. aid customer service.
- Assess the costs and the benefits of the HRIS. Assess all one-time, monthly and annual charges. Consider factors like time savings, accuracy and convenience.

Thus, we see that it is very important to assess and weigh the advantages and disadvantages of the HRIS before making a choice.

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**Check Your Progress- I**

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a) Write a short note on the prime HRIS applications.

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b) Write a short note on the drawbacks of manual system of personnel records?

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c) Write in brief about the guidelines to select HRIS?

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**15.6 EXAMPLES OF HR INFORMATION SYSTEMS**

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There are many HRIS software available in the market today. Some of them are listed below:

- **Sage Abra HRIS:** It has modules for benefits enrollment, benefits messenger, recruitment, employee self-service, payroll, HR features and training features. It simplifies routine employee management tasks, ensures compliance with government regulations, keeps track of employee attendance, makes recruitment more effective, automates employee training and updates employees on benefit programmes.
- **Oracle HRMS:** This has different modules for Human Resources, payroll, training administration and time management. Oracle Human Resources supports application processing, employee profiling, career development, and management of compensation and benefit plans.
- **SAP HR:** This has modules for personnel administration, recruitment, training, time management, payroll, compensation management, budget management, travel management and personnel development.
- **Peoplesoft:** This has modules for payroll, benefits administration, Employee and Manager Self service, talent management, learning management and HR Business Intelligence.
- **iVantage HRIS:** This is a web-based talent management and HR management

suite which offers modules for recruitment, candidate self service, performance management, work flow with conditional routing, salary planning, alerts, notification, compensation management, and reporting.

- **Kronos:** This web-based HRIS offers various solutions for time and attendance, scheduling, absence management, labour analysis, hiring, HR and payroll.

Now you are familiar with some of the HRIS applications available for organizations to choose from.

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## 15.7 IMPORTANCE OF HR INFORMATION SYSTEMS

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As you know that human resources play a very important role in all organisations. The Human Resource department is involved in formulating the company policies and streamlining the business processes. Efficient and new applications like HRIS make the human resource department more effective. HRIS assists the human resource department in decision making, recruitment, benefits administration, payroll, and employee and performance analysis. HRIS simplifies the HR processes. It organizes company and employee data in a better way. By using HRIS, confidential information can be protected. HRIS integrates the financial and the human resource aspects of a business.

The four main functions of a HR department are payroll, time and labour management, employee benefits and HR management. The advantages of implementing HRIS in these functions are as follows:

- **Payroll:** HRIS automates the entire payroll process by collecting and maintaining payroll data. It collects information such as employee attendance, computes the deductions and taxes and generates pay cheques automatically and periodically.
- **Time and Labour Management:** HR personnel can collect and assess employee time and work. Information. HRIS helps in analyses of employee performance. It helps employees to perform better through efficient career planning.
- **Employee Benefits:** Employee benefits are very important because they help in motivating employees. Employees log in to the system and find the benefits they can avail. Organizations use HRIS to keep track of the benefits employees avail and inform employees of the advantages of various benefit programs. The HR personnel use relevant data and statistics to compute benefits and compensations of the employees or their dependants. Employee performances are tracked and incentives are computed. Employees can view the details of the incentives. It helps in planning and monitoring employee training. Costs of training are computed. For example, IBM uses a web-based employee benefits enrolment system which enables employees to access the system and view their benefits at any time and any place.
- **HR Management:** HRIS reduces the manual and paper work of the HR personnel in performing their routine tasks. The HR personnel can thus focus on more important duties. HRIS provides data support to HR decisions. HRIS helps in succession planning. It helps to integrate employee performance, development and payroll modules and thus retain key employees who can ensure organizational success. HRIS helps in career management and talent

management by identifying the skills of the employees. It helps in monitoring the productivity of employees. HRIS helps in assessing why employees leave organizations. From the above section you learnt that by automating the HR processes, the HRIS provides time and cost savings, makes work processes more effective, adds strategic value to the organization and makes the organization more competitive. Businesses view HRIS as a big asset and invest in it.

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## 15.8 FEATURES OF HR INFORMATION SYSTEMS

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You have seen that HRIS helps an organization to keep track of employee related information. Let us now examine the features of a good HRIS. The important features of an HRIS are as follows:

- **Job and Pay History:** The HRIS documents details and salary of past jobs. The education details of the employee are also recorded. The HR personnel are able to view salary details including bonuses awarded and deductions made. They can view job details like positions held and the period of employment in that position. Salary changes of the employee are recorded.
- **Ability to Import and Export Data:** The HRIS scans images of resumes, employee photographs, employee signatures, job applications and accident reports. The HRIS is able to link to multiple file formats like PDF, Excel and Word. Exporting data in HTML or XML formats is also supported. Employee information is exported to programs like 'Visio' or 'OrgPlus' and graphical organization charts are produced.
- **Ad-Hoc Report Writing:** Powerful reporting tools like 'Crystal Reports' are used. Users select the reporting criteria such as department, location or position. Customized reports are created and saved using report generators. Information that needs to be included in reports can be selected. Lists such as staff directories, lists of offices, lists of positions are generated. Such lists can be sorted or filtered. Reports include tables and charts. Reports can be formatted as PDFs for printing. Time-stamps are also included in reports.
- **Automated Reminders and Alerts:** Reminders are set for important dates and deadlines. HR personnel schedule reminders for birthdays, anniversaries, company events, performance reviews, training, probation periods, and promotions. HR personnel can e-mail important reminders to employees.
- **User-Defined Fields:** Users define the organization structure according to individual organizations. Users can include company policies for recruiting, salary structure, promotions, increments, appraisal, transfers, confirmation and other areas. Users specify the business rules and logic which are applicable to their company.
- **Attendance and Leave Tracking:** Employee vacations, leaves and absences are tracked and documented. Company policies on leave and vacation are documented. The number of days of leave available is computed based on the years of service of the employee and the leave taken.
- **Employee Self-Service:** Employees are allowed to record and update their personal details like name, gender, nationality, address, marital status, passport number, date of birth, number of dependants, education, and contact phone

numbers. Employees have the facility to record notes in a log. Employees can apply for leave and view their leave details. Employees can change their bank account details and view their pay-slips. Employees manage their inboxes, personal calendars and service requests. Employees are able to view their work schedules. Employees are allowed to file their expense reports. Employees can view and enroll in various benefit plans. Employees are permitted to sign up for training and view their training schedules. Employees are allowed to create purchase requests and confirm receipt of goods.

- **Benefits Administration:** The HR personnel define the benefit plans for each employee and track details like eligibility, premiums paid and beneficiaries. Organizations can analyze the impact of their benefits administration policies and track employee enrolment.

- **Performance Management:** The HR personnel or supervisors can track all employee performance reviews. Details of past reviews are maintained. Managers can include their comments about each employee and schedule future reviews. Employee performance in training is also tracked. The performance management system helps set goals for the employees, evaluate employee performance, improve employee performance, and promote employees to the right position. HRIS allows managers to set goals for their unit and assign the goals to individuals and teams. The 'people planning module' assists managers to assess and track progress.' The performance management feature streamlines performance appraisals and makes them more transparent. Management use reporting and analytics tools to Identify top performers and non-performers.

- **Payroll:** The HRIS system manages all aspects of payroll functions like payroll processing, reimbursements, salary statements, insurance payments, income tax and so on. The pay structure can be configured as per company policy. Employees can choose their benefit plans. Arrears are calculated and e-mails are sent to employees on arrear payments. Loan policies and pre-requisites are configured. Employees are allowed to generate pay-slips, loan statements and tax statements. Employees can use the tax calculator to calculate tax. Final settlements of employees are also computed.

- **Security:** Access to confidential information is strictly controlled. Different levels of employees have different access permissions. Password protected logins ensure authorized access. The passwords are regularly changed by the system administrator. Data Integrity is ensured. A log is maintained of user name, date and time of data access for auditing purposes. Firewalls are created to prevent hacking. Data is replicated on different servers at different sites to act as standby. Data is backed up on a regular basis.

- **Document Library:** The HRIS includes templates of letters and forms such as offer letters, welcome letters to new employees, termination letters, exit Interview forms, employee surveys and so on.

According to **Tang et al. (1987)** the key to the effective planning of manpower and improvement of people productivity is an effective HRIS. However, in order to be effective an information system must take into account the following:

- **Adequacy of information:** Too much or too little information, both lead to defective decision-making. Therefore, there must be some understanding

regarding what information and in how much detail and covering what periods should be maintained.

- **Specificity:** Even where it is not possible to quantify the information, the information should be made as specific as possible.
- **Relevance:** Information is to be managed in the light of the requirements of the decision makers. Therefore, HRIS should focus on the needs of the decision-makers and stakeholders rather than on what is interesting or easily available or palatable to the people. The system, therefore, must also have the built in capability for deletion and updating of data.
- **Comprehensiveness:** The information should be complete from the point of view of the decision-maker giving details of who, what, how, when, where and why.
- **Reliability:** Since the information is going to be the basis of critical decisions, it must satisfy the requirements of validity and reliability.

Moreover, to ensure effectiveness, not only should the information provided be relevant and reliable but the **delivery system** should also be the most satisfying and cost effective. A wealth of information but not accessible when needed or available at an inhibiting personal cost in terms of energy and time, is of hardly any use. HRIS, thus, is not just a matter of collating data but also of ensuring data quality and interpretation and the quality of delivery of information to the users.

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## 15.9 DESIGNING AND IMPLEMENTING AN HRIS

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According to *Mathis and Jackson (2000)* to design and implement an effective HRIS, the following are necessary details about the required data, such as:

- What information is available and what needs to be collected?
- To what use this information be put?
- In what format this information be presented?
- Who should have access to what information?
- When and how often this information is needed?

The answers to these questions will help in the choice of both the hardware and the software.

**Formation of a Project team:** it is useful to establish a cross functional project team to “review user needs, identify desired capabilities of the system, solicit and examine bids from software and hardware vendors and identify the implementation process required to install the system.”

**Training of those who will be managing and using HRIS:** Both to ensure proper inputs into the system and effective outputs from the system, training of users are desirable. In some of the firms, where HRIS has been successfully implemented, a complete team of trainers was established to give proper training to the employees.

**Ensuring Security and Privacy:** Proper controls must be built into the system to protect the privacy rights of the employees. They are required both for getting employee acceptance as well as for legal and moral protection against indiscriminate usage of information.

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**Check Your Progress- II**

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1) Write in short about the Sage Abra HRIS?

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2) Write a short note about the importance of HRIS?

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**15.10. SUMMARY**

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Information is the raw material of planning. A quality planning effort cannot be accomplished without sound and adequate information. Information is provided in an organization by an inter-related set of procedures and process known as an information system. An information system especially developed for the human resource management function is called an HRIS – a human resource information system.

Human Resource Information System (HRIS) is a software application that caters to the human resource information needs of the organisation like employee attendance, payroll and benefits administration, career development, employee information, performance management, and training.

HRIS is very important for organizations as it streamlines and automates the HR processes. HRIS provides time and cost savings, makes work processes more effective, adds strategic value to the organization and makes the organization more competitive.

The important features of a good HRIS are job and pay history, ability to import and export data, ad-hoc report writing, automated alerts and reminders, user defined fields, attendance and leave tracking, benefits administration, employee self-service, performance management, payroll, document management and security.

Some of the common applications of HRIS are planning (personnel and succession planning, labour relation planning, target analysis and organizational charting), staffing and employment (recruitment, employment equity), training and career development (analyzing training needs, training administration, and career planning), performance management (performance appraisals, monitoring time and attendance), compensation and benefits.

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**15.11. GLOSSARY**

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- **Application Service Provider:** It provides services based on information technology using a network
- **Business Intelligence:** It refers to computer based techniques used in spotting, uncovering and analysing business data.
- **HTML:** Hyper Text Markup Language, the authoring language used to create World Web Documents.



- **PDF:** A portable document format developed by Adobe system, PDF is a file format that preserves most attributes of a source document no matter which application, platform, and hardware type was originally used to create it.
- **Software as a Service (Saas) Models:** Software deployed as a hosted service and accessed over the internet.

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## 15.12. ANSWERS TO CHECK YOUR PROGRESS EXERCISE

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### Check Your Progress - I

- 1) Read Section 15.3
- 2) Read Section 15.4.1
- 3) Read Section 15.5

### Check Your Progress - II

- 1) Read Section 15.6.
- 2) Read Section 15.7

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## 15.14. SUGGESTED READINGS

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- HRFocus- May 2002: *What's in store for HR information systems?*
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### **15.15. TERMINAL AND MODEL QUESTIONS**

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- a)** Explain the advantages of computerizing human resources information system?
- b)** What are the different modules of a Human Resource Information System (HRIS)?
- c)** How to design and implement HRIS in a business organization? Discuss.
- d)** Elaborate the features of Human Resource Information System?
- e)** Explain the following in detail:
  - a)** Concept of HRIS
  - b)** Examples of HRIS

**UNIT 16: EMERGING ISSUES AND TRENDS IN HRM**

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**Contents:**

- 16.0 Introduction
  - 16.1 Definition of Human Resource Management
- 16.2 Role of the HR Specialist
- 16.3 Challenges of Human Resource Management
  - 16.3.1 Workplace Diversity
  - 16.3.2 Control and Measure Results
  - 16.3.3 Motivational Approaches
  - 16.3.4 Gain-sharing
  - 16.3.5 Affects of Technology
- 16.4 Human Resources Best Practices
- 16.5 Scope and Importance of Human Resource Management
- 16.6 Components of Human Resource Management
  - 16.6.1 Manpower Planning
    - 16.6.1.1 Succession Planning
    - 16.6.1.2 Turnover
- 16.7 Recruitment
  - 16.7.1 Deciding on Terms of Appointment
  - 16.7.2 Selection of Candidates
  - 16.7.3 Probation
- 16.8 Performance Management
  - 16.8.1 Motivation
  - 16.8.2 Performance Appraisal
  - 16.8.3 Promotion
  - 16.8.4 Guidance and Supervision
- 16.9 Training and Development
  - 16.9.1 Training
  - 16.9.2 Development
- 16.10 Staff Relations
- 16.11 Conclusion

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**Objectives**

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After studying this unit you should be able to:

- Define Human Resource Management
- Understand the Roles of a Human Resource Manager
- Understand the Importance of HRM
- And understand the functions and components of HRM

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## **16.0. Introduction**

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Human resources are one of the most important features of many businesses - especially in an economy where there is an increasing shift towards service-based industries. Human resources account for a large proportion of many businesses' costs and it is the people that invariably drive a business. Management of these resources therefore is an integral part of business success.

Human resource management (HRM) originated from the United States. Emergence and growth of HRM are with the change of the organization. The change depends on development stages of economy. The change is also ascribed to technology advances and government intervention. The contents of HRM are upgrading all the time with the change of the organization in the new environment. The purpose of HRM of a firm is to enhance and sustain competitive advantages of the firm.

HRM covers wide range of contents. It asserts the interrelationship among shareholders, managers, employees, unions and government. The strategies of these parties in HRM command the performance of HRM. Organization size, structure and culture constitute a background of HRM practice at a firm level.

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### **16.1.1 Definition of Human Resource Management**

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Human Resource Management is an increasingly prominent field that is taking shape throughout industries and workplaces world wide. Recognizing the fact that people are a company's greatest asset, business leaders across the globe are coming to rely more and more upon an effective management policy that applies specifically to the area of human resources.

But what, exactly, is the definition of human resources? Essentially, HR applies to the workforce managed by any employer. A business of any size needs employees in order for it to run. As an important – the most important – asset for any business leader, employees need to be properly managed in order for optimal efficacy to be achieved.

Properly managing a workforce is a lot more complicated than, say, the maintenance of a company's material capital such as machinery, computer systems, etc. Indeed, the mechanistic approach to employee relations has often failed. Fortunately, this failure has prompted close study into how to effectively see that human capital is treated right and is able to reach its full potential. That's why the application of human resources management focuses largely on a more sensitive and human analysis to determine what really works with employees. One of the major aspects of HR maintenance involves employee recruitment, training and development as a function of human capital management.

Making sure that employees' abilities are correctly and optimally nurtured is essential to seeing a worthwhile return on investment come from their contribution to the company, once their training period is over. Along with employee training, human resources departments also delve into the area of applicant tracking. How to find the best talent available on the global labor market place is often a problem that the human resources department will strive to tackle.

In addition, human resources departments take care of a variety of concerns such as labour relations – the crucial and highly sensitive negotiations between employees and management – the production of job descriptions, the monitoring of interplay between workers in order to design a more efficient employee management system, the compilation of benefits packages as well as a variety of other vital functions that relate directly to the employee workforce of the company.

*Human Resource Management (HRM) is the function within an organization that focuses on recruitment of, management of, and providing direction for the people who work in the organization.*

*HRM can also be defined as that part of the management process which develops and manages the human elements of an enterprise considering the resourcefulness of the organisation's own people in terms of total knowledge, skills, creative abilities, talents, aptitudes and potentialities for effective actuating.*

The Human Resources Management (HRM) function includes a variety of activities, and key among them is deciding what staffing needs you have and whether to use independent contractors or hire employees to fill these needs, recruiting and training the best employees, ensuring they are high performers, dealing with performance issues, and ensuring your personnel and management practices conform to various regulations. Activities also include managing your approach to employee benefits and compensation, employee records and personnel policies. Usually small businesses (for-profit or nonprofit) have to carry out these activities themselves because they can't yet afford part- or full-time help. However, they should always ensure that employees have -- and are aware of -- personnel policies which conform to current regulations. These policies are often in the form of employee manuals, which all employees have.

Human Resource Management can also be performed by line managers. Human Resource Management is the organizational function that deals with issues related to people such as compensation, hiring, performance management, organization development, safety, wellness, benefits, employee motivation, communication, administration, and training.

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## 16.2 Role of the HR Specialist

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The role of the Human Resource Manager is evolving with the change in competitive market environment and the realization that Human Resource Management must play a more strategic role in the success of an organization. Organizations that do not put their emphasis on attracting and retaining talents may find themselves in dire consequences, as their competitors may be outplaying them in the strategic employment of their human resources.

With the increase in competition, locally or globally, organizations must become more adaptable, resilient, agile, and customer-focused to succeed. And within this change in environment, the HR professional has to evolve to become a strategic partner, an employee sponsor or advocate, and a change mentor within the organization. In order to succeed, HR must be a business driven function with a thorough understanding of the organization's big picture and be able to influence key decisions and policies. In general, the focus of today's HR Manager is on strategic personnel retention and talents development. HR professionals

will be coaches, counselors, mentors, and succession planners to help motivate organization's members and their loyalty. The HR manager will also promote and fight for values, ethics, beliefs, and spirituality within their organizations, especially in the management of workplace diversity.

Attracting the most qualified employees available and matching them to the jobs for which they are best suited is important for the success of any organization. However, many enterprises are too large to permit close contact between top management and employees. Human resources specialists and managers provide this link.

These individuals recruit and interview employees, and advise on hiring decisions in accordance with policies and requirements that have been established in conjunction with top management. In an effort to improve morale and productivity and limit job turnover, they also help their firms effectively use employees' skills, provide training opportunities to enhance those skills, and boost employees' satisfaction with their jobs and working conditions. Although some jobs in the human resources field require only limited contact with people outside the office, most involve frequent contact. Dealing with people is an essential part of the job.

In a small organization, a human resources generalist may handle many, or all, aspects of human resources work, requiring a broad range of knowledge. The responsibilities of human resources generalists can vary widely, depending on their employer's needs. In a large corporation, the top human resources executive usually develops and coordinates personnel programs and policies. A director or manager of human resources and, in some cases, a director of industrial relations, usually implements these policies.

The director of human resources may oversee several departments, each headed by an experienced manager, who most likely specializes in one personnel activity such as employment, compensation, benefits, training and development, or employee relations.

Employment and placement managers oversee the hiring and separation of employees and supervise various workers. Recruiters maintain contacts within the community and may travel extensively, often to college campuses, to search for promising job applicants. Recruiters screen, interview, and test applicants. They may also check references and extend offers of employment to qualified candidates. These workers must be thoroughly familiar with the organization and its personnel policies to discuss wages, working conditions, and promotional opportunities with prospective employees. Other Roles include:

- Maintaining working relationships with local employers
- Employment interviewers—whose many job titles include personnel consultants, personnel development specialists, and human resources coordinators—help match jobseekers with employers.
- Job analysis, sometimes called position classification involve collection and examination of detailed information about job duties to prepare job descriptions. These descriptions explain the duties, training, and skills each job requires.
- Establishing and maintaining a firm's pay system. HR Executives devise ways to ensure fair and equitable pay rates. They may conduct surveys to see how their rates compare with others and to see that the firm's pay scale complies with changing laws and regulations. In



addition, they often oversee their firm's performance evaluation system, and they may design reward systems such as pay-for-performance plans.

- Employee benefits managers handle the company's employee benefits program, notably its health insurance and pension plans. Expertise in designing and administering benefits programs continues to gain importance as employer-provided benefits account for a growing proportion of overall compensation costs.
- Training is supervised by training and development managers. Increasingly, management recognizes that training offers a way of developing skills, enhancing productivity and quality of work, and building loyalty to the firm. Training is widely accepted as a method of improving employee morale, but this is only one of the reasons for its growing importance. Other factors include the complexity of the work environment, the rapid pace of organizational and technological change, and the growing number of jobs in fields that constantly generate new knowledge. In addition, advances in learning theory have provided insights into how adults learn, and how training can be organized most effectively for them.
- Training specialists plan, organize, and direct a wide range of training activities. Trainers conduct orientation sessions and arrange on-the-job training for new employees.
- They help rank-and-file workers maintain and improve their job skills, and possibly prepare for jobs requiring greater skill. They help supervisors improve their interpersonal skills in order to deal effectively with employees. They may set up individualized training plans to strengthen an employee's existing skills or to teach new ones. Training specialists in some companies set up programs to develop executive potential among employees in lower-level positions. In government-supported training programs, training specialists function as case managers. They first assess the training needs of clients, then guide them through the most appropriate training method. After training, clients may either be referred to employer relations representatives or receive job placement assistance.
- Planning and program development is an important part of the training specialist's job. In order to identify and assess training needs within the firm, trainers may confer with managers and supervisors or conduct surveys. They also periodically evaluate training effectiveness.
- Depending on the size, goals, and nature of the organization, trainers may differ considerably in their responsibilities and in the methods they use. Training methods include on-the-job training; schools in which shop conditions are duplicated for trainees prior to putting them on the shop floor; apprenticeship training; classroom training; programmed instruction, which may involve interactive videos, videodiscs, and other computer-aided instructional technologies; simulators; conferences; and workshops.

- The director of industrial relations forms labor policy, oversees industrial labor relations, negotiates collective bargaining agreements, and coordinates grievance procedures to handle complaints resulting from disputes under the contract for firms with unionized employees. The director of industrial relations also advises and collaborates with the director of human resources, other managers, and members of their staff, because all aspects of personnel policy—such as wages, benefits, pensions, and work practices—may be involved in drawing up a new or revised contract.
- Industrial labor relations programs are implemented by labor relations managers and their staff. When a collective bargaining agreement is up for negotiation, labor relations specialists prepare information for management to use during negotiation, which requires familiarity with economic and wage data as well as extensive knowledge of labor law and collective bargaining trends. The labor relations staff interprets and administers the contract with respect to grievances, wages and salaries, employee welfare, health care, pensions, union and management practices, and other contractual stipulations. As union membership is continuing to decline in most industries, industrial relations personnel are working more with employees who are not members of a labor union.
- Dispute resolution—attaining tacit or contractual agreements—has become increasingly important as parties to a dispute attempt to avoid costly litigation, strikes, or other disruptions. Dispute resolution also has become more complex, involving employees, management, unions, other firms, and government agencies. Specialists involved in dispute resolution must be highly knowledgeable and experienced, and often report to the director of industrial relations. Conciliators, or mediators, advise and counsel labor and management to prevent and, when necessary, resolve disputes over labor agreements or other labor relations' issues. Arbitrators, sometimes called umpires or referees, decide disputes that bind both labor and management to specific terms and conditions of labor contracts. Labor relations specialists who work for unions perform many of the same functions on behalf of the union and its members.
- Other emerging specialists include international human resources managers, who handle human resources issues related to a company's foreign operations, and human resources information system specialists, who develop and apply computer programs to process personnel information, match jobseekers with job openings, and handle other personnel matters.

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### 16.3 Challenges of Human Resource Management

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The following points highlight how a HR manager can meet the challenges of workplace diversity, how to motivate employees through gain-sharing and executive information system through proper planning, organizing, leading and controlling their human resources.

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**16.3.1 Workplace Diversity**

According to Thomas (1992), dimensions of workplace diversity include, but are not limited to: age, ethnicity, ancestry, gender, physical abilities/qualities, race, sexual orientation, educational background, geographic location, income, marital status, military experience, religious beliefs, parental status, and work experience.

The future success of any organizations relies on the ability to manage a diverse body of talent that can bring innovative ideas, perspectives and views to their work. The challenge and problems faced of workplace diversity can be turned into a strategic organizational asset if an organization is able to capitalize on this melting pot of diverse talents. With the mixture of talents of diverse cultural backgrounds, genders, ages and lifestyles, an organization can respond to business opportunities more rapidly and creatively, especially in the global arena (Cox, 1993), which must be one of the important organisational goals to be attained. More importantly, if the organizational environment does not support diversity broadly, one risks losing talent to competitors. This is especially true for multinational companies (MNCs) who have operations on a global scale and employ people of different countries, ethical and cultural backgrounds. Thus, a HR manager needs to be mindful and may employ a 'Think Global, Act Local' approach in most circumstances.

In order to effectively manage workplace diversity, Cox (1993) suggests that a HR Manager needs to change from an ethnocentric view ("our way is the best way") to a culturally relative perspective ("let's take the best of a variety of ways"). This shift in philosophy has to be ingrained in the managerial framework of the HR Manager in his/her planning, organizing, leading and controlling of organizational resources.

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**16.3.2 Control and Measure Results**

A HR Manager must conduct regular organizational assessments on issues like pay, benefits, work environment, management and promotional opportunities to assess the progress over the long term. There is also a need to develop appropriate measuring tools to measure the impact of diversity initiatives at the organization through organization-wide feedback surveys and other methods.

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**16.3.3 Motivational Approaches**

Workplace motivation can be defined as the influence that makes us do things to achieve organizational goals: this is a result of our individual needs being satisfied (or met) so that we are motivated to complete organizational tasks effectively. As these needs vary from person to person, an organization must be able to utilize different motivational tools to encourage their employees to put in the required effort and increase productivity for the company.

Why do we need motivated employees? The answer is survival (Smith, 1994). In our changing workplace and competitive market environments, motivated employees and their contributions are the necessary currency for an organization's survival and success. Motivational factors in an organizational context include working environment, job characteristics, appropriate organizational reward system and so on.

The development of an appropriate organizational reward system is probably one of the strongest motivational factors. This can influence both job satisfaction and employee motivation. The reward system affects job satisfaction by making the employee more comfortable and contented as a result of the rewards received. The reward system influences motivation primarily through the perceived value of the rewards and their contingency on performance (Hickins, 1998).

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#### **16.3.4 Gain-sharing**

Gain-sharing programs generally refer to incentive plans that involve employees in a common effort to improve organizational performance, and are based on the concept that the resulting incremental economic gains are shared among employees and the company.

In most cases, workers voluntarily participate in management to accept responsibility for major reforms. This type of pay is based on factors directly under a worker's control (i.e., productivity or costs). Gains are measured and distributions are made frequently through a predetermined formula. Because this pay is only implemented when gains are achieved, gain-sharing plans do not adversely affect company costs (Paulsen, 1991).

In order for a gain-sharing program that meets the minimum requirements for success to be in place, Paulsen (1991) and Boyett (1988) have suggested a few pointers in the effective management of a gain-sharing program. They are as follows:

- A HR manager must ensure that the people who will be participating in the plan are influencing the performance measured by the gain-sharing formula in a significant way by changes in their day-to-day behavior. The main idea of the gain sharing is to motivate members to increase productivity through their behavioral changes and working attitudes. If the increase in the performance measurement was due to external factors, then it would have defeated the purpose of having a gain-sharing program.
- An effective manager must ensure that the gain-sharing targets are challenging but legitimate and attainable. In addition, the targets should be specific and challenging but reasonable and justifiable given the historical performance, the business strategy and the competitive environment. If the gain-sharing participants perceive the target as an impossibility and are not motivated at all, the whole program will be a disaster.
- A manager must provide useful feedback as a guidance to the gain-sharing participants concerning how they need to change their behavior(s) to realize gain-sharing payouts the feedback should be frequent, objective and clearly based on the members' performance in relation to the gain-sharing target.
- A manager must have an effective mechanism in place to allow gain-sharing participants to initiate changes in work procedures and methods and/or requesting new or additional resources such as new technology to improve performance and realize gains. Though a manager must have a tight control of company's resources, reasonable and justifiable requests for additional resources and/or changes in work methods from gain-sharing participants should be considered.

**16.3.5 Affects of Technology**

Technology has had a positive effect on internal operations for organisations, but it has also changed the way human resources managers work. They work and provide support in what have become integrative communication centers. By linking computers, telephones, fax machines, copiers, printers and the like they disseminate information more quickly. In addition technology helps them circumvent the physical confines of working only in a specified organisational location.

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**16.4 Human Resources Best Practices**

The best practices in the management of human resources are the ones which optimize a workforce so that it can not only get more done, but also ensure a greater level of efficiency, timeliness and quality as it accomplishes increases productivity overall.

The important areas in which the best human resources practices must be applied include the creation of viable and attractive benefits and compensation packages, managing the performance of employees, making sure that business practices and worker conditions stay well within the law, creating a positive, enjoyable work environment, talent recruitment and mapping out the best human resources strategy for the future.

When browsing job listings, two of the first features that prospective talent looks for are the salary levels and the benefits packages. Hence the job of the best practices human resources firm is to make sure that these benefits and pay scales meet the company's budget while remaining attractive and competitive enough to pull in the very best talent possible. Make sure that these figures put the company in a good light while also presenting themselves as engaging and competitive for your company's recruitment efforts.

Another important aspect of best practices when it comes to providing optimal human resources services is the accurate and productive evaluation and enhancement of performance among the employee base. Indeed, performance management is one of the key functions of a human resources department, and should be approached with any one of a number of the proven techniques of metrics and evaluation that strives toward best practices in the realm of performance management.

Staying within the law is also another highly prominent aspect of human resources that comes into heavy play when discussing the best practices involved in keeping the workplace free of dangerous or contentious business practices. That's why a good human resources department will thoroughly lawsuit-proof the workplace by making it compliant with the vast number of state and central regulations in place for companies today.

As human resources is all about maintaining a positive and productive work environment, best practices helps to make sure that employees feel good about the company they work for.

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**16.5 Scope and Importance of Human Resource Management**

Global competition has increased the importance of improving workforce productivity and looking globally for the best qualified workers. Thus organisations need HRM specialists trained in psychology, sociology,

organisation and work design and law. Today professionals in Human resources are importance elements in the success of any organisation. Their jobs require a new level of sophistication. Not surprisingly, their status in some organisations has also been elevated. Even the name has changed. Although the terms personnel and human resource management are frequently used interchangeably, it is important to note that the two connote quite different aspects. The human resource department head, once a single individual heading the personnel function, today may be a vice president sitting on Executive boards and participating in the development of the overall organizational strategy.

Managing people at work is most crucial job and the importance of Human Resource Management is universally recognized from different standpoints. Social significance of HRM is evident since it enhances the dignity of people at work by satisfying their social needs. HRM has professional significance since it provides healthy working environment and promotes team work amongst the people at work. HRM has direct significance for the organisation since it helps in accomplishing its goals. Individuals in the organisation also realize the importance of personnel management since it facilitates their own growth and development and provides them maximum satisfaction in relation to work performance.

Thus in the management of Money, Markets, Materials, machines and Men - the 'Management of Men is most fundamental and dynamic as well as challenging task. It is the men, not machines, not materials, not money and not the markets who make or mar the organisation. Therefore, personnel management gains utmost importance in obtaining effective results through people at work and in gaining utmost importance in obtaining effective results through people at work and in gaining their commitment as well as winning their willing cooperation for the successful accomplishment of all desired goals. The vital significance of HRM is largely due to the fact that the success of an organisation heavily depends on the services of its loyal employees with genuine desire to be cooperative with the management.

The scope of HRM in an organisation is as follows:

1. Cordial worker management relationship would be possible through proper HRM
2. Management would be able to understand their people better
3. A situation would be created in the organisation for the employees to enjoy their work and gain substantial job satisfaction
4. Management would be able to get better cooperation from its workers
5. Employees would be able gain a great sense of accomplishment through their work
6. Organisational efficiency and worker's productivity would increase
7. It would help the employees to gain a sense of belonging to their workplace
8. Better organizational climate and culture may emerge as a result of good HRM
9. As the people would be able to foster a sense of belongingness , their sense of fulfillment and accomplishment would remain high
10. As the people are respected as individuals, and their contributions are valued and rewarded they would gain more self confidence and self



respect and they will learn to respect others, particularly their superiors and managers.

11. The employees may be able to gain a self confidence that their competence and performance can be improved and they would have prospects for better career growth; and to use their competence and talents
12. Management gets enlightened workforce
13. A good Communication channel would become possible as a result of mutual understanding and better coordination
14. Influence level of management and managers will increase
15. Adverse influence of trade unions, particularly self seeking militant trade union leaders can be reduced
16. Gulf between management and workers can be reduced
17. A good HRM Policy would improve the possibility for industrial peace which is badly needed in India now a days
18. It would become easier for the management to identify and train appropriate talents for every job.

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## 16.6 Components of Human Resource Management

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The following are the components of Human Resource Management

### **Manpower Planning**

- Succession Planning
- Turnover

### **Recruitment**

- Deciding on terms of appointment
- Selection of candidates
- Probation

### **Performance Management**

- Motivation
- Performance appraisal
- Promotion
- Guidance and supervision
- Addressing poor performance

### **Training & Development**

- Training
- Development

### **Staff Relations**

- Securing staff commitment
- Dispute resolution
- Addressing grievances
- Welfare

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### 16.6.1 Manpower Planning

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Manpower planning enables a department to project its short to long term needs on the basis of its departmental plans so that it can adjust its manpower requirements to meet changing priorities. The more changing the environment the department is in, the more the department needs manpower planning to show:

- the number of recruits required in a specified timeframe and the availability of talent
- early indications of potential recruitment or retention difficulties
- surpluses or deficiencies in certain ranks or grades
- availability of suitable qualified and experienced successors

**Key components**

*Manpower planning comprises two key components:*

- *succession planning*
- *turnover*

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**16.6.1.1 Succession Planning**

Succession planning assesses the likely turnover in key posts, identifies suitable candidates to fill these posts in future, and ensures that they have the right training and exposure for their future work. Given the effort and support required for undertaking succession planning, it is normally confined to the directorate and those ranks immediately below, plus any grades with high turnover or anticipated expansion.

Succession planning is a very important exercise because it minimizes the impact of turnover in these key ranks and gives a branch or department early warning of any skill shortages or likely difficulties in finding suitable candidates. Ideally a succession plan should cover 3 to 5 years. The succession plan should identify

- key posts and possible successors
- causes of turnover
- competencies of successors and the training required for them
- posts for which no apparent successor exists and the remedial action planned

The information derived from the succession plan should feed into the training and development of the individuals concerned by ensuring that they attend the necessary training and are posted to jobs that will provide them with the experience for their intended role.

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**16.6.1.2 Turnover**

Turnover refers to retirement, resignation and redundancy. While a department cannot plan turnover because there are factors, such as resignation, which are beyond its control, it can monitor turnover carefully to ensure the department will have minimal difficulties in retaining staff. If such difficulties are envisaged or experienced, the department will find out the causes for them and take early steps to address them by improving, for example, motivation or training and development opportunities.

When addressing the aspects of succession and turnover, the department also needs to consider other manpower planning factors:

- external factors
- internal factors

**External Factors:** A number of factors may affect whether talent is available in the market to fill posts in a department. These include the availability of the required personnel with the necessary qualifications, skills and experience at a

specified time, the relative job opportunities in the private sector and the general outlook of the economy.

**Internal Factors:** Departmental Plan: A department assesses the number of staff it requires at different levels, at specified timeframes, in the light of its present and planned future work commitments. This may lead to an increase or decrease of the current manpower.

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## 16.7 Recruitment

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Before a department takes steps to employ staff, it should work out the type of staff it needs in terms of grade and rank, and the time scale in which the staff are required. The general principles underpinning recruitment should be that the recruitment should:

- Use procedures which are clearly understood by candidates and which are open to public scrutiny;
- Be fair, giving candidates who meet the stipulated minimum requirements equal opportunity for selection; and
- Select candidates on the basis of merit and ability.

**Key components:** *There are three key components to the recruitment process:*

- *Deciding on terms of appointment*
- *Selection of candidates*
- *Probation*

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### 16.7.1 Deciding on Terms of Appointment

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Having decided on the grade and rank of the staff required, and the timing concerned, the department should consider what the most appropriate terms of appointment would be. This should take into account the nature of the duties to be performed and the overall manpower deployment of the department. The different terms of appointment that can be offered are -

- permanent and personable terms;
- agreement terms;
- temporary terms (month-to-month or day-to-day);
- part-time;
- Consultancy

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### 16.7.2 Selection of Candidates

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**Advertising:** Vacancies can generally be advertised in newspapers and through circulars.

**Screening and Selection:** Departments screen applications to see if the applicants meet the specified qualifications and other requirements of the post. Suitable candidates are then shortlisted for subsequent examination and/or interviews. Not all grades/departments would require candidates to undergo examination, but candidates would normally be required to be interviewed by a recruitment board or an officer from the recruitment team.

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### 16.7.3 Probation

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During probation staff are introduced to the mission, objectives and values of the organisation and their departments. Probation is a serious process which

provides regular feedback on performance and assesses suitability for employment. It includes:

- **On-the-job training:** staff should be exposed to the different duties required for their rank. In this way they can learn the skills expected of them and managers can verify their long-term suitability;
- **Supervision and guidance:** staff should receive close and sympathetic supervision and guidance to enable problems and difficulties to be identified early and timely counseling or other action to be taken.

Newly joined staff must be told the length of their probationary period, which varies with the requirements of each grade. If there are indications that staff are not suitable for confirmation, they must be counseled and then warned in writing if the problem persists. Confirmation is the step whereby a member of staff on probation is found suitable for the job and employed on permanent and personable terms.

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### 16.8 Performance Management

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Performance management is a very important Human Resource Management function. Its objective is to improve overall productivity and effectiveness by maximizing individual performance and potential. Performance management is concerned with –

- improving individual and collective performance;
- communicating management's expectations to supervisors and staff;
- improving communication between senior management, supervisors and staff;
- assisting staff to enhance their career prospects through recognizing and rewarding effective performance;
- identifying and resolving cases of underperformance; and
- providing important links to other Human Resource Management functions, such as training.

#### **Key Components**

*Performance management therefore consists of several key components -*

- *motivation*
- *performance appraisal*
- *promotion*
- *guidance and supervision*
- *addressing poor performance*

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#### 16.8.1 Motivation

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Motivation is in many ways the key to the success of Human Resource Management development. Managers should aim to increase performance through self-motivation, rather than having to use external motivation (i.e. the imposition of rules and continual improvements to conditions of service) to bring about higher standards of performance.

The basic principle underpinning motivation is that if staff are managed effectively, they will seek to give of their best voluntarily without the need for control through rules and sanctions - they will eventually be self-managing.

Some of the most effective ways for managers to motivate staff include giving praise; recognition; and positive feedback; passing on feedback from more senior

managers; and letting other staff know which staff have been responsible for praiseworthy work and/or effort. Too often staff experience 'management by mistake', where most of the feedback received is corrective or punitive for mistakes they are perceived to have made. If staff feel that their decisions are generally supported, and when genuine mistakes are made they will be guided in the right direction, they will be more positive, confident and prepared to take on responsibility and decision-making. When staff are shown clear expectations, valued, trusted, encouraged and motivated, then they will be more likely to give of their best.

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### 16.8.2 Performance Appraisal

Performance appraisal assesses an individual's performance against previously agreed work objectives. It serves two functions. First, it enables management to evaluate an individual's performance in the current job to identify strengths and overcome weaknesses. Second, it provides information to assist management plan postings, transfers and promotions. In so doing, management is able to compare performance and potential between officers of the same rank.

Outcomes from staff appraisal should guide other Human Resource Management functions;

- it is a joint responsibility of the individual and the supervisor;
- it is a continuous and ongoing process;
- it should relate individual performance to departmental objectives;
- checks and balances should be built into the system to ensure fairness and objectivity;
- outstanding performance at one rank does not necessarily indicate suitability for promotion to a higher rank.

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### 16.8.3 Promotion

Promotion denotes that an individual has the competencies, i.e. the skills, abilities, knowledge and attitudes, required to perform effectively at the next higher rank. The competencies reflect the knowledge and skills exhibited in observable behaviour in the relevant areas of work. Promotion provides motivation to perform well and is an important part of performance management.

The principle of merit, or the best person for the job is key to promotion. Ability, potential and experience are taken into account in the assessment. The process of assessment should be fair and transparent. It is kept separate from the day to day management of performance and from the annual performance appraisal. The former should be a continuous process, while the latter can be used to assist in determining suitability for promotion.

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### 16.8.4 Guidance and Supervision

Day-to-day guidance and supervision is necessary to provide direction and feedback to staff. It reinforces the annual performance appraisal, helps groom officers for promotion, and assists staffs who are not performing well.

Guidance and supervision reinforces behaviour that contributes to good performance and discourages behaviour that blocks progress. Feedback should be -

- frequent - staff should not have to wait until formal performance review or appraisal for feedback;
- balanced - it should focus on good and bad performance;
- immediate - immediate feedback has much more impact than feedback given several weeks or months later;
- specific - staff should be in no doubt what actions feedback covers; and
- constructive - feedback should focus on overcoming difficulties or reinforcing successful behaviour.

Guidance and supervision is offered on a day-to-day basis as needed.

Poor performers need to be appropriately handled to ensure they will not persist in their adverse performance, and will give of their best to the civil service. Management must take action to tackle such performers, otherwise there may be an adverse effect on the morale of staff who are performing satisfactorily.

When staff are not performing at the level appropriate for their rank and experience, they should be told so, and be helped to overcome the poor performance through close supervision and counseling. When it is clear that these are to no avail, retirement in the public interest would need to be resorted to. The whole procedure needs to be handled in a sensitive, objective and fair manner.

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## 16.9 Training and Development

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The objective of training and development is to enable employees to acquire the knowledge, skills, abilities and attitudes necessary to enable them to improve their performance.

Staff training and development should focus on the department's objectives and goals and staff's competencies in achieving them. A strategic approach has the following characteristics:

- commitment to training and developing people;
- regular analysis of operational requirements and staff competencies;
- linking training and development to departmental goals and objectives;
- skilled training personnel;
- regular evaluation;
- a continuous learning culture;
- joint responsibility between managers and staff for identifying and meeting training needs; and
- a variety of training and development methods for different circumstances and learning styles.

### **Key components**

*Training and Development consists of two main aspects:*

- *training*
- *development*

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### 16.9.1 Training

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Departments manage their own training function and have varying levels of responsibility to do this effectively:



- Management formulates departmental training policies and draws up training and development plans to support departmental missions, objectives and values.
- Managers identify competencies and training needs, implement training activities and provide coaching and supervision to ensure staff development occurs.
- Staff take responsibility to make the most of the opportunities provided to maximize their potential.

Various types of training are provided –

- **Induction:** to familiarize new recruits with job requirements and procedures, departmental objectives and performance standards; and the values and norms of the department.
- **Management development:** to equip managers with the knowledge and skills required and to widen their perspective.
- **Vocational:** to provide staff with the professional or technical knowledge and skills required for work.
- **language and communication :** to meet operational needs and to prepare for the future
- **Computer:** to provide staff with basic computers skills.

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### 16.9.2 Development

The purpose of career development is to identify and develop the potential within staff, to build existing skill levels, and to prepare staff to take on greater responsibility during their career. Career development has to balance the needs and aspirations of the individual with the needs of the organisation - where these conflict, the needs of the organisation should prevail.

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## 16.10 Staff Relations

The purpose of staff relations is to ensure effective communication between management and staff, to secure maximum cooperation from staff, and to motivate staff to give their best by ensuring that they feel fairly treated, understand the overall direction and values of the organisation and those of their departments, and how decisions that affect them have been reached.

The principles that govern staff relations are that, where possible:

- management should communicate regularly and openly with staff;
- staff should be consulted on matters that affect them;
- problems and disputes should be resolved through discussion and consultation;
- the Government should uphold the resolutions of the International Labour Organization conventions; and
- management should devise and encourage activities that contribute to staff's well being.

### **Key components**

Staff relations cover:

- *securing staff commitment*
- *dispute resolution*
- *addressing grievances*
- *welfare*

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### 16.11 Conclusion

The role of the HR manager must parallel the needs of the changing organization. Successful organizations are becoming more adaptable, resilient, quick to change directions, and customer-centered. Within this environment, the HR professional must learn how to manage effectively through planning, organizing, leading and controlling the human resource and be knowledgeable of emerging trends in training and employee development.

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### Objective Questions

**Note: State Whether True or False**

1. Human resource management originated in the United Kingdoms.
2. HRM asserts the interrelationship among shareholders, managers, employees, unions and government
3. One of the major aspects of HR maintenance involves employee recruitment, training and development as a function of human capital management.
4. Human Resource Management can also be performed by line managers.
5. The role of a counselor can not be performed by an HR Manager
6. In a small organization, a human resources generalist may handle many, or all, aspects of human resources work, requiring a broad range of knowledge.
7. Industrial labor relations programs are implemented by labor relations managers and their staff.
8. Changes in technology have no effect on the human resources of an organisation.
9. Induction training is the training, which provides skill and knowledge to the employees.
10. Probation is one of the three components of Recruitment.

**Short Case**

The executive housekeeper of the Holiday Inn has repeatedly complained to you about Vinita, a long time housekeeper at the Holiday Inn. As the Human Resource Manager you feel obliged to confront Vinita about ignoring her boss. Vinita says she does not like the executive housekeeper and, after speaking with her, she still refuses to cooperate.

Recently, Vinita was asked to present a voucher for her lunches. Reports have come in from the employee cafeteria showing that she still will not cooperate.

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**Discussion Question**

1. As human resource manager, what should you do?

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**Answers to True and False**

1. False
2. True
3. True
4. True
5. False
6. True
7. True
8. False
9. False
10. True

## Department of Tourism Management

विभाग - पर्यटन प्रबंधन

