

**SYLLABUS****Class: - B.B.A. II Semester****Subject: - Human Resource Management**

UNIT – I	Introduction: Importance of Human Resource Management – Meaning, Nature and Scope, Functions and Role of HR Manager – Advisory and service function to other department – HRM function planning – objectives and policies, organizing the HRM Department.
UNIT – II	Procurement and Development Functions: Job Analysis, Job description, job specification, recruitment, selection, placement and induction and socialization,
UNIT – III	Training & development. Types and method, job change – career planning, promotion, demotion, transfer, separations.
UNIT – IV	Compensation Function: Job evaluation – Merit rating – Methods of wage payment, incentive compensation – Types, advantages, perquisites. Wage system in India – Minimum wage, fair wage, living wage
UNIT – V	Maintenance and Integration Functions: Administration of welfare, amenities & fringe benefits, safety & accident prevention work, environment fatigue safety, accident prevention. Employee grievances and their redressal, suggestion schemes, administration of discipline.
UNIT-VI	Audit and Control Function: Performance appraisal – purpose, factors, methods 360 degree feed back uses and application, human resource accounting.



UNIT-I

“HR IS THE MOST VIBRANT AND DYNAMIC RESOURCE” – P. SUBBA RAO

Introduction:-

Henry Fayol the pioneer in the field of management state “Take out my building take out my machines and all capital but leave my men with me, I will become Henry Fayol again”. This statement of Henry Fayol highlights that human resources in an organization plays a crucial role.

The Human Resource represent the ‘people at work’.

The human resource refers to the knowledge, skills, abilities, values, aptitude & beliefs possessed by the workforce in organization.

Human Resource Management:-

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

Definitions:

1. According to **Edwin Flippo**: HRM is planning, organizing, directing, controlling of procurement, development, compensation, integration, maintenance & separation of human resources to the end so that individual, organizational & social objectives are achieved.
2. HRM 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 & training.
3. HRM is the process of attracting developing & maintaining a talented & energetic workforce to support organizational mission, objectives & strategies.

Nature of HRM:

1. Pervasive function
2. Action oriented: Scope of HRM is not only limited to record keeping.
3. Individually oriented
4. People oriented
5. Future oriented
6. Development oriented
7. Integrated Function
8. Comprehensive function: It covers all the type of personnel.
9. Auxiliary service: It is a staff function(Advice)
10. Inter disciplinary function
11. Continuous function
12. Involves team sprit & team work
13. Management function



Scope of HRM:



1. **HR planning:** HRP refers to a process by which the company identifies the no. of jobs vacant, whether the company has excess staff or shortage of staff & to deal with this excess or shortage of staff.
2. **Job analysis:** It gives a detailed explanation about each & every job in the company.
3. **Recruitment & Selection:** Recruitment is searching for the prospective employee & selection is a process used to identify & hire individual.
4. **Orientation & induction:** once a employee is being selected an induction program is conducted.
5. **Training & development:** Every employee goes under training program which helps him to put up a better performance on the job.
6. **Performance Appraisal:** HR department conducts appraisal programs & based on that appraisals decide future promotions, incentives, increments in salary etc.
7. **Compensation Planning & Remuneration:** Compensation Planning ensures that jobs are fairly compensated and more difficult jobs are paid more. It ensures equal pay or equal work.



8. **Motivation, Welfare, Health & Safety:** It deals with working condition and amenities such as canteens, crèches, rest and lunch rooms, medical assistance, education, health and safety, recreation facilities.
9. **Industry Relations:** It includes maintaining relation with the union members, settlement of disputes, grievances handling.

Objectives of HRM –

- 1) Procurement of the Personnel
- 2) Effective Utilization of Human resources
- 3) To Build Desirable Working Relationships
- 4) Maximum Individual Development
- 5) To Secure Integration
- 6) To Satisfy, Individual Needs and Group Goals
- 7) Development of Team Work
- 8) Raising Morale of Employees
- 9) Maintaining Good Relations Between Employer and Employees
- 10) To Create Disciplined Atmosphere

Functions of HRM:

The functions of HRM can be broadly classified into two categories:

1. Managerial Functions
2. Operative Functions
3. Advisory Functions

(I). MANAGERIAL FUNCTIONS:

- i. Planning:** In the area of human resource management planning involves deciding human resource goals, planning human resources, requirements, recruitment, selection, training etc.
- ii. Organising:** It is concerned with proper grouping of personnel activities, assignment of duties and delegation of authority.
- iii. Directing:** It involves the process of motivating, leading, supervising, activating and guiding the personnel as and when necessary.
- iv. Controlling:** It involves measurement of employees performance & taking corrective action.

(II). OPERATIVE FUNCTIONS:

Operative functions are related to specific activities of personnel management through:

1. Procurement or Employment function
2. Development function
3. Compensation Function
4. Integration Function
5. Maintenance

1) Procurement or employment function:

Employment is concerned with securing & employing the right kind and proper number of people required to accomplish the organizational objective. It consists of the following activities:

- a. **Job Analysis:** It is the process of studying in detail the operations and responsibilities involved in a job.
- b. **HR Planning**
- c. **Recruitment**
- d. **Selection**
- e. **Placement**
- f. **Induction or orientation**
- g. **Transfer, Promotion & Demotion**
- h. **Discharge & Separation**



- 2) **Development Function:** It is the process of improving, molding & changing the skill knowledge, creativity, attitude, values, commitments etc. of employees so that they can perform the present and future jobs more effectively. It includes:
- a. Performance appraisal and potential appraisal
 - b. Training
 - c. **Management Development:** It is the process of developing managerial talent through appropriate programmes.
 - d. **Career Planning and Development:** It involves planning the career of employees and implementing career plans so as to fulfil the career aspiration of employees.
- 3) **Compensation Function:** It is the process of providing adequate equitable & fair remuneration to the employees. It includes:
- a. **Job Evaluation:** It is the process of determining the relative worth of a job.
 - b. **Wage & salary administration:** It implies developing and operating a suitable wage and salary programme.
 - c. Bonus & incentives
 - d. **Fringe Benefits:** These are the various extra benefits provided to employees in addition to the compensation paid in the form of salary or wage. Ex .Recreation facilities, Education facility to children etc.
 - e. **Social Security Measures:** Ex. Medical benefits, sick benefits, maternity benefits etc.
- 4) **Integration Function:** It is the process of integrating the goals of an organization with employees goals through various employee oriented programmes. It includes
- a) grievances handling,
 - b) Instituting proper disciplinary measures,
 - c) Employee participation
 - d) Communications
 - e) Counseling
 - f) Collective Bargaining
 - g) Discipline
 - h) Conflict Management
 - i) Quality of Work Life
 - j) Industrial Relations
- 5) **Maintenance:** It is concerned with the perpetuating a willing and able workforce. It involves protecting and promoting the physical and mental health of employee. It includes –
- a. Health and Safety
 - b. Medical Services
 - c. Protection and Security
 - d. Social Security
 - e. Compliance with Labour Laws
 - f. Employee Benefits and Services
 - g. Personnel Research
 - h. Personnel Records.

III) ADVISORY FUNCTIONS

- 1) Service Provision
- 2) Advice and Guidance to Line Managers
- 3) Staff Role-Advice, Counsel, and Recommendation to Top Management
- 4) Support and Assistance
- 5) Line Functions
- 6) Coordinate Function



- 7) Innovative Function
- 8) Employee Advocacy Role and Function

IMPORTANCE OF HRM

- 1) Important Task of Management
- 2) Achievement of Enterprise Goals
- 3) Realization of Intrinsic Abilities
- 4) Satisfaction from Work
- 5) Nervous System of the Organization
- 6) Effectiveness and Economy of Operations
- 7) Basis of Success
- 8) Performs the Toughest Job: Dealing with the Human Beings
- 9) Managerial Necessity
- 10) Twofold Role
- 11) Overcoming Competition
- 12) Managing Environment
- 13) Utilization of Human Resources
- 14) Building Team Work

ROLE OF PERSONNEL MANAGER:

Administrative role	Operational role	Strategic role
<ul style="list-style-type: none">• Policy Maker• Administrative Expert• Advisor• Housekeeper• Counselor• Welfare Officer• Legal Consultant	<ul style="list-style-type: none">• Recruiter• Trainer• Developer• Motivator• Coordinator• Mediator	<ul style="list-style-type: none">• Change Agent• Strategic Partner

HR managers perform different type of roles. They are as follows:

1. Administrative role
2. Operational role
3. Strategic role

1. Administrative role: It includes:

- **Policy Maker:** Hr manager helps management in the formation of policies governing talent acquisition and retention, wage and salary administration, welfare activities etc.
- **Administrative Expert:** Here the role of HR manager is heavily oriented to processing and record keeping.
- **Advisor:** Personnel management is not a line responsibility but a staff function. Staff function advices, suggests, counsel and help the line managers in discharging their responsibility.



- **Housekeeper:** It includes recruiting, pre-employment testing, reference checking, employee surveys, wage and salary administration etc.
- **Counselor:** The personnel manager discusses various problems of the employees relating to work, career, their supervisors, colleagues, health, family, financial, social etc and advises them on minimizing and overcoming problems, if any.
- **Welfare Officer:** As a welfare officer he provides and maintains canteens, hospitals, crèches, clubs, libraries etc.
- **Legal Consultant:** Personnel manager plays a role of grievance handling, settling of disputes, handling disciplinary cases, doing collective bargaining etc.

2. **Operational roles:**

- Recruiter
- Trainer, developer, motivator
- Coordinator
- Mediator/Linking pin

3. **Strategic Roles:** The strategic role of HR management focuses attention on how to enable ordinary employees to turn out extra ordinary performance, taking care of their ever changing expectations.

- **Change Agent:** HR's role as a change agent is to replace resistance with resolve, planning with results and fear of change with excitement about its possibilities. Hr helps an organization identify the key success factors for change and assess organization's strength and weaknesses.
- **Strategic Partner:** Hr role is to deliver strategic services cost effectively by building a competent, consumer oriented workforce. It must assume important roles in strategy formulation as well as strategy implementation.

HUMAN RESOURCE PLANNING

Human Resource Planning deals with a anticipating staff requirements, taking into account current and likely future demand for skills, and the probable availability of individuals with such skills. It is the process by which a firm determines how a management should move from its current manpower position to its desired manpower position.

Characteristics of HRP –

- Involves Strategy
- Deals with policies in programme
- It involves both a quantifiable and qualitative dimension.
- It is a Continuous process
- It has the short-range, mid-range and long-range time frame
- Future oriented
- It fulfills the human resource gap
- It may be organized at different levels of an organization.

Need for HRP –

- Shortage of Skills
- Technological Changes



- Organizational Changes
- Demographic Changes
- Specialist Skill
- Governmental Influences
- Legislative Controls
- Pressure Groups
- Systems Groups
- System Concept
- Size
- Other Factors

Process of HRP –



- **Environmental Scanning:** Environmental scanning helps HR Planners identify and anticipate sources of problems, threats, and opportunities that should drive the organization's strategic planning. Hence, the first step in HR Planning is to collect information from the external environment regarding the following factors:
 - Economy
 - Technology
 - Competition
 - Labour Markets
 - Demographic and Social Trends
 - Government regulations
 - Legal Environment
- **Internal Review:** Basically, this is an internal analysis and review that includes the assessment of the following things:
 - The vision and strategy
 - Organizational plans
 - Time Horizon



- Current Human Resources
 - Objectives of Manpower Planning
- **Forecasting Demand for Human Resources (Manpower Forecasting):** Once HR planners have collected information from both internal and external sources, they forecast the demand for human resources, which depends on several factors, such as:
 - Employment Trends
 - Business Plans
 - Demographics
 - The Economy
 - Technological Trends
 - Social Trends
- **Forecasting Supply of Human Resources:** Whereas the manpower demand forecast projects HR needs, the manpower supply forecast projects resource availability. Supply of human resource forecasts are broken down into two categories:
 - Internal Supply
 - External Supply
- **Matching Demand and supply Forecasting:** Once an organization has forecast HR demand as well as HR supply, the next step is to compare the two. The comparison may disclose the following conditions:
 - HR supply = HR demand
 - HR supply < HR demand (Deficit/shortage)
 - HR supply > HR demand (Surplus)
- **Action Planning and Programming:** A discrepancy between demand and supply requires that action plans should be developed to eliminate it. Such action plans can be undertaken:
 - Layoffs
 - Downsizing
 - Attrition
 - Early Retirement
 - Reduced Work Hours
 - Out placement
 - Hiring
 - Retraining
 - Career Management
 - Productivity Programmes
 - Reduction in Workforce
- **Monitoring and Control:** Once the actions plans are implemented, the human resource structure and system need to be reviewed and regulated.

LIMITATIONS OF HRP-

- 1) Inaccuracy
- 2) Resistance
- 3) Uncertainties
- 4) Lack of Top Management Support
- 5) Time and Expense
- 6) Unbalanced Focus

ORGANIZING THE HRM DEPARTMENT



With regard to organization of HR department two issues are very important. They are (i) Place of the HR department in the overall organisational set-up, and (ii) composition of the HR department itself.

Place of HR Department in the Overall Organizational Set-up

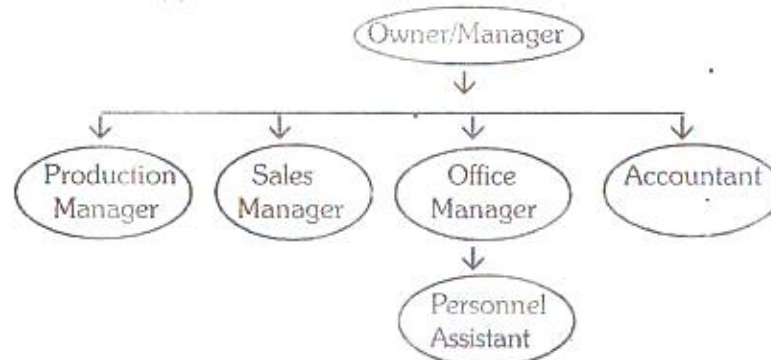


Figure 6.1 : HRM in a Small-Scale Unit

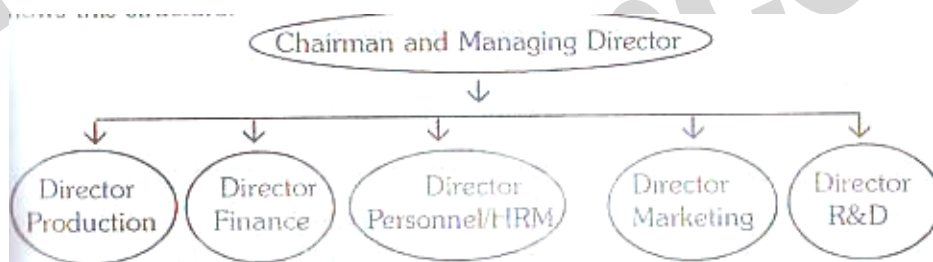


Figure 6.2 : HRM in a Large-Scale Unit

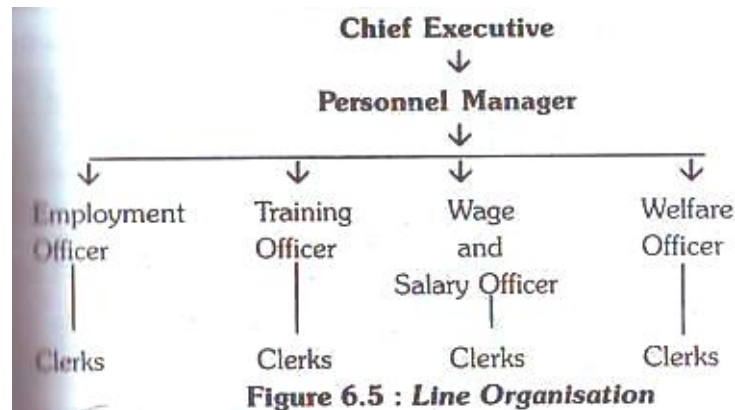
Composition of HR Department

It depends on the scale of operations and attitude of the top management towards its personnel.

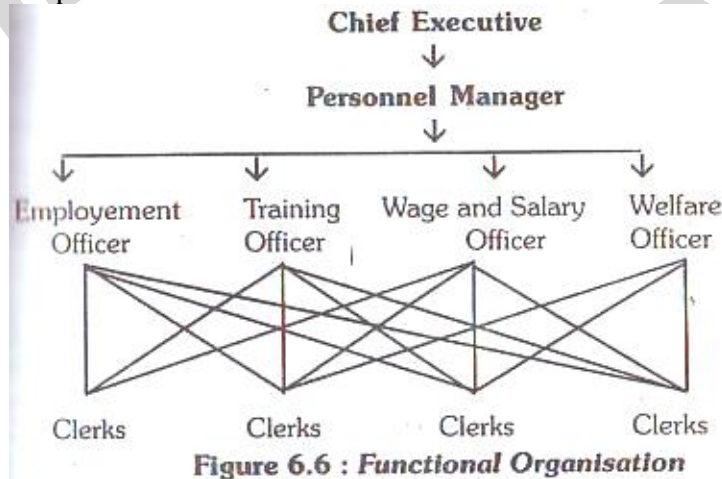
Various Forms of Organizational Structure

- i) Line Organization structure
- ii) Functional Organization Structure
- iii) Line and staff organization structure

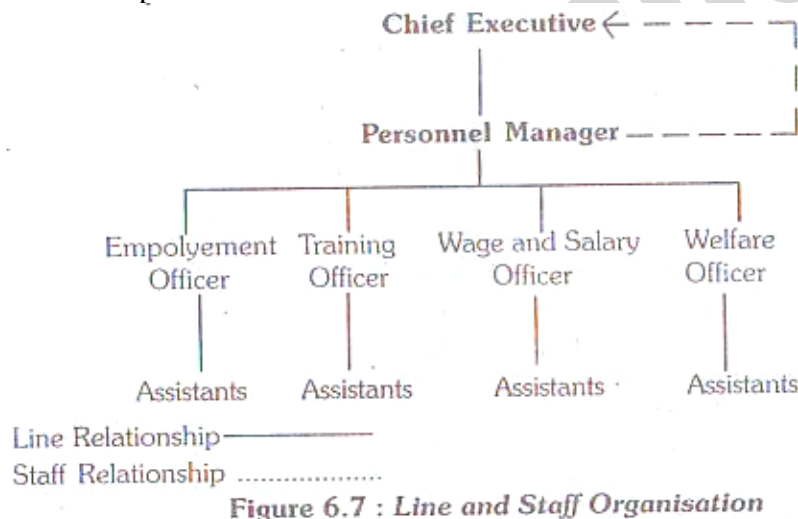
i) Line Organization structure: This is also known as military organization and the line of authority flows from the top most executives to be lowest subordinate.



ii) Functional Organization Structure: Here the departments are grouped according to functions like employment, training, salary, welfare, employee research and services etc. A specialist heads each department and has specialized men under him.



iii) Line and staff organization structure: This structure has been evolved in order to achieve the benefits of both the line as well as the functional organization. The organization structure is basically that of the line organization, but staff officers who are functional experts are engaged to advise the line officers in the performance of their duties.





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Other Forms:

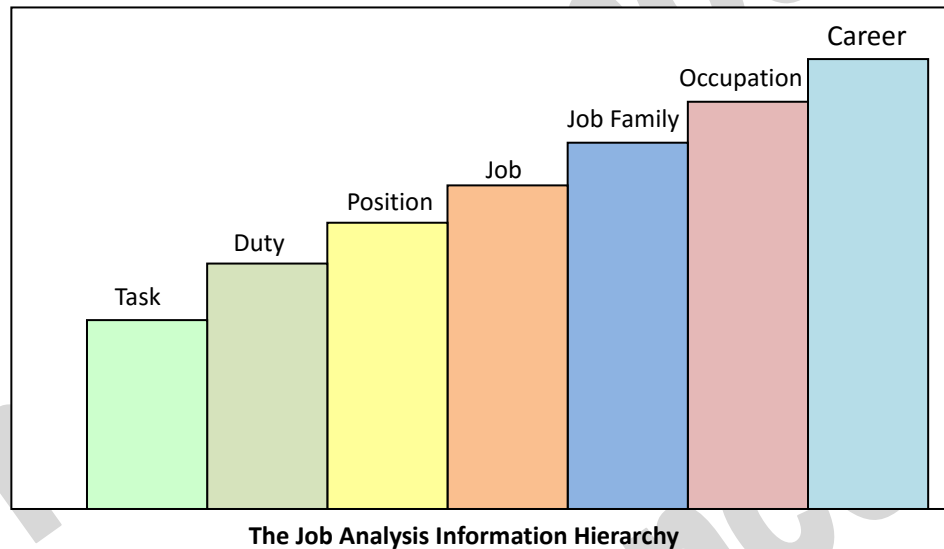
- 1) Centralized HR Department
- 2) HR Department in Divisionalised Organization
- 3) HR Department in Matrix Organization Structure

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**UNIT-II
JOB ANALYSIS**

'Job' consists of a group of tasks that must be performed for an organization to achieve its goals.



Job analysis is a formal and detailed examination of jobs. It is systematic investigation of the tasks, duties, responsibilities necessary to do a job.

Job analysis is the procedure through which we find out (1) what the job entails, and (2) what kinds of people (in terms of skill and experience) should be hired for the job.

Characteristics:

- Formal & Detail study
- Dynamics
- Comprises four components: Job description, job specification, job performance standards and role analysis.
- Different from motion and work study (Taylor)
- It is taken up at three times: (a) When the organization starts and a 'work design programme' is initiated; (b) when new jobs are created; and (c) when jobs undergo drastic changes as a result of new methods, procedures, systems or technology.
- Pervasive

Uses of Job Analysis –

- 1) **Human Resource Planning** – Job analysis helps in forecasting human resource requirements in terms of knowledge and skills. It also helps in determining quality of human resources needed in an organization.
- 2) **Recruitment** – Job analysis is used to find out how and when to hire people for future job openings. For ex: company might be traditionally hiring MBA students for marketing purpose but through job analysis showed that the position can be filled by hiring a graduate with marketing skills.
- 3) **Selection** – Without a proper understanding of what is to be done on job, it is not possible to select the right person.
- 4) **Placement and orientation** – After selection people, we have to place them on jobs best suited to their interest, activities, and aptitude, if we are not sure about what is to be done on a job, it is not possible to teach a new employee how to handle a job.

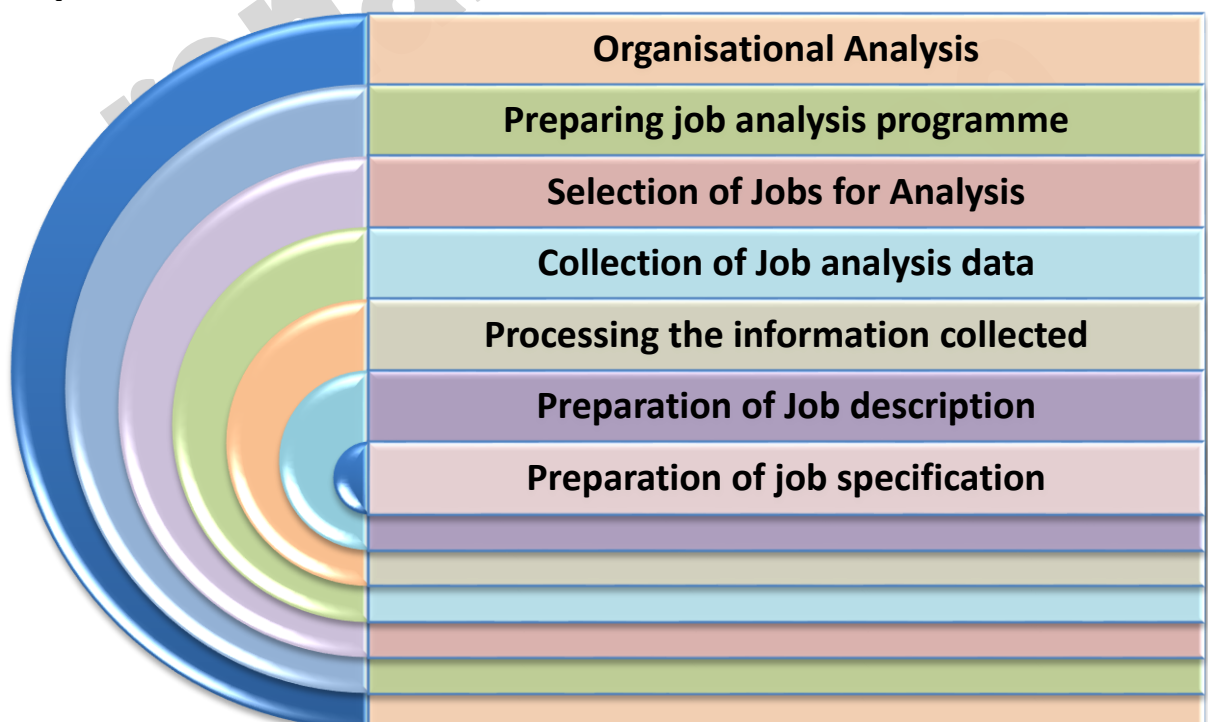


- 5) **Training** – If there is confusion about what the job is and what is supposed to be done, proper training efforts cannot be initiated.
- 6) **Counseling** – Managers can properly counsel the employees about their careers when they understand the different jobs in the organization.
- 7) **Employee Safety** – A thorough job analysis reveals unsafe conditions associated with the job.
- 8) **Performance Appraisal** – In performance appraisal we compare the work of an employee what he has to do and what he is actually doing. What the employee is supposed to do is based on job analysis.
- 9) **Job design and redesign** – Jobs are understood more properly through job analysis. It is easy to locate the weak points in any and take remedial steps.
- 10) **Job Evaluation** – Job evaluation is finding the worth of any job i.e. how much is to be paid for any particular job. This can be done through job analysis as it tells the degree of difficulty in any job, type of work done, skills and knowledge needed etc which is the basis on evaluating the job worth.

Process of Job analysis

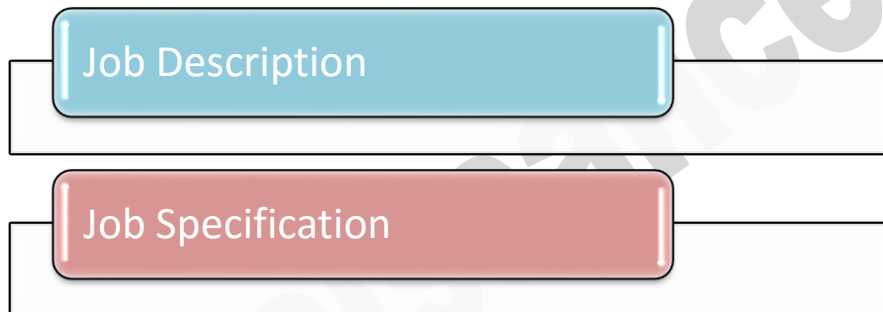
The major steps involved in job analysis are as follows –

- 1) **Organisational Analysis** – Firstly we need to obtain an overall picture of the various jobs in an organization.
- 2) **Preparing job analysis programme** – The company makes plan and decides who will be in charge of the programme and assigns responsibilities. A budget and a time schedule are also developed.
- 3) **Selection of Jobs for Analysis**
- 4) **Collection of Job analysis data** – This step involves the collection of data on the characteristics of the job, the required behaviour and personal qualification needed to carry out the job effectively.
- 5) **Processing the information collected**
- 6) **Preparation of Job description** – This step involves describing the contents of the job in terms of functions, duties responsibilities operation etc.
- 7) **Preparation of job specification** – This step involves conversion of job description statements into job specification.





Components/elements of Job Analysis:



Job Description –

A job description (JD) is a written statement of what the job holder does how it is done, under what conditions it is done and why it is done. It should accurately portray job content, environment, work performed, the responsibilities involved, the skill or training required conditions under which the job is done, relations with other jobs, and personal requirements of the job.

Contents –

- Job title
- Job summary
- Duties Performed
- Supervision
- Relation to other jobs
- Machines, tools and materials
- Working conditions
- Social environment

Job specification

Job specification summarizes the human characteristics needed for satisfactory job completion. It tries to describe the key qualifications someone needs to perform the job successfully. It spells out the important attributes of a person in terms of education, experience, knowledge, skills and abilities (KSAs) to perform a particular job.

RECRUITMENT

Recruitment is defined as “a process of searching for prospective employees & stimulating them to apply for jobs in the organization.”

The function of recruitment precedes the selection function & its includes only finding, developing, the sources of prospective employees & attracting them to apply for jobs in an organization, whereas the selection is the process of finding out the most suitable candidate to the job out of the candidates attracted (i.e. recruited)

Characteristics –

- Positive Process
- Group of Activities (Not a single task)
- Pervasive
- Complex
- Linking Activity

Need and Objectives of Recruitment –

- a) Vacancies created due to transfer, promotion, retirement, termination, permanent disability or death.
- b) Vacancies created due to expansion, diversification, and growth of business.



- c) The normal population growth, which requires increased goods and services to meet the needs of the people.
- d) A rising standard of living, which requires more of the same goods and services as well as the creation of new wants to be satisfied.
- e) An increase in the competitive advantage of certain concerns, enabling them to get more of the available business than formerly.
- f) An increase in business arising from an upswing during the recovery period of a business cycle.

Process of Recruitment –

- 1) Recruitment process begins when the personnel department receives requisitions for recruitment from any department of the company.
- 2) The next step is assessment of personnel requirement through job descriptions and job specifications.
- 3) Locating and developing the sources of required number and type of employees.
- 4) Identifying the prospective employees with particular combinations of skill, experience, education, and other personal attribute.
- 5) Communicating the information about the organization, the job, the terms and conditions of service, and the applicable laws and regulations.
- 6) Encouraging the identified candidates to apply for jobs in the organizations.
- 7) Evaluating the effectiveness of recruitment process.

Sources of Recruitment –

The sources of recruitment are broadly divided into –

- a. Internal sources
- b. External source

Internal sources

- Present permanent employees
- Retrenched or Retired Employees
- Dependants of deceased, disabled, retire & present employee

External sources

- Campus recruitment
- Private Employment Agencies/ Consultants
- Public employment Exchanges
- Professional Associations
- Data banks
- Casual applicants
- Similar organization
- Trade unions

Internal sources –

Internal sources are the sources within an organizational pursuit, internal sources included –



- 1) **Present permanent employees** – Organization considers the candidates from this sources for higher level jobs for ex. Promotion, transfers.
 - **Promotions** – Most of the internal candidates would be submitted to take up higher responsibilities & express their willingness to be engaged in the higher level jobs if management gives them assurance that they will be promoted to the next higher level.
 - **Transfers** – Employees will be stimulated to work in new sections or places if management wishes to transfer to the places of their choice.
- 2) **Retrenched or Retired Employees** – Organization retrenches the employees due to layoff. The organization takes the candidates for employment from the retrenched employee due to obligation trade union pressure etc. sometimes the organization prefer to reemploy their retires employees as a token of layoff to the organization.
- 3) **Dependants of deceased, disabled, retire & present employee** – Some organization with a view to developing the commitment & loyalty of not only the employees but also his family members & to build up image provide employment to the dependant(s) of deceased, disabled & present employees.

External Sources

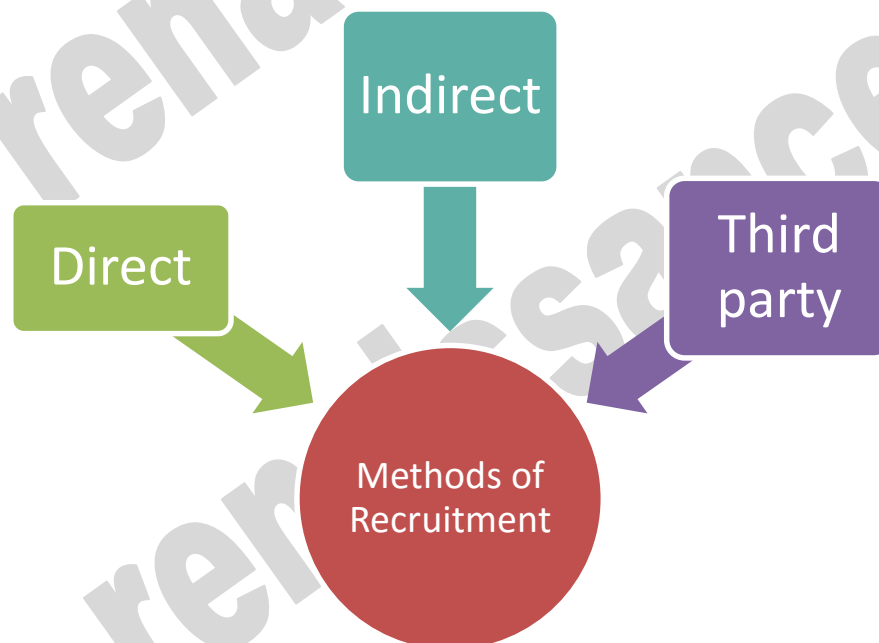
External sources are the sources which are outside the organization pursuit –

External sources include –

- | | |
|---|-------------------------|
| a. Campus recruitment | e. Data banks |
| b. Private Employment Agencies/ Consultants | f. Casual applicants |
| c. Public employment Exchanges | g. Similar organization |
| d. Professional Associations | h. Trade unions |

Methods of Recruitment

- 1) Direct Methods
- 2) Indirect Methods
- 3) Third Party Methods



SELECTION

Definition – Selection is the process of picking individuals who have relevant qualifications to fill job in an



organization. The basic purpose is to choose the individual who can most successfully perform the job, from the pool of qualified candidates.

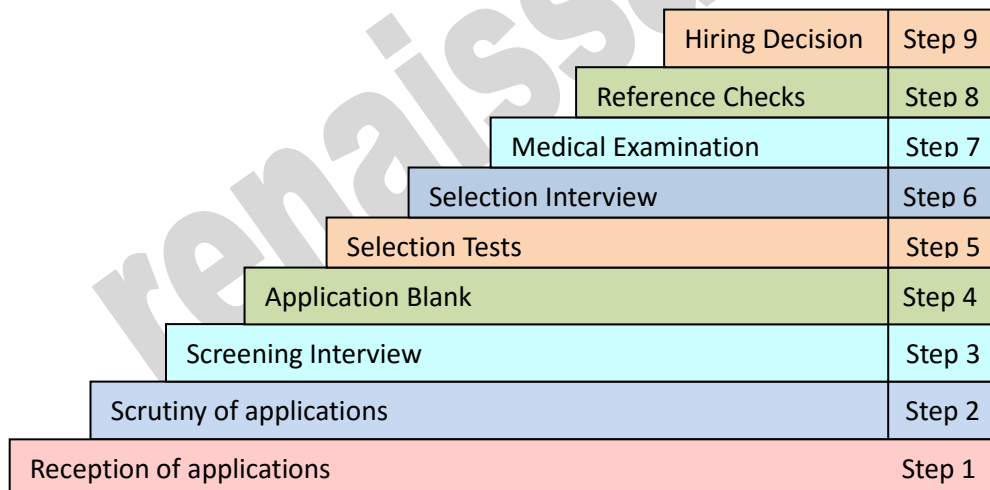
“Selection is the process by which candidates for employment are divided into two classes-those who will be offered employment and those who will not.” – Dale Yoder

Characteristics of Selection –

- 1) Sorting process
- 2) Negative process
- 3) Sequence of hurdles
- 4) Based on standard pattern
- 5) Process of picking out best suited men.

The process

- 1) **Receiving of Applications** – Various job-seekers send their applications to the employment office or Personnel Department of the company in response to the advertisement made by it.
- 2) **Scrutiny of Applications** – All applications received are scrutinized by the Personnel Department in order to eliminate those applicants who do not fulfill required qualifications.
- 3) **Screening/preliminary Interview** – A preliminary interview is generally planned by large organizations to cut the cost of selection by allowing only eligible to go through the further stages in selection. A junior executive from the HR Department may conduct the interview & take responses from applicants on important items determining the suitability of an applicant for a job such as age, education, experience etc.



3. **Application Blank** – application blank or form is one of the most common methods used to collect information on various aspects of the applicants’ academic, social demographic, work related background and references.
4. **Selection Testing** – A test is a sample measurement of an individual’s job-related abilities and skills. It provides a basis for comparing the behavior, performance and attitudes of two or more persons. There are various types of test:
 - a. Intelligence Tests.
 - b. Aptitude Tests
 - c. Personality Tests
 - d. Achievement Tests
 - e. Simulation Tests
5. **Selection Interview** – Interview is the oral examination of candidates for employment.



Types of Interviews

- 1) **The non-directive interview** – The recruiter asks question as they come to mind.
- 2) **The directive or structured interview** – The recruiter uses a predetermined set of questions that are clearly job related.
- 3) **The situational interview** – The interviewer attempts find how applicants would respond to aggressive, embarrassing and insulting questions.
- 4) **Stress interview** – The interviewer attempts find how applicants would respond to aggressive, embarrassing and insulting questions.
- 5) **Panel Interview** – The applicant meets with three to five interviewers who take turns asking questions.
6. **Medical Examination** – Certain jobs require physical qualities like clear vision, acute hearing, unusually high stamina, tolerance level etc. which are ensured through medical examination.
7. **Reference checks** – Candidates are required to give the names of two or three references in their application forms.
8. **Hiring Decision** – The line Manager concerned has to make the final decision-whether to select or reject a candidate. After taking the final decision the organization sends the offer letter to the successful candidates.

PLACEMENT

Placement is the task to match positions with people so that each individual is assigned to that position where he is likely to make the best use of his abilities consistent with the requirements of his job. It is the process of assigning a specific job to the candidates selected by the company.

INDUCTION

Induction is designed to provide a new employee with the information he needs to function comfortably and effectively in the organization. It is the task of introducing the new employees to the organization and its policies, procedures and rules.

Types of Induction Programme –

- 1) Informal Induction
- 2) Formal Induction

SOCIALIZATION

Socialization in organization occurs when a new employee learns the norms, values, work procedures, and patterns of behaviour that are expected in the organization.



**UNIT-III
TRAINING & DEVELOPMENT**

INTRODUCTION

Training is a specialized function of human resource management. Every organization needs to have well defined trained people to perform the activities. As job have become more complex it s necessary to raise the skills level of employees.

MEANING & DEFINITION OF TRAINING:-

It is true in many organizations that before an employee is fitted into a harmonious working relationship with other employees, he is given adequate training. Training is the act of increasing the knowledge & skills of an employee for performing a particular job. A trainee learns new habits, refined skills and useful knowledge during the training that helps him improve performance. It is a systematic procedure for transferring technical knowhow to the employees.

According to Edwin B. Flippo. "Training is the act of increasing the knowledge & skills of an employee for doing particular job."

According to Dale B. Beach, training is "the organized procedure by which people learn knowledge and skill for a definite purpose".

Thus training refers to the teaching and learning activities directed at helping employees acquire & apply the knowledge skills, abilities & attitudes needed by a particular job & organization.

CHARACTERISTICS or NATURE OF TRAINING

1. Training is an act of increasing the knowledge, skills of an employee for doing a particular job.
2. Training is a continuous process.
3. It involves changing of skills, knowledge, attitudes or social behavior.
4. It is learning process & experience.
5. It seeks relatively permanent change in an individual that will improve.
6. Training is an aid to self development.
7. Essential part of management development.
8. Focus attention on the current job and it is job specific & addresses particular performance defeats or problems.
9. Concentrates on individual employees.
10. Training complement selection if well qualified candidates are selected, there will be less need of training inside the organization.

NEEDS & OBJECTS OF TRAINING

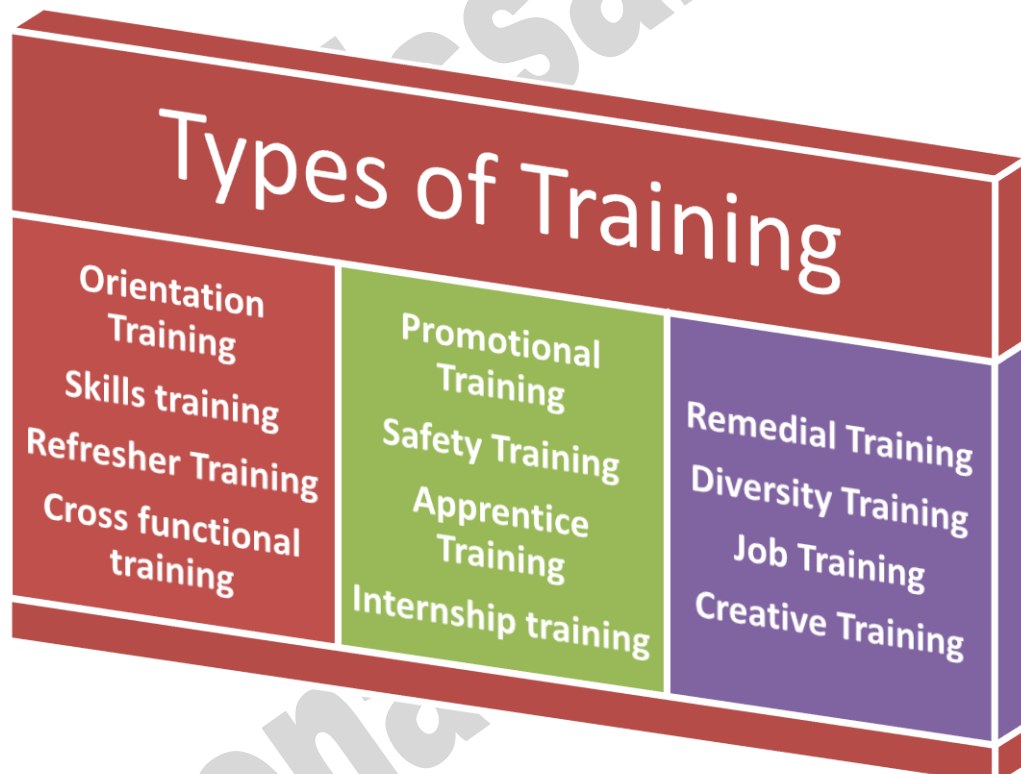
Training is needed to serve the following purpose

1. **Job requirements**-Newly recruited employee require training so as to perform their tasks effectively.
2. **Promotion**- Training is necessary to prepare existing employees for higher level jobs.
3. **Transfers**-Training is necessary to when a person moves from one job to another job. After training the employee can change job quickly, improve his performance levels & achieve career goals compatibly.
4. **Technological changes**-Technology is chaining very fast. New jobs require new skills. No organization can miss the advantages of latest technology without well trained employees.
5. **Increasing competition**-Due to economic liberalization & globalization the firms are experiencing & expansion & diversification of business & products. The kin competition has increased uncertainties & complexities in the market. Thus, in order to face such challenges the firms has to improve their capabilities.
6. **Organizational Viability** - Trained employees are the valuable assets of a company. But the skills of men become outdated due to fast changing conditions in the market and economy. Over the passage of time, employees suffer from personal obsolescence. Their knowledge becomes old. Hence, existing employees need refresher training to keep them abreast of new knowledge.



7. **Hiring Misfits** – Today, public welfare, reservation policy or social responsibility have made it necessary to employ those generally regarded as unemployables. The social goal of equal employment opportunity has been accepted nationwide. Minority group members have claim to be recruited. Something these persons may be misfits. But their shortage of skills can be removed by 'training'.

TYPES OF TRAINING OR APPROACHES OF TRAINING



1. **Orientation Training** – It is also known as pre job induction training. This training provides new employees with information about company policies, history, procedure pay & benefits, conditions of employment etc. This training adjusts newly appointed employees to the work environment.
2. **Skills training** – This type of training is most common in organizations. The need for training in basic skills such as reading, writing, computing, peaking, listing problem solving, leading etc. is identified through assessment.
3. **Refresher Training** – Rapid changes in technology may force companies to go in for this king of training organizing short term courses which incorporate the latest knowledge developments in a particular field, the company may keep its employee up to date and ready to take emerging challenges.
4. **Cross functional training**- Involves training employees to perform operations in areas other than their assigned jobs. There are many approaches to cross functional training job rotation can be used to provide a manager in one functional area with a broader perspective than they would otherwise have departments can exchange personnel for a certain period so that each employee how other departments are functioning.
5. **Training for promotion**- employees of high potential are selected & they are given training before promotion. This training is provided when vacant posts are filled up by internal recruitment i.e. by promotion.
6. **Safety Training**- This training is being provided to minimize accidents & damage to machinery. It involves instruction in use of machinery & safety devices.



7. **Apprentice Training-** It is used to prepare employees for a variety of skilled occupations & crafts for examples it is provided to tailor electrotyper, machinist, printing pressman, designer etc.
8. **Internship training-** It refers to joint programme of training educational institutions & business corporate selected students carry on regular school studies for period ranging from 3 to 12 months & then work in the factory or office for a designed period of time.
9. **Remedial Training-** This training has the object to overcome the short coming in the behavior and performance of old employees. Such employees are identified and correct work methods and procedures are taught to them.
10. **Diversity Training-** Considers all of the diverse dimension in the work place, such gender, age, disability, lifestyle, culture education, idea etc. while designing a training programme. It concentrates on awareness building & skills building.
11. **Job Training-** This training is a conducted with a well increase the knowledge & skills of an employee for improving job performance.
12. **Creative Training-** Involves employees to think unconventionally, go out of the box & give unexpected solutions.

Difference between Training & Development

Learning Dimension	Training	Development
Meant for	Operatives	Executives
Focus	Current job	Current and future job
Scope	Individual employee	Work group or organization
Goal	Fix current skill deficit	Prepare for future work demands
Initiated by	Management – External motivation	The individual – Internal motivation
Content	Specific job related information	General knowledge
Time-frame	Immediate	Long term



The Training Process:-

In order to achieve the objectives, an approximate training programme is necessary
The process is as follows-



1. **Organizational objectives:** - An organization first assesses its objective. What business are use in what product do we wish to provide to customers? These questions will decide what skills, knowledge, attitudes & other personnel attributes are necessary for employees.
2. **Training Policy:** - A training policy presents the commitment of top management to employee training. It consists of rules & procedures concerning training. A training policy is required to guide the design & implementation of training programme.
3. **Responsibility of training:**- Training is a joint process. It responsibility has to be shared among the top management, personal department, the line supervisor & the employees.
4. **Training needs assessment:-** It is the most important step in the process. It is from this needs assessment not the entire training process will flow.
5. **Selection of trainees:** - It is necessary to decide who are to be trained new or old employees.
6. **Training goals:** - The Training goals should ensure that the assessed needs will be served.
7. **Prepare the trainees:** - The source of training depends to a great extent upon the instructors or the resource persons.
8. **Developing Training Package:** - It involves deciding the content of training, designing support materials & choosing appropriate training techniques.
9. **Presenting the operation:** - This is action phase of training. The instructor uses explanation & demonstration for training.
10. **Performance Tryout:-** The trainee is asked questions in order to endure that he really knows & understands the job. He is also asked to do the job several times.
11. **Overall evaluation:** - At the end of training, formal evaluation of the training programme is necessary. This evaluation must be directly related.

IMPORTANCE

Training offers innumerable benefits to both employees and employers. It makes the employee more productive and more useful to an organization. The importance of training can be studied under the following heads:

Benefits to the business:

- Rained workers can work more efficiently. They use machines, tools and materials in a proper way. Wastage is thus eliminated to a large extent.
- There will be fewer accidents. Training improves the knowledge of employees regarding the use of



machines and equipment. Hence, trained workers need not be put under close supervision, as they know how to handle operations properly.

- Trained workers can show superior performance. They can turn out better performance. They can turn out better quality goods by putting the materials, tools and equipment to good use.
- Training makes employees more loyal to an organization. They will be less inclined to leave the unit where there are growth opportunities.

Benefits to the employees:

- Training makes an employee more useful to firm. Hence, he will find employment more easily.
- Training makes employees more efficient and effective. By combining materials, tools and equipment in a right way, they can produce more with minimum effort.
- Training enables employees to secure promotions easily. They can realize their career goals comfortably.
- Training helps an employee to move from one organization to another easily. He can be more mobile and pursue career goals actively.
- Employees can avoid mistakes, accidents on the job. They can handle jobs with confidence. They will be more satisfied on their jobs. Their morale would be high.
- Thus, training can contribute to higher production, fewer mistakes, greater job satisfaction and lower labour turnover.

AREAS OF TRAINING

The area of Training in which training is offered may be classified into the following categories.

1. Knowledge

Here the trainee learns about a set of rules and regulations about the job, the staff and the products or services offered by the company. The aim is to make the employee fully aware of what goes on inside and outside the company.

2. Technical Skills

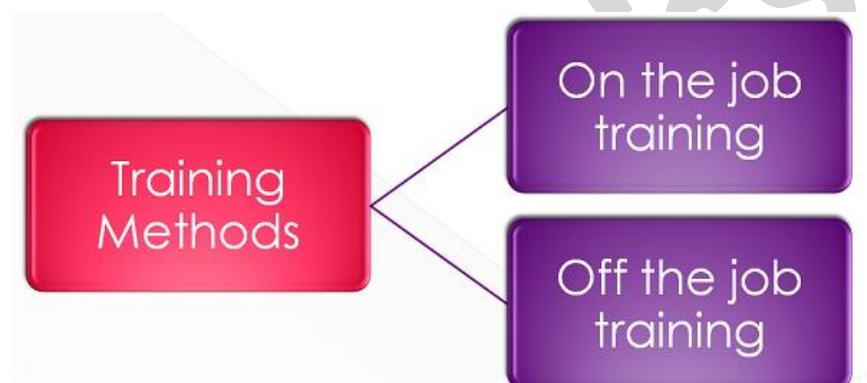
The employee is taught a specific skill (e.g., operating a machine, handling computer etc.) so that he can acquire that skill and contribute meaningfully.

3. Social Skills

The employee is made to learn about himself and others, and to develop a right mental attitude towards the job, colleagues and the company. The principal focus is on teaching the employee how to be a team member and get ahead.

TRAINING METHODS

Training methods are usually classified by the location of instruction. On the job training is provided when the workers are taught relevant knowledge, skills and abilities at the actual workplace; off-the-job training, on the other hand, requires that trainees learn at a location other than the real work spot. Some of the widely used training methods are listed below.



I) On-the-Job Training Methods



II) Classroom Approach, or Informational or Presentation Methods

III) Experiential or Hands-on Methods

IV) Self-Paced or Computer-Based Methods

I) ON THE JOB TRAINING METHODS:



1. On-the-Job Training (OJT)

This method places the employees in an actual work situation and makes them appear to be immediately productive. It is learning by doing. Individuals are trained on the same machines, while doing the same work expected of them. The employee learns in the same environment where he will be working at his regular tasks.

2. Job Instruction Training

It is a form of OJT. Many jobs consist of a logical sequence of steps and are best taught step-by-step. It is listing each job's basic tasks along with key points, in order to provide step-by-step training for employees. The steps show what is to be done. Key points show how it is to be done and why.

3. Just-Do-It Training

This approach is a combination of Job Instruction Training and Japanese philosophy of continuous improvement. This JDIT approach begins with instruction on basic principle and then moves to the job where a need for improvement has been identified.

4. Coaching

Coaching is a kind of daily training and feedback given to employees by immediate supervisors. It may be defined as an informal, unplanned training and development activity provided by supervisors and peers. In coaching, the supervisor explains things and answer questions; he throws light on why things are done the way they are; he offers a model for trainees to copy; conducts lot of decision making meetings with trainees; procedures are agreed upon and the trainee is given enough authority to make decisions and even commit mistakes. Of course, coaching can be a taxing job in that the coach may not possess requisite skills to guide the learner in a systematic way. Sometimes, doing a full day's work may be more important than putting the learner on track.

5. Mentoring:

Mentoring is a relationship in which a senior manager in an organization assumes the responsibility for grooming a junior person. Technical, interpersonal and political skills are generally conveyed in such a relationship from the more experienced person. A mentor is a teacher, spouse, counselor, developer of skills and intellect, host, guide, exemplar and most importantly, supporter and facilitator in the realization of the vision the young person (protégé) has about the kind of life he



wants a an adult.

The main objective is to help employees attain physiological maturity and effectiveness and get integrated with the organization. In a work situation, such mentoring can take place at both formal and informal levels, depending on the prevailing work culture and the commitment from the top management. Formal mentoring can be very faithful, if management invests tie and money in such relationship building experiences.

6. Job Rotation:

This kind of training involves the moment of trainee from one job to another. This helps him to have a general understanding of how the organization functions. The purpose of the job rotation is to provide trainees with a larger organizational perspective and a greater understanding of different functional area as well as a better sense of their own career objectives and interest. Apart from relieving boredom, job rotation allows trainees to build rapport with a wide range of individuals within the organization, facilitating future cooperation among departments. The cross-trained personnel offer a great amount of flexibility for organizations when transfers, promotions or replacements become inevitable.

II) Classroom Approach, or Informational or Presentation Methods



1. Vestibule training:

In this method, actual work conditions are simulated in a classroom. Material, files and equipment – those that are used in actual job performance are also used in the training. This type of training is commonly used for training personnel for clerical and semi-skilled jobs. The duration of this training ranges from a few days to a few weeks. Theory can be related to practice in this method.

2. Lecture method: The lecture is a traditional and direct method of instruction. The instructor organizes the material and gives in to a group of trainees in the form of a talk. To be effective, the lecture must motivate and create interest among the trainees. An advantage of lecture method is that it is direct and can be used for a large group of trainees. Thus, costs and time involved are reduced. The major limitation of the lecture method is that it does not provide for transfer of training effectively.

3. Conference approach: In this method, the trainer delivers a lecture and involves the trainee in a discussion so that his doubt the job gets clarified. When big organizations use this method, the



trainees use audio-visual aids such as black boards, mockups and slides; in some cases the lectures are videotaped or audio taped. Even the trainee's presentation can be taped for self confrontation and self assessment.

The conference is thus, a group-centered approach where there is a classification of ideas, communication of procedures and standards to the trainees. Those individuals who have a general educational background and whatever specific skills are required such as typing, shorthand, office equipment operation, filing, indexing, recording etc. may be provided with specific instructions to handle their respective jobs.

4. Apprenticeship Training

Most craft workers such as plumbers and carpenters are trained through formal apprenticeship programmes. Apprentices are trainees who spend a prescribed amount of time working with an experienced guide, coach or trainer. Assistantship and internships are similar to apprenticeships because they also demand high levels of participation from the trainee. An internship is a kind of on-the-job training that usually combines job training with classroom instruction in trade schools, colleges or universities. Coaching, as explained above, is similar to apprenticeship because the coach attempts to provide a model for the trainee to copy. One important disadvantage of the apprenticeship methods is the uniform period of training offered to trainees. People have different abilities and learn at varied rates. Those who learn fast may quit the programme in frustration. Slow learners may need additional training time. It is also likely that in these days of rapid changes in technology, old skills may get outdated quickly. Trainees who spend years learning specific skills may find, upon completion of their programmes, that the job skills they acquired are no longer appropriate.

5. Internship

It is a joint programme of training in which educational institutions and business houses cooperate. In this method, students are given practical training while they study. Selected candidates carry on regular studies and they are also sent to factory or office during their vacations to get practical knowledge of their job.

6. Programmed instruction:

This method has become popular in recent years. The subject matter to be learned is presented in a series of carefully planned sequential units. These units are arranged from simple to more complex levels of instruction. The trainee goes through these units by answering questions or filling the blanks. This method is thus, expensive and time-consuming.

III) Experiential or Hands-on Methods

- 1. Case Method:** The case is an actual situation which is written for discussion purposes. Case presents an in-depth description of a particular problem an employee might encounter on the job. Here, the trainee attempts to find and analyze the problem, evaluate alternative courses of action, and decide what course of action would be most satisfactory.
- 2. Role playing:** It is defined as a method of human interaction that involves realistic behavior in imaginary situations. This method of training involves action, doing and practice. The participants play the role of certain characters, such as the production manager, mechanical engineer, superintendents, maintenance engineers, quality control inspectors, foreman, workers and the like. Method is mostly used for developing interpersonal interactions and relations.
- 3. Management Games:** This is a group exercise in decision-making as regards an administrative problem situation. It is similar to role playing. But while role playing seeks to emphasize feelings and relationships between people, management games are more concerned with administrative problems.
- 4. In-Basket Exercise:** This method is designed around the "incoming mail" of a manager. It involves simulation of a series of decisions a trainee might have to make in real life. A variety of decision situations are presented to trainee. Like an executive, trainee is presented with a pack of papers and files in a tray containing administrative problems. He is asked to take decisions within a specified time limit. Thus, decisions taken by several trainees are recorded and compared with one another. This



method is useful in identifying executive potential.

5. **Sensitivity Training:** The aim of this training is to develop awareness and sensitivity to behavioral patterns of oneself and others. According to Flipppo, the goals of this training are: (1) increased openness with others, (2) Greater concern for other, (3) Increased tolerance for individual differences, (4) enhanced listening skills (5) understanding of group processes, and (6) increased trust and support.

IV) Self-Paced or Computer-Based Methods

1. Computer-Based Training (CBT)
2. Distance and Interest-Based Training
3. E-learning
4. Virtual Classroom

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CAREER PLANNING

Concept of career:

According to E.H. Schein, "A career is a sequence of positions held by a person during the course of a lifetime. It comprise of a series of activities that provide continuity, order and meaning to a person's life."



Features of Career:

1. It is a proper sequence of job related activities.
2. It may be individual centered or organization centered.
3. It is a sequence of career progression within an occupation.
4. It is a lateral movement in an occupation of an individual over his employment span.
5. It is a sum total of all the jobs occupied by a person during his working life.
6. A career develops overtime
7. The important element in one's career is experiencing psychological success which is feeling a sense of personal accomplishment and fulfillment.
8. It is the individual who ultimately must judge the success of his career.

Meaning of Career Planning:

Career planning is the process by which one selects career goals and the path to reach goals. The major focus of career planning is on assisting the employees achieve a better match between personal goals and the opportunities that are realistically available in the organization. Career programs should not concentrate only on career growth opportunities. Hence, career planning efforts need to pinpoint and highlight those areas that offer psychological success instead of vertical growth.

According to Schermerbon, hunt and osborn, "Career planning is a process of systematically matching career goals and individual capabilities with opportunities for their fulfillments."

Characteristics of Career Planning:

- 1) Career planning is identifying and matching the needs of individuals and organisations.
- 2) It is an individual's choice of occupation, organization and career path.
- 3) It is not an event or end in itself. It is a continuous process of developing human resources for achieving optimum results.
- 4) It defines life career, abilities and interests of employees.
- 5) It is a management technique for mapping out the entire career of young employees in higher skilled, supervisory, and managerial positions.

Objectives of career planning:

1. Attract and retain talent by offering careers not jobs.
2. Use human resources effectively and achieve greater productivity.
3. Improve employee morale and motivation.



4. To encourage individuals to explore and gather information, which enables them to gain competencies. Make decisions, set goals and take action.
5. To increase employee productivity.
6. To prevent job obsolescence.
7. To improve the quality of employee work life.
8. To help companies meet internal staffing requirements and reduce turnover.
9. To help companies meet their need for challenge and achievements of career goals.
10. To develop an awareness of each employee uniqueness.

Advantages

Career Planning Benefits



- **Benefits to employee:** The employee has advance knowledge of career opportunities within the company. He knows where he stands, where he wants to go, who is ahead of him, how to scale the corporate ladder. This helps him set his career goals more realistically and take appropriate steps to realize them.
- **Benefits to organization:** Organization can base their decisions more systematically. Fast tracks for stars could be arranged, training to slow movers can be provided, replacements can be planned in advance, hard hard-working, talented people can be retained through offering attractive career options and compensation plans: job assignments can be made based on merit etc.
- **Relations:** Relations between the employer and the employee would become more cordial; employee skills could be used properly; valued employees could be retained, there will be an expanded image of the company as a people developer.

Limitations

- For small units (where there are very few opportunities for the vertical growth of employees) it is not suitable.
- Several environmental factors such as government policy, laws of the land, reservation based on castes, regional pressures, union demands may upset career planning and development efforts.
- In the organization fails to focus on any of the career related issue clearly, problems may crop up (eg., early career issues, mid career issues, late career issues, minority group, dual career couples, failure to match task and emotional needs, post retirement issues, forced lay-off issues etc.).

Process of Career Planning



The career planning process involves the following steps:

a. **Identifying individual needs and aspirations:**

The basic purpose of such an exercise is to an employee form a clear view about what he should do to build his career within the company. Workshops and seminars increase employee's interest by showing the value of career planning. They help employees set career goals, identify career paths and uncover specific career developments activities.

b. **Exploring career:**

At this step, the employee will investigate the world of work in greater depth. An employee will begin to identify potential careers, gather information about those careers, and match the career information with the results from self-assessment.

c. **Analyzing career opportunities:**

Once career need and aspirations of employees are known the organization has to provide career paths for each position. Career paths show career progressions, possibilities clearly. They indicate the various positions that one should hold over a period of time, if one is able to perform well.

d. **Career Goal Setting:**

In this step, individuals evaluate occupational choices and gain practical experience through internships, cooperative education, relevant industrial training, work experiences and organization activities. Goal setting can be done with the help of career counseling, information services, HR department and skills inventories.

e. **Aligning needs and opportunities:**

This process consists of two steps: identify the potential of employees and then undertake career developments programs with a view to align employee need and organizational opportunities.

f. **Career Preparation:**

It is essential to acquire the additional skills and knowledge for starting new career.

g. **Self-Marketing:**



This step is crucial to career planning process. Without adopting self-marketing strategies, all the career goals and preparations are useless. Employees have to market their skills to their present or prospective firms so that the employee can attain his career vision with ease.

h. Action plans and periodic reviews:

The action plans of individual career development are made. This will be helpful for the employee to know in which direction he is moving.

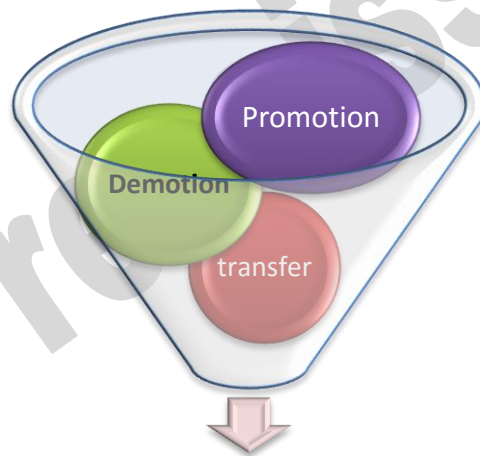
INTERNAL MOBILITY:

“The lateral or vertical movement of an employee within an organization is called internal mobility.” It may take place between jobs in various departments or divisions. Some employees may leave the organization for reasons such as better prospects, retirements, terminations etc. Such movements are known as external mobility’s.

Purpose of Internal Mobility:

1. Improve organizational effectiveness
2. Improve employee effectiveness
3. Adjust to changing business operations
4. Ensure discipline
5. To adjust to changing business operations
6. To correct wrong placements and job assignments.

Internal mobility can take place in any of the following manner:



internal mobility

1. Promotion
2. Demotion
3. Transfer



PROMOTION:

Promotion is an upward movement of employee in the organization to another job, higher in organization hierarchy. In the new job the employee finds a change in salary, status, responsibilities and grade of job or designation.

Types of Promotion:

Vertical promotion:

Under vertical promotion the employees are promoted, from one rank to next higher rank in the same department.

Horizontal promotion:

Under such promotion, employee may be promoted to higher ranks in other departments as well.

BASES OF PROMOTION

BASIS OF PROMOTION

Merit as a basis

Seniority as a basis

Seniority based promotion:

If seniority is the basis for promotion, an employee with the longest period of service will get promoted, irrespective of whether he is competent to occupy the higher post or not.

Merits of seniority based promotion:

1. It is fairly objective
2. It is easy to measure the length of service and judge the seniority.
3. By seniority, everyone is sure of getting the promotion one day.
4. It is easy to administer.
5. Labour unions welcome seniority based promotions.
6. Loyalty is rewarded.
7. Seniority and experience goes hand in hand.

Demerits of seniority based promotion:

1. The learning capabilities of senior people may diminish (reduce).
2. It de-motivates the young and more competent employees.



3. It kills the zeal and interest as everybody will be promoted without showing any all round growth or promise.
4. Promotion by seniority frustrates really talented employees.
5. It destroys initiative of people.

Merit based promotion

Merit based promotion occurs when an employee is promoted because of superior performance in the current job.

Merits:

1. Promotion by merit is a reward to encourage those employees who make a successful effort to increase their knowledge or skills and who maintain a high level of productivity.
2. It motivates employee to work hard.
3. It helps employee to improve their knowledge, acquire new skill and contribute to organizational efficiency.
4. Efficiency is encouraged, recognized and rewarded.
5. Productivity increases.
6. Organization goals can be attained effectively.

Demerits:

1. It is not easy to measure merit.
2. This creates frustration and discontentment among senior persons.
3. Past performance may not guarantee future success of an employee.
4. There is a scope for favoritism in merit promotions.
5. Loyalty and length of service is not properly rewarded.
6. It is generally considered as less cost-effective due to additional hiring costs.
7. It is opposed by idle employees and union leaders.

DEMOTION

Demotion is reverse of promotion. It is a downward movement of an employee in hierarchy with lower status, salary and decreased responsibilities. It is generally used as a punitive measure for incompetence or a preliminary step to dismissal.

Causes of Demotion

- a) The employee may be unable to meet the challenges posed by a new job.
- b) He may have low administrative skills.
- c) He may be unable to meet multifarious responsibilities.
- d) Due to poor business conditions and continuous losses, a firm may decide to lay off some and to downgrade others.
- e) It can be used as a disciplinary tool against errant employee.
- f) When there have been errors in promotions and these need to be corrected.

Transfer

A transfer implies a lateral movement of an employee in the hierarchy of positions with the same pay and status. Transfers may be either company initiated or employee-initiated.

Types of Transfer

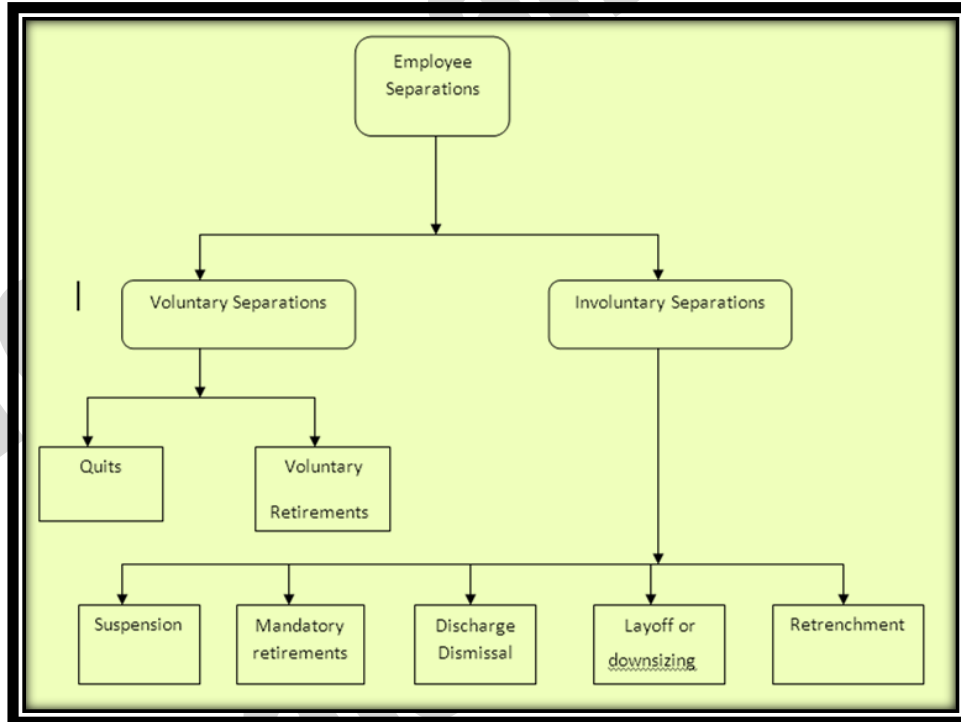
- 1) Production transfers
- 2) Replacement transfers
- 3) Shift transfers
- 4) Versatility transfers
- 5) Remedial transfers



EMPLOYEE SEPARATIONS

An employee separation occurs when an employee ceases to be member of an organization. Davis says, "A separation is a decision that the individual and the organization should part. The service agreement between the employee and the employer comes to an end and the employee decide to leave the organization.

Types of employee separation:



Voluntary Separations:

1. **Quits:** W.H. Mobley says that the decision to quit depends on:
 - (i) The employees level of dissatisfaction with the job and
 - (ii) The number of attractive alternatives the employee has outside the organization.
2. **Voluntary Retirements:** An employee may decide to resign voluntarily on personal or professional reasons. Sometimes employee may be forced to resign from the job compulsorily in the grounds of duty, misuse of funds etc.

Involuntarily Separations

1. **Mandatory Retirements:** It is a compulsory retirement of the employee from his services.
2. **Discharge and Dismissal:** Discharge is the most drastic disciplinary step that manager can take. Dismissal is the termination of the services of an employee as punitive measure for some misconduct. Discharge also means termination of the service of an employee, but not necessary as a punishment. Discharge is serious because it impairs earning and image of the employees.
3. **Layoffs:** A layoff is a temporary separation of the employee from his employer at the instance of the latter without any prejudice to the former. Layoff is the failure, refusal or inability of an employer to give employment to a worker whose name is present in the rolls but who has not been retrenched.
4. **Retirement:** Retrenchment is the permanent termination of employee's services due to economic reasons. These include
 - a) Replacement of labour by machines
 - b) Closure of plant
 - c) Surplus staff



5. **Suspension of an employee:** Suspension means prohibiting an employee from attending workplace and reforming normal duties assigned to him. Till the enquiry and investigation in case of misconduct is completed, the employee is kept suspended.

Benefit of Employee Separations

- 1) Reduced Labour Costs
- 2) Replacement of Poor performers
- 3) Increased Innovation
- 4) Better People with latest Knowledge.
- 5) Promotion Opportunities
- 6) Opens up Entry
- 7) Opportunity for greater Diversity
- 8) Produce Values

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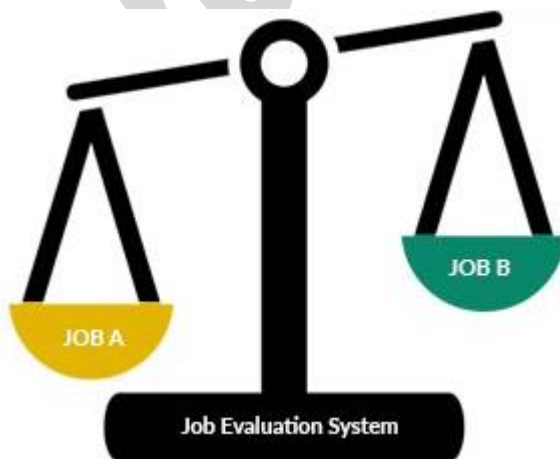
**UNIT-IV
JOB EVALUATION**

Wage or salary is the most important factor in maintaining and developing good employer employee relations. Job evaluation is the process which establishes a consistent and systematic relationship among compensation rates for all jobs within the organization. Determining of base compensation is also important for the employee because it determines the status of employee in the society. Employee should be compensated on the basis of –

- 1) The nature of the job
- 2) The present relative worth of the job.
- 3) The defectiveness with which the individual performs the job.

According to Flippo, “Job evaluation is systematic and orderly process of determining the worth of a job in relation to other jobs”.

According to Kimball & Kimbal, “Job evaluation is an effort to determine the relative value of every job in a plant to determine what the fair basic wage for such a job should be.”



Characteristics

- Job evaluation is a ranking of jobs, not people.
- It follows job analysis which provides data in respect of each job.
- It is used to determine the organization's pay structure.
- It is a systematic, rather than a scientific, process of establishing wages and salaries.
- The heart of job evaluation is the determination of what criteria will be used to arrive at the ranking.
- Job evaluation should not be confused with job analysis.
- Job evaluation is different from Performance Appraisal.

Objectives of Job Evaluation-

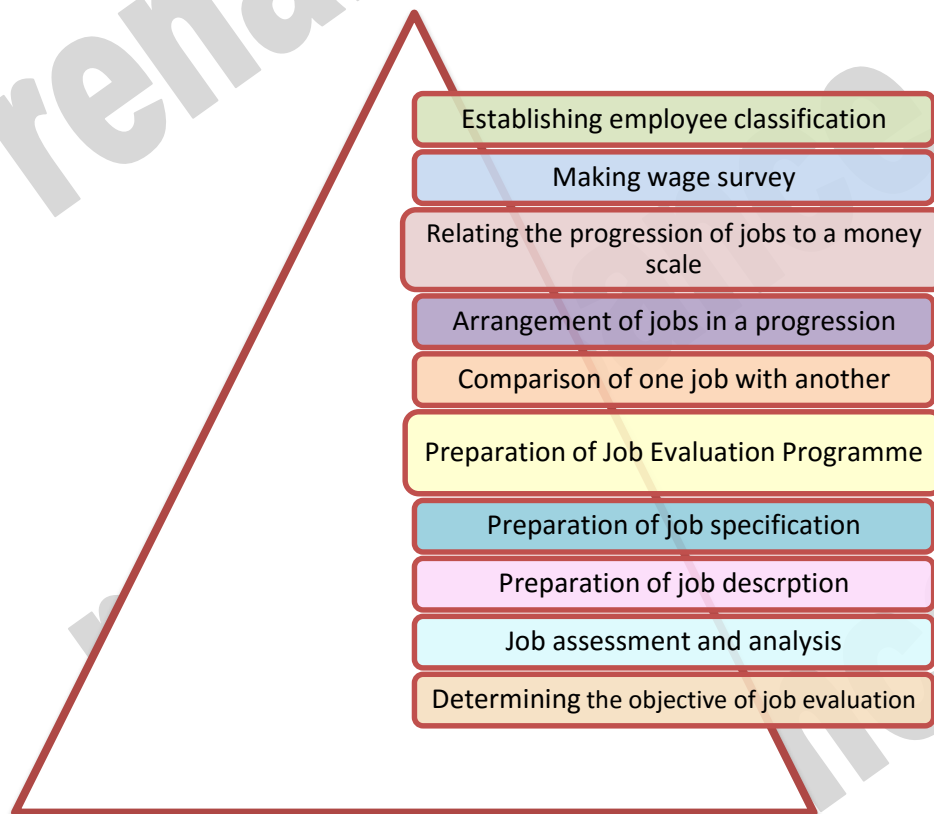
- 1) To maintain complete and accurate description of each job or occupation.
- 2) To provide a standard procedure to determine the relative worth of each job.
- 3) To ensure that like wages are paid to all qualified employees for like work.
- 4) To provide an accurate and fair consideration of all employees for advancement and transfer.
- 5) To provide information for selection, placement and training of employees.
- 6) To solve wage and salary controversies.
- 7) To simplify union-management negotiations on wages.
- 8) To fix minimum and maximum wages throughout the organization for each position.

Factors to be considered while doing Job Evaluation –



- 1) Training level or qualifications requirements
- 2) Knowledge and skills requirements
- 3) Complexity of tasks
- 4) Interaction with various level of the organization.
- 5) Problem solving and independent judgment
- 6) Accountability and responsibility
- 7) Decision – making authority
- 8) Degree of suppression required
- 9) Cross-training requirements
- 10) Working conditions.
- 11) Degree of difficulty in filling job.

Job Evaluation Process –



- 1) Determining the objective of job evaluation.
- 2) Job assessment and analysis.
- 3) Preparation of job description (recording its characteristics)
- 4) Preparation of job specification.
- 5) Preparation of Job Evaluation Programme.
- 6) Comparison of one job with another.
- 7) Arrangement of jobs in a progression.
- 8) Relating the progression of jobs to a money scale.
- 9) Making wage survey.
- 10) Establishing employee classification.

A job evaluation programme includes the following issues and contents –

- 1) Which jobs are to be evaluated
- 2) Who will evaluate

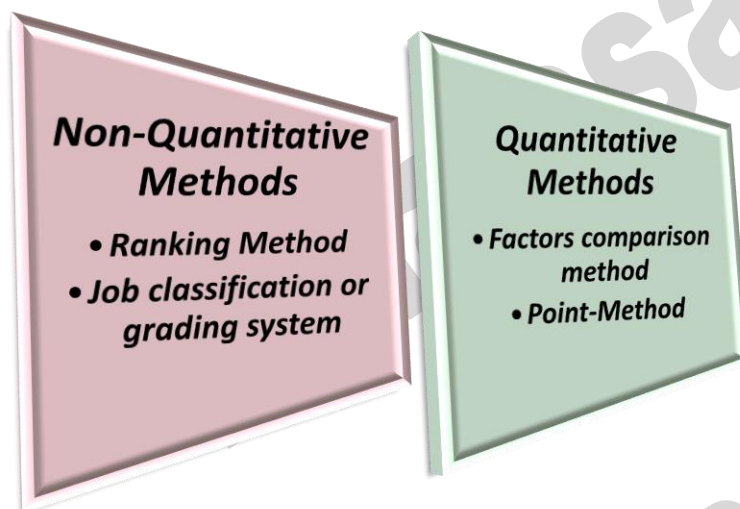


- 3) What training do the evaluators need
- 4) How much time is involved
- 5) What should be the criteria for evaluation

Criteria in Job Evaluation –

- Training level or qualifications requirements
 - Knowledge and skills requirements
 - Complexity of tasks
 - Interaction with various level of the organization.
 - Problem solving and independent judgment
 - Accountability and responsibility
 - Decision – making authority
 - Degree of suppression required
 - Cross-training requirements
 - Working conditions.
 - Degree of difficulty in filling job.
- 6) What methods of evaluation are to be employed
 - 7) Wage survey
 - 8) Employee classification

Methods of Job Evaluation



A. Non-Quantitative Methods –

- a. **Ranking Method:** Under this system, all the job are arranged or ranked in the order of importance from the simplest to the hardest or in the reverse in, order each successive job higher or lower than the previous one in the sequence.
- b. **Job classification or grading system:** Job grading refers to the classification and analysis of jobs which are performed in an organization according to their relative levels in the form of job classes or grades. The jobs may be graded as skilled, unskilled, routine, administrative, shop jobs, clerical jobs, sales jobs and so on.

B. Quantitative Methods –

- a. **Factors comparison method:** Under this method, a few key jobs are selected and compared in terms of common factors. The procedure involved is as follows:
 - i. Select and Define the Factors
 - ii. Select Key Jobs
 - iii. Rank Key Jobs by Factors



- iv. Decide Rates for Key Job
- v. Apportion the Wage Rate
- vi. Evaluate the Remaining Jobs

b. Point-Method

It is the most widely used method of job evaluation. Under it, jobs are divided into component factors. Points or weights are assigned to each factor depending on the degree of its importance in a particular job, the total points for a job indicate its relative worth or value.

Advantages of Job Evaluation –

- Job evaluation is a logical and objective method of ranking and grading jobs.
- Data or information generated during job evaluation can be used for decisions related to selection, placement, training, transfer and promotion of employees etc.
- It is helpful in constructing an appropriate policy for payments of wages which helps in attracting better workers.
- It helps to fit the newly created jobs.
- Job evaluation also helps to redesign the jobs by reallocating the easy and difficult tasks equally among various jobs.

Disadvantages of Job Evaluation –

- 1) Statutory and other factors
- 2) Highly subjective
- 3) Cyclical effect
- 4) Promotes grievances
- 5) Conflict between worker and management
- 6) Inflexibility
- 7) Requires time and finance

MERIT RATING

MR is the comparative evaluation and analysis of the individual merit of the employees. It analyzes the differences in performance between employees who are working on similar jobs. MR is also known as 'performance appraisal', 'employee rating', 'efficiency rating', 'performance evaluation', 'performance review', 'personnel rating' or employee evaluation. Merit rating refers to the evaluation or appraisal of the worth of the man's services on his job. It is the process of assessing the performance and progress of an employee on a given job and his potential for future development.

Acc. To Scott, Clothier and Spriegel:

"Performance appraisal (or merit rating) is the process of evaluating the employee's performance on the job in terms of requirements of the job."

Characteristics of Merit Rating –

- 1) It is a means of self-control, judgement and evaluating "Potentiality".
- 2) It is a scientific study in which formal procedures and actual data are used in this study.
- 3) It is a systematic evaluation of an employee's strengths and weaknesses in terms of job requirements.
- 4) It is a continuous process.
- 5) It is results-oriented as well as potential-oriented.

Objectives of Merit rating –

Merit rating has the following objectives –

- 1) To evaluate the merit of an employee for the purpose of promotion, increment, reward and other



benefits.

- 2) To establish and develop a wage system and incentive scheme.
- 3) To determine the suitability of an employee for a particular job.
- 4) To analyze the merits (or demerits) of a worker and help him in developing his capability and competence for the job.
- 5) Help in executive decisions related to human resource department (HRD).
- 6) Appraisal of workers.
- 7) Continuous record for the worth of a worker.
- 8) Tool for decisions related to training, placement, promotion, confirmation, increment, transfer and counseling of workers.
- 9) Useful for understanding areas of improvement in a worker.
- 10) Helps in discovering special talents in a worker.
- 11) Useful in personal research, validation of training objectives and training methodology.

Process

- 1) Establishing Performance Standards
- 2) Communicating the Standards
- 3) Measuring Performance
- 4) Comparing the Actual with the Standards
- 5) Discussing the Appraisal
- 6) Taking Corrective Actions

Advantages of Merit rating -

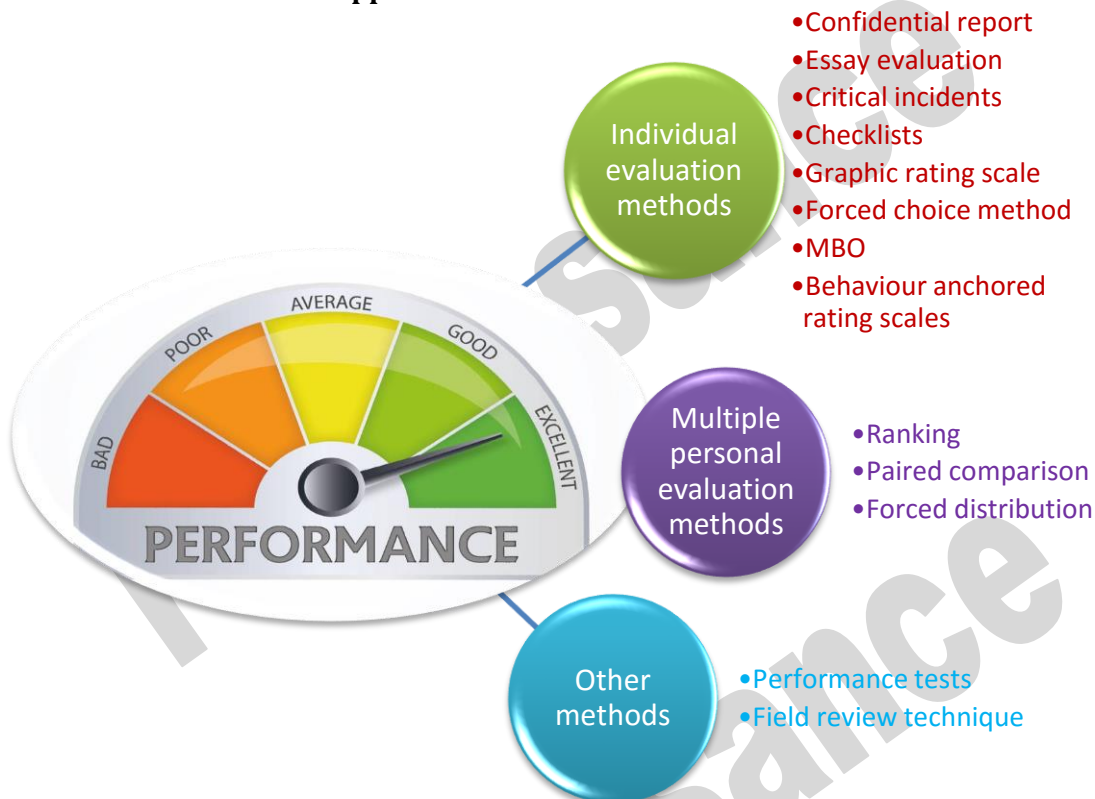
- 1) Systematic evaluation of employees.
- 2) Facilitates matching of job with individual
- 3) Facilitates promotion related decisions
- 4) Facilitates training related decisions
- 5) Helpful in identifying weakness of the employees which may systematically be removed
- 6) Provides base for guidance & counseling for the employees.
- 7) Develops healthy competition among workers improve performance
- 8) Serve as motivational tool for employees.
- 9) Provides objective basis for bonus, incentive wage salary related decisions.
- 10) Improves employee-employer relationship due to increased trust and confidence.
- 11) Sound base for negotiation with trade union

Disadvantages of merit rating -

- 1) Clarity in standards
- 2) Problem of Bias
- 3) Excessive Leniency or Strictness
- 4) Halo Error
- 5) Influence of a Man's Job
- 6) Central Tendency
- 7) Discrimination
- 8) Varying standards
- 9) Contrast Error
- 10) Spillover Effect



Methods of Performance Appraisal



1. **Individual Evaluation Methods:** Under this employees are evaluated one at a time without comparing them with other employees in the organization:
 - a. **Confidence Report:** It is mostly used in government organizations. It is a descriptive report prepared generally at the end of the year, by the employee's immediate superior. The reports highlight the strengths and weaknesses of the subordinate. The impressions of the superior about the subordinate are merely recorded here. It does not offer any feedback to the appraise. Since the report is generally not made public and hence no freedom is available, the subjective analysis of the superior is likely to be hotly contested.
 - b. **Essay Evaluation:** Under this method, the rates are asked to express the strong as well as weak points of the employee's behaviour. This technique is normally used with a combination of the graphic rating scale because the rates can elaborately present the scale by substantiating an explanation for his rating.
 - c. **Critical incidents Techniques:** The manager prepares tests of statements of very effective and ineffective behaviour of an employee. These critical incidents or events represent the outstanding poor behaviour of employees. Manager prepares records of the critical incidents of the worker's behaviour. At the end of the rating period, the recorded critical incidents are used in the evaluation of the workers' performance.
 - d. **Checklists and Weighted Checklists:** In simplest form, a checklist represents a set objectives or descriptive statements about the employee and his behaviour. If the rates believe strongly that the employee possesses a particular listed trait, he checks the item; otherwise, he leaves the item blank. A more recent, variation of the checklist is weighted list. Under this, the value of each question may be weighted equally or certain questions may be weighted more heavily than other.
 - e. **Graphic Rating Scale:** It is the oldest and most commonly used method of performance evaluation. In this, a printed form is used to evaluate the performance of an employee. A verity of traits may b used in these types of rating devices, the most common being the quality and quantity of work. The rating scales can also be adapted by including trails that the company



considers important for effectiveness on the job. A model of a graphic rating is given on next page.

- f. **Behaviourally Anchored Rating Scales:** Also known as the behavioural expectations scale, this method represents the latest innovation in performance appraisal. It is a combination of the rating scale and critical techniques of employee performance evaluation. The critical incidents serve as anchor statements on a scale and the rating form usually contains six to eight specifically defined performance dimensions.
 - g. **Forced Choice Method:** It was developed to eliminate bias and the preponderance of high ratings that might occur in some organizations. Its primary purpose is the correct tendency of a rater to give consistently high or low ratings to all the employees. This method makes those of several sets of pair phrases, two of which may be positive and two negative and the rater is asked to indicate which of the four phrases is the most and least descriptive of a particular worker. Actually, the statement items are grounded in such a way that the rater cannot easily judge which statements applies to the most effective employee.
 - h. **Management by Objective (MBO):** It is a modern method of evaluating the performance of personnel. Managers have become increasingly aware that the traditional performance evaluation systems are characterized by facing goals. This would inevitably enable subordinates to exercise self-control over their performance behaviours. The concept of MBO is actually the outcome of the pioneering work of Drucker, McGregor and Odioine in management science. MBO can be described as a process whereby superior and subordinate manager of an organization jointly its common goals, define each individual's major areas of operations, responsibility in terms of results expected of him and use these measures as a guide for operating the unit and assessing the contributions of each of its members. MBO, thus represents more than an evaluation programme and process.
2. **Multi-Person Evaluation Techniques:** These techniques are used to evaluate one employee in comparison to another. Three frequently used methods in organization are ranking, paired comparison and forced distribution.
- a. **Ranking Method:** This is a relatively easy method of performance evaluation. In it, the ranking of an employee in a work group is done against that of another employee. The relative position of each employee is tested in terms of their numerical rank. It may also be done by ranking a person on his job performance against another member of the competitive group.
 - b. **Paired Comparison Method:** Ranking is more reliable and easier under this method. Employee is compared with all other employees in the group, for example, when there are five employees to be compared, then A's performance is compared with that of B's and decision is arrived at as to whose is the better or worse. Next, B is also compared with all others. Since A is already compared with B, this time B is to be compared with only C, D and E. By this method, when there are five employees, fifteen decisions are made (comparisons).
 - c. **Forced Distribution Method:** Under this method, the rater is asked to appraise the employee according to a predetermined distribution scale. The rater's bias is sought to be eliminated here because workers are not placed at a higher or lower end of a scale. Two criteria are normally used for rating job performance and promotability. Further, a five point performance scale is used without any mention of descriptive statements. Workers are placed between the two extremes of 'good' and 'bad' performances. For instance, the workers of outstanding merit may be placed at the top 10% of the scale. The rest may be placed as: 20%-Good, 40%-Outstanding, 20%-Fair, and 10%-Fair.
3. **Other Methods:** Other methods include Group Appraisal, human Resources Accounting, Assessment Centre, Field Review, etc.
- a. **Group Appraisal:** In this method, an employee is appraised by a group of appraisers. This group consists of the immediate supervisor of the employee, other supervisors who have close contact with the employee's work, manager or head of the department and consultants.
 - b. **Human Resource Accounting:** HRA is a sophisticated way to measure in financial terms the effectiveness of personnel manager activities and the use of people in an organization. It is the



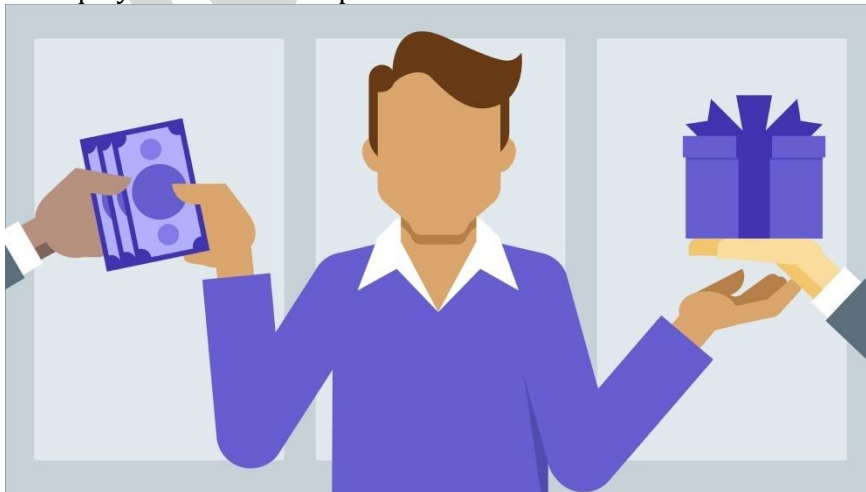
process of accounting for people as an organizational resource. It tries to place a value on organizational human resources as assets and not as expenses.

- c. **Assessment Centre:** This method of performance evaluation was first applied in German Army in 1930. Later, business and industrial houses started using this method. This is not a technique of appraisal by itself. In fact, it is a system on organization, where assessment of several individuals is done by various experts using various techniques. These methods include in-basket, role playing, case studies, simulation exercises, structured in sight, transactional analysis, etc.

In this approach individuals from various departments are brought together to spend two or three days working on an individual on group assignment similar to the ones they would be handling when promoted.

What is Compensation?

Compensation is the human resource management function that deals with every type of reward individual receive in exchange for performing organizational tasks. According to John Bernardin, "The term Compensation refers to all forms of financial returns and tangible benefits that employees receive as part of an employment relationship."



Characteristics of Compensation:

- 1) Compensation is a part of every organization.
- 2) It is a major cost of doing business.
- 3) It is the chief reason why most individuals seek employment.
- 4) It is an exchange relationship
- 5) Its goals is to design the lowest-cost pay structure that will attract, motivate and retain competent employees.

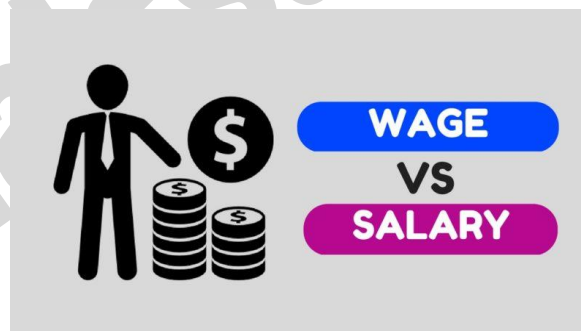
Components of Compensation:

- 1) Basic pay
- 2) Allowance
 - a. Dearness Allowance
 - b. House Rent Allowance
 - c. City Compensatory Allowance
 - d. Transport Allowance/Conveyance Allowance
- 3) Incentives
- 4) Fringe Benefits/Perquisites



Wages: payment to labour engaged directly in production is called wages.

Salaries: Is the remuneration for the quantum of services rendered by person whose output is difficult to be measured such as, remuneration paid to clerical or managerial or supervisory staff.



The term 'wage' refers to the remuneration paid to workers doing manual or physical work on hourly, daily, weekly or even monthly basis. On the other hand, the term 'salary' is referred to the remuneration paid to office employees on weekly, monthly or yearly basis.

Wage Policy

Wage policy refers to all systematic efforts of the government in relation to a national wage and salary system. The policy lays down guidelines concerning the level and structure of wages.

Objective of Wage Policy

1. To establish a fair remuneration
2. To attract competent personnel.
3. To retain the present employees
4. To improve productivity
5. To control costs
6. Job sequences and lines
7. To improve union management relations
8. To improve public image of the company.

Factors Influencing wage & salary structure and Administration:

A sound wage policy must be adopted to establish a fair differential in wages based upon differences in job contents.

1. Supply and Demand
2. Prevailing market rates
3. Organizations capacity to pay
4. Productivity
5. Job requirements
6. Bargaining power of trade union
7. Other factors.

Methods of wage payment



Methods of wage payment:- Different methods or systems of wage payments are prevalent in different countries. An organization usually adopts the following methods:

Time wage system:- under this system, the time is made a basis for determining wages of a person. The formulas used for calculating wages under this system are:

$$\text{Earning} = T \times R$$

Where T=Time Spent

R=Rate of pay

Merits

1. Simplicity.
2. Sense of security.
3. Quality of product is more important.
4. Equitable from of wage payment.
5. Trade unions accept this form of wage payment quite willingly.

Demerits

1. It does not provide any incentive to greater effort or hard worker.
2. The superior workers are repressed under this system.
3. It leads to a reduced quantum of work unless a strict and close supervision is arranged.
4. Difficulty to determine labour cost.
5. Low production.

II Piece Wage Systems:-

According to the piece rate system, a worker is paid for the amount of work performed rather than on time basis. The wages payable to a worker under this system is calculated by the formula.

$$\text{Earning} = N \times R$$

Where, N, R

N= Number of units produced

R= Wage rate per unit of product

Types of piece Rate system:

1. **Straight piece Rate:-** in this method one piece rate is fixed and whole production is paid basis. The rate of payment remains the same irrespective of level of output.
2. **Increasing piece rate:-** in this method different rates are fixed for different levels of production. Higher rates are given when production increases beyond a certain level.
3. **Decreasing piece rate:-** in this method the rate per unit decreases with increase in output. Re 1 per unit may be allowed up to a production of hundred units, 0.9p per unit for production between 101-150 units, 0.85p per unit for an output beyond 150 units and so on.

Merits:

1. It helps in speediating production
2. In the case of excessive work, the 'work load' can be distributed among other workers.
3. Less time consumption is left.
4. Less supervision is required.
5. Employers are protected against lazy and idlers through this system.
6. It avoids frequent industrial disputes.

Demerits

1. Payment under this system is irregular and uncertain for workers point of view
2. During the periods of illness, or disability, the worker is not paid any amount.
3. The system consumes enough time & space.
4. Too much emphasis on the quantity of production may lower the quality of products.
5. It becomes the source of grievances



III Balance method: This method is a combination of time wage and piece wage methods. In this method a worker is paid a fixed wage based on the time rate with a provision of piece wage method. This is just like minimum rent with provision of short working recoupment in case of royalty.

This method is also known as debt method, if the wage calculated at piece rate exceed time rate the worker gets credit. On the other hand, if time wages exceed piece wages, the worker is paid time wage and the deficit is carried forward as debt to be reconserved in future.

This method provides a sense of security to the employees. it is suitable in industries, where the flow of work is minimum. But rates in this method have to be fixed on the most scientific basis.

Wage Policy in India

Pay Structure

Pay structure in India generally consist of the following components.

- 1) Basic wage or salary
- 2) Dearness allowance and other allowances.
- 3) Bonus and incentives
- 4) Indirect pay
- 5) Works pay
- 6) Perks pay
- 7) Rewards for advancement, growth and achievements.

Wage Laws and Regulation in India

- 1) The Payment of Wage Act, 1936
- 2) Industrial Dispute Act, 1947
- 3) The Minimum Wages Act, 1948
- 4) The Equal Remuneration Act
- 5) Wage Boards
- 6) Pay Commissions

Concepts related to Basic Wage

According to the Fair Wages Committee the three concepts relating to basic wages are as follows:

- 1) Minimum Wage
- 2) Fair Wages
- 3) Living Wage

Types of wages-





1. **Minimum wages-** Means the payment to a workman which is first sufficient to cover the bare necessities of food, shelter & clothing for himself and his family and to maintain his work efficiency. Minimum wage in a country is fixed by the government in consultation with business organization and trade unions.
2. **Fair wage-** A fair wage is something more than the minimum wages. Fair wage is a mean between the living wage & the minimum wage. The lower limit of fair wage must obviously be the minimum wage.
3. **Living wages-** According to Justice Higgins "Living wage is a wage sufficient to ensure the workman food, shelter, clothing frugal comfort, provision for evil days etc. as regard for the skill of an artisan if he is one".
It may be described as the ideal which would enable the worker to provide a measure of comfort for himself and his family in addition, or course, to the essentials of life.

INCENTIVE COMPENSATION SYSTEM

Meaning of incentive Plans: Incentives are monetary benefits paid to workers in recognition of their outstanding performance.

According to the National commission on labour "Wage incentives are extra financial motivation. They are designed to stimulate human effort by rewarding the person over and above the time rated remuneration for improvements in present or targeted results.

'**Incentive pay**' is based on units produced and provides the closet connection between effort or performance and individual pay. It is also called 'variable pay' or 'incentive compensation' or performance-based rewards'.



Objectives:

Wages incentive scheme aim at the fulfillment of following objectives.

1. To improve the profit of a firm through a reduction in the unit costs of labour and materials or both.
2. To avoid or minimize additional capital investment for the expansion of production capacity.
3. To increase a worker's earning without dragging the firm into a higher wage rate structure regardless of productivity.
4. To use wage incentives as a useful tool for securing a better utilization of manpower.

Characteristics

1. Minimum wages are guaranteed to all workers.
2. An incentive plan may consist of both monetary and non monetary elements.
3. For successful incentives plan, the essentials are timing, accuracy and frequency of incentives.
4. The incentive plan requires that it should be properly communicated to the workers to encourage individual performance.

Merits of the Incentive system:-



1. Incentive system is a healthy way to strengthen the productive front of the industry.
2. Employers as well as workers, both are at advantage.
3. Incentive system reduces the burden of heavy supervisory costs.
4. It has been found that the cases of absenteeism are comparatively lower than in other system of wage payment.
5. It develops healthy industrial relations and reduces chances of disputes between the workers and the employers.
6. Incentives system provides better scope for developing human ingenuity.
7. Incentive system develops the feeling co-operation among the workers.

Demerits

1. If there is no ceiling on incentive earnings, some workers may work overtime and spoil their health.
2. For maximizing the output, quantity may be sacrificed unless a strict check is maintained.
3. Once an incentive plan is introduced, management may face still resistance from workers while revising standards and rates due to changes in technology, methods, machinery and materials.
4. Workers may disregard safety regulations in order to produce more.
5. Introduction and administration of incentive plans requires additional cost and time of clerical staff.
6. Sometimes, production flow may be disrupted due to the fault of management. In that case, workers may insist on compensation.
7. Peer jealousy and conflicts may arise if some workers earn more than others.

Types of Incentive payments



Wage Laws and Regulation in India

- 1) The payment of wage act, 1936
- 2) Industrial disputes act, 1947
- 3) The minimum wages act, 1948
- 4) The equal remuneration act
- 5) Wage boards



6) Pay commissions

PERQUISITES

The term “perquisites” is often colloquially to refer to those benefits of a more discretionary nature. Perquisites are also called ‘perk’. These are those benefits that are provided to executives above and beyond the benefits provided to all other employees. Generally executive perquisites include office space, parking \, cell phones, annual medical checking, company car, club membership, first class air travel, employment contracts, legal and financial services, change in control agreements, special.



List of perquisites

1. Employment contracts
2. Retirement plans
3. Control-agreements: Change-in-control agreement also known as “Golden Parachutes”, provide the executive with protection against the risk of losing their employment if the company is acquired.
4. Life-insurance plans: Companies offer executive additional life insurance coverage as a perquisite, beyond the company group plan.
5. relocation packages
6. make whole or leave behind payments
7. leave travel concession (LIC)
8. Free medical facilities etc.



UNIT-V

Administration of Employee Welfare

Employee welfare is related to well-being of the employee. It is a comprehensive term which includes various services, benefits and facilities offered to employees.

According to the committee on labour Welfare (1969) "such services, facilities and amenities as adequate canteen, rest and recreation facilities. Sanitary and from work and for the accommodation of workers employed at a distance from their homes and such other services, amenities and facilities, including social security measures as contribute to improve the conditions under which workers are employed.

labour welfare has two aspects negative and positive. On the negative side, labour welfare is concerned with counteracting the baneful effects of the large-scale industrial system of production- especially capitalistic, as far as India is concerned.

On its positive side, it deals with the provision of opportunities for the worker and his/her family for good life.

Administration of welfare involves decision on

- i. Welfare policy
- ii. Organization of welfare
- iii. Assessment of effectiveness

Characteristics of Employee Welfare-

1. Comprehensive Term
2. Dynamic Concept
3. Origin
4. Accepted as social right & Responsibility
5. Additional benefit
6. Provided by Various Agencies
7. Part of Social Welfare
8. Both Voluntary and Statutory
9. Individual and Group Services

Agencies of Employee Welfare:

- 1) Central Government
- 2) State Government
- 3) Employers
- 4) Employees' Associations
- 5) Trade Unions
- 6) Other Agencies

Importance of Employee Welfare-

It safeguards individual economy and has great impact and influence on industries development.

1. removal of negative Effects
2. Improve Family life
3. In the interest of larger society
4. Improve morale, loyalty and productivity
5. Improve physical and mental health



6. Improve hiring process
7. Help remove social evils
8. Establishes industrial peace
9. Raise goodwill
10. Voluntary efforts reduce the threat of further Govt. Intervention.

Types of Welfare Facilities

1. Conditions and comforts of work environment
2. Conveniences
3. Health services
4. Women and child welfare
5. Recreation
6. Economic services
7. Domestic and employment guidance
8. Worker's education
9. Labour-management joint programmes services to elderly and retired employees
10. Services to elderly and retired employees

A part from these there is many more which are known as (Extramural facilities). Mentioned below-

1. Housing
2. Waste disposal
3. Banks, transport, schools, post office
4. Health and Medical services
5. Recreation games, clubs
6. Watch & ward: Security
7. Community Leadership development
8. Co-operative, consumer & credit societies
9. Leave travel. holiday homes, vocational training

AMENITIES & FRINGE BENEFITS

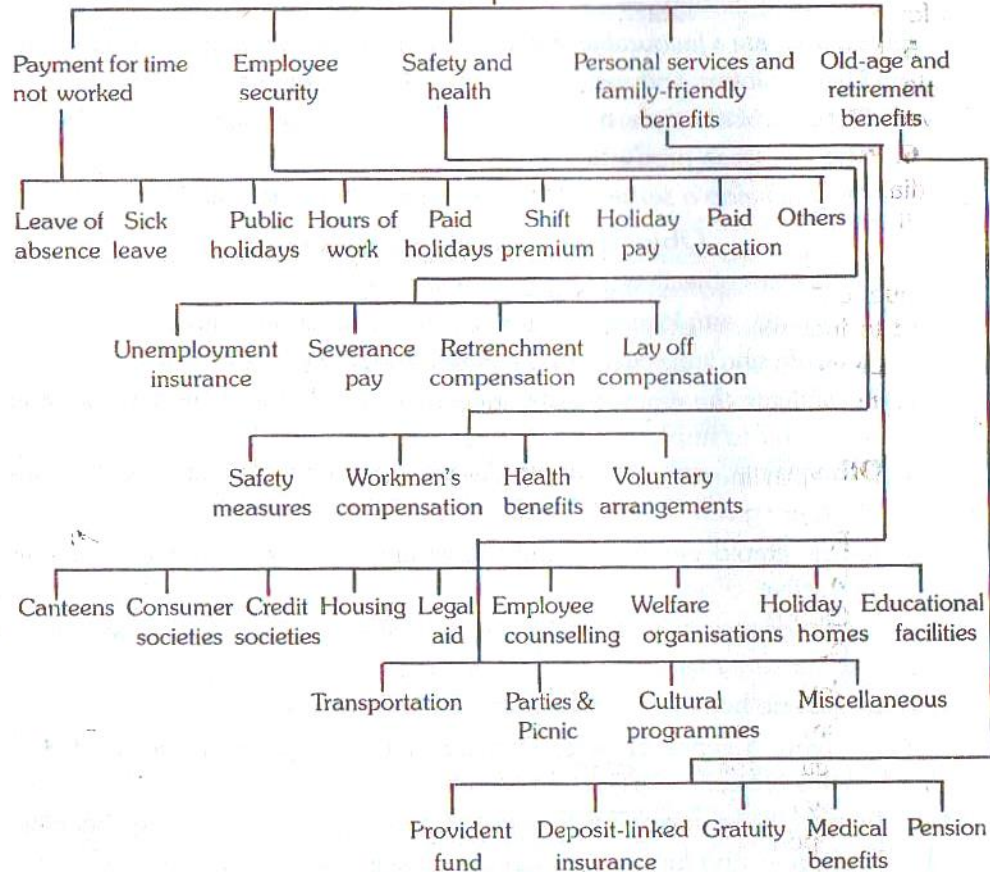
The term 'Fringe Benefits' refers to the extra benefits provided to employees in addition to the normal compensation paid in the form of wage of salary. The term encompasses a number of benefits – paid vacation, pension, health and insurance plans, etc. – which usually add up to something more than a "fringe".

Need and Importance of Fringe Benefits

- 1) To Retain the Employees
- 2) To Motivate Performance
- 3) Employee Demands
- 4) As a Social Security
- 5) To Improve Human Relations
- 6) Trade Union Demands
- 7) Statutory Requirements



Types of Fringe Benefits



SAFETY

Industrial safety or employee safety refers to the protection of workers from the danger of health hazards caused by poorly maintained equipment, unsafe machinery, exposure to hazardous chemicals and other potential injuries which include loss of hearing eye sight.

Types of safety & Health Hazards-

1. Injuries
2. Equipment Hazards
3. Fire Hazards
4. Chemical Hazards
5. Biographical Hazards
6. Environment Hazards
7. Atmospheric Hazards
8. Physiological Hazards
9. Occupational Hazards

Need & Importance of Safety

1. Altruism
2. Injuries & illness
3. Savings
4. Penalties & fines
5. Moral obligation
6. Promote well-being
7. To reduce accidents
8. To promote teamwork
9. To promote productivity & quality of work
10. To increase the concentration and confidence of employees.

Safety provisions under the factories act

The factories act, 1948 lays down the following safety provisions-

1. Fencing of machinery



2. Work on or near machinery in motion (Sec 22)
3. Prohibiting young person's on dangerous machine (Sec 23)
4. Striking gear and devices for cutting off power (Sec 24)
5. Self-acting machines (Sec 25)
6. Casing of new machinery (Sec 26)
7. Prohibiting women and children near cotton openers (Sec 27)
8. Hoist and lifts (Sec 28)
9. Lifting machines, chains and ropes (Sec 29)
10. Revolving Machinery (Sec 30 and so on).

Key Principles of a Total safety Culture-

1. All employees should be given through training in safety methods
2. Safety should be internally, not externally, driven
3. Don't count on common sense for safety improvement
4. Safety incentive programmes should focus on process rather than outcomes
5. On-the-job observation and interpersonal feedback are key to total safety culture
6. Behavior is directly by activators and motivated by consequences.

ACCIDENT PREVENTION

An industrial accident is a sudden and unexpected occurrence in the industry which interrupts the progress of the work.

Characteristics of Accidents

- 1) Unplanned and uncontrolled
- 2) Should be analyzed in terms of both costs and causes
- 3) Happens in the course of employment
- 4) It is the stoppage of work

Types of Industrial Accidents

- 1) External or Internal
- 2) Major or Minor
- 3) Temporary or Permanent
- 4) Fatal or Disability

Causes of Industrial Accidents

- 1) Unsafe conditions
- 2) Unsafe Acts and Practices
- 3) Physiological causes
- 4) Behavioural and Psychological causes
- 5) Other causes

Need and Importance of Accident Prevention

- 1) Sound Financial Investment
- 2) Eat Away Profits
- 3) Lower the Morale and Satisfaction
- 4) Loss of Human Life
- 5) Long Term Consequences
- 6) Detrimental to the Environment
- 7) Loss to both the Employer and the Employee
- 8) Legal Requirement



Remedies or Preventive Measures for Accidents

- 1) Designsafe Engineering
- 2) Protective Equipments
- 3) Job Rotation
- 4) Proper Selection and Placement
- 5) Safety Education
- 6) Skill Training
- 7) Safety Campaigns and Posters

WORK ENVIRONMENT

Work environment consists of all the physical, mental and social factors which influence the body, mind and work efficiency of an employee. It includes physical, mental and social conditions, climatic factors and other physical facilities at workplace, under which employees work.

There are really five aspects of work environment:

- 1) Physical
- 2) Technical
- 3) Social
- 4) Economic
- 5) Legal

Importance of Work Environment

- 1) Affects Efficiency and Satisfaction
- 2) Poor Environment Produces Adverse Effects
- 3) Affects Work Performance
- 4) Solves Work Behavior Problems
- 5) Improves productivity
- 6) Promotes Loyalty and Identification
- 7) Employees Feel Pride

FATIGUE

Fatigue is a feeling of tiredness. It is an activity decrement. It is the outcome of physical and mental efforts. Normon Maier defines fatigue as "a reduction in the ability to do work because of previous work."

Types of Fatigue

- 1) Physiological fatigue
- 2) Psychological fatigue

Causes of Fatigue

- 1) Long hours of work without suitable rest intervals.
- 2) Inconvenient and painful movement of body due to faulty machine design.
- 3) Awkward posture of body, e.g. working in a standing or bending position continuously for a long time.
- 4) Poor health of worker.
- 5) Disturbed family life or lack of interest in the job.
- 6) Unpleasant and monotonous job.
- 7) Uncongenial environment such as inadequate lighting, hot temperature, noise, etc.

HR GRIEVANCE

Every employee has certain expectations which he thinks must be fulfilled by the organization he is working for. When an employee feels that something is unfair in the organization, he is said to have a grievance. According to Jucius : A Grievance is "any discontent or dissatisfaction, 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.”

Features:

- A) A grievance refers to any form of discontent dissatisfaction with any aspect of the organization.
- B) The dissatisfaction must arise out of employment and not due to personal or family problems.
- C) The discontent may arise out of real or imaginary reasons.
- D) The discontent may be voiced or unvoiced. But it must find expression in some form.

Forms of Grievances:

A grievance may take any one of the following forms

- a) **Factual:** A factual grievance arise when legitimate needs of employees remain unfulfilled e.g. Wage hike has been agreed but not implemented citing various reasons.
- b) **Imaginary:** When an employee's dissatisfaction is not because of any valid reason but because of a wrong protection, wrong attitude or wrong information he has.
- c) **Disguised:** When an employee may have dissatisfaction for reasons that are unknown to him.

Causes:

Grievance may occur for a number of reasons:

- a) **Economic:** Wage fixation, overtime, bonus, wage revision etc.
- b) **Work environment:** Poor physical conditions of workplace, tight production norms, defective tools and equipment, poor quality of material, unfair rules, lack of recognition etc.
- c) **Supervision:** Relates to the attitudes of the supervisor towards the employee.
- d) **Work group:** Employee is unable to adjust with his colleagues; suffers from feelings of neglect, humiliation etc.
- e) **Miscellaneous:** There include issues relating to certain violations in respect of promotions, safety methods, transfer, disciplinary rules, fines, granting leave, medical facilities etc.

Effects:

Grievance, if not identified and redressed, may adversely affect workers, managers and the organizations as a whole.

The effects are:

- A) On production include:
 - Low quality of production.
 - Low quality of production and productivity.
 - Increase in the wastage of material, spoilage of machinery.
 - Increase in the cost of production per unit.
- B) On the employees:
 - Increases the rate of absenteeism and turnover.
 - Reduces the level of commitment, sincerity and punctuality.
 - Increase the incidence of accidents.
 - Reduces the level of employee morale.
- C) On the managers:
 - Strains the superior-subordinate relations.
 - Increase the degree of supervision, control and follow up.
 - Increases in indiscipline cases.
 - Increase in unrest and thereby machinery to maintain industrial place.

Solutions to Grievance:

- 1) **Observation:** done by manager.
- 2) **Grievance procedure;** should be systematic in order to highlight employee dissatisfaction at various levels.



- 3) Grip boxes: by placing complaint boxes in the factory or working places.
- 4) Open door policy: i.e. a walk-in-meeting with the manager; to express employee feelings openly.
- 5) Exit interview: it is conducted in order to find the real reason for employee leaving the job.
- 6) Opinion surveys: Surveys may be conducted periodically to elicit the opinions of employees about the organization and its policies.

Need for a Grievance handling procedure:

- a) The management can know the employee's feelings and opinions about the company's policies and practices.
- b) The employee gets a chance to ventilate his feelings through grievance handling procedure.
- c) It keeps a check on the supervisor's attitude and behavior towards their subordinates.
- d) The morale of the employees will be high with the existence of proper grievance handling procedure.

Steps in Grievance Procedure

- a) Identification of grievance by the management
- b) Management should define the problem properly and accurately after identification
- c) Data collection should be complete by all the parties
- d) Analysis and solution to the problems should be developed
- e) Prompt Redressal
- f) Implementation and follow up should be fast

Essential Pre-requisites of a Grievance Procedure

- a) Conformity with statutory provisions
- b) Unambiguity
- c) Simplicity
- d) Promptness in handling the grievance
- e) Training the supervisors and union representatives
- f) Follow up for making necessary changes from time to time for improved working.

ADMINISTRATION OF DISCIPLINE

Discipline means orderly behaviour of individuals towards the desired goals. It is tendency to observe the rules, regulations and procedures which are deemed to be necessary for the effective functioning of an organization.

Causes of Indiscipline

- 1) Worker's personal problems
- 2) Discrimination
- 3) Undesirable management practices
- 4) Undue harassment
- 5) Autocratic attitude of supervisors
- 6) Lack of upward communication
- 7) Intolerably bad working conditions

Types of Discipline Problems

- 1) Attendance
- 2) On-the-Job behaviours
- 3) Dishonesty
- 4) Outside activities

Importance of Discipline

- 1) Creates awareness



- 2) Removes organizational problems
- 3) Good employment relationship
- 4) Positive attitude
- 5) Strengthens self discipline
- 6) High morale
- 7) To meet challenges

Procedure for taking Disciplinary action

1. Preliminary investigation
2. Put the problem in perspective
3. Issuing a charge sheet
4. Consideration of explanation
5. Show-cause notice
6. Notice of enquiry
7. Holding of a full fledged enquiry
8. Recording of findings
9. Making of a final decision
10. Follow up



UNIT-VI

HR Audit

“Extending the general meaning of auditing to the field of personnel management, personnel auditing may be defined as the analysis and evaluation of personnel policies, procedures and practices to determine the effectiveness of personnel/human resource management in an organization.”

Objectives of Personnel Audit

- 1) To review the whole organizational system of human resource practices, i.e. acquiring, developing.
- 2) To evaluate the effectiveness of various personnel policies and practices.
- 3) To identify shortcoming in the implementation of human resource practices in the organization.
- 4) To modify the existing human resource practices to meet the challenges of personnel/HRM.

Area wise and Level-wise scopes of personnel audit as follows:

- | | |
|---------------------------|----------------------------|
| 1) Planning | 4) Motivation & Commitment |
| 2) Staffing & Development | 5) Administration |
| 3) Organizing | 6) Research & Innovation |

Need for Personnel Audit

- 1) Increasing size of the organization & personnel in several organizations.
- 2) Changing philosophy of management towards human resources.
- 3) Increasing strength & influence of trade unions.
- 4) Changing human resources management philosophy and thereby personnel policies & practices throughout the world.
- 5) Increasing dependence of the organization on the human resources system & its effective functioning.

Benefits

- 1) Identifies the contribution of the HR department.
- 2) Improves the professional image of HR department.
- 3) Encourages greater responsibility & professionalization among members of HR department.
- 4) Classifies the HR departments' duties & responsibilities.
- 5) Stimulates uniformity of personnel policies & practices.
- 6) Find critical personnel problems.
- 7) Reduce human resource cost.

HR Audit Process

The process of personnel audit consist identifying, indicators, indexes, statistical ratios & gross numbers in some cases and examining the variations in a time frame in comparison with a similar previous corresponding period.

Types of Audit

- 1) Internal Audit
- 2) External Audit

Parts of Audit Report

- 1) Table of contents
- 2) Preface
- 3) Statement of the objectives, methodology, scope & techniques used.
- 4) A synopsis containing the summery & conclusion of the audit that has been carries out.
- 5) Clear & in-depth analysis of the data & information.
- 6) Evaluation
- 7) Appendix



8) Bibliography

HR Accounting:

Human Resource Accounting is the process of assigning, budgeting, and reporting the cost of human resources incurred in an organization, including wages and salaries and training expenses.

Human Resource Accounting is the activity of knowing the cost invested for employees towards their recruitment, training them, payment of salaries & other benefits paid and in return knowing their contribution to organisation towards its profitability.

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 an organisation.

Flamholtz (1971) too has offered a similar definition for HRA. They define HRA as "the measurement and reporting of the cost and value of people in organizational resources".

CONCEPT OF HUMAN RESOURCE ACCOUNTING

Human Resource Accounting (HRA) is a new branch of accounting. It is based on the traditional concept that all expenditure of human capital formation is treated as a charge against the revenue of the period as it does not create any physical asset. But now a day this concept has changed and the cost incurred on any asset (as human resources) should be capitalised as it yields benefits measurable in monetary terms.

Human Resource Accounting means accounting for people as the organisational resources. It is the measurement of the cost and value of people to organisations. It involves measuring costs incurred by private firms and public sectors to recruit, select, hire, train and develop employees and judge their economic value to the organisation.

According to Likert (1971), HRA serves the following purposes in an organisation:

- It furnishes cost/value information for making management decisions about acquiring, allocating, developing, and maintaining human resources in order to attain cost-effectiveness;
- It allows management personnel to monitor effectively the use of human resources;
- It provides a sound and effective basis of human asset control, that is, whether the asset is appreciated, depleted or conserved;
- It helps in the development of management principles by classifying the financial consequences of various practices.

Objectives of HR Accounting

The objective of HRA is not merely the recognition of the value of all resources used by the organisation, but it also includes the management of human resource which will ultimately enhance the quantity and quality of goods and services. The main objectives of HR Accounting system are as follows:

1. To furnish cost value information for making proper and effective management decisions about acquiring, allocating, developing and maintaining human resources in order to achieve cost effective organisational objectives.
2. To monitor effectively the use of human resources by the management.
3. To have an analysis of the human assets i.e. whether such assets are conserved, depleted or appreciated.
4. To aid in the development of management principles. and proper decision making for the future by classifying financial consequences of various practices.
5. In all, it facilitates valuation of human resources recording the valuation in the books of account and disclosure of the information in the financial statement.



6. It helps the organisation in decision making in the following areas:

Direct Recruitment vs. promotion, transfer vs. retention, retrenchment vs. retention, impact on budgetary controls of human relations and organisational behaviour, decision on reallocation of plants closing down existing units and developing overseas subsidiaries etc.

Advantages of HR Accounting

Human Resource Planning anticipates not only the required kind and number of employees but also determines the action plan. The major benefits of HR accounting are:

- It checks the corporate plan of the organisation. The corporate plan aiming for expansion, diversification, changes in technological growth etc. has to be worked out with the availability of human resources for such placements or key positions. If such manpower is not likely to be available, HR accounting suggests modification of the entire corporate plan.
- It offsets uncertainty and change, as it enables the organisation to have the right person for the right job at the right time and place.
- It provides scope for advancement and development of employees by effective training and development.
- It helps individual employee to aspire for promotion and better benefits.
- It aims to see that the human involvement in the organisation is not wasted and brings high returns to the organisation.
- It helps to take steps to improve employee contribution in the form of increased productivity.
- It provides different methods of testing to be used, interview techniques to be adopted in the selection process based on the level of skill, qualifications and experience of future human resources.
- It can foresee the change in value, aptitude and attitude of human resources and accordingly change the techniques of interpersonal management

Limitations of HRA:

- 1) Difficult to value human assets
- 2) Measurement problems
- 3) Objection by employees and unions
- 4) No empirical evidence
- 5) Dehumanizing
- 6) Underrating of intellectual capital

Performance Appraisal:

The performance appraisal is the process of assessing employee performance by way of comparing present performance with already established standards which have been already communicated to employees, subsequently providing feedback to employees about their performance level for the purpose of improving their performance as needed by the organisation.

As said above the very purpose of performance appraisal is to know performance of employee, subsequently to decide whether training is needed to particular employee or to give promotion with additional pay hike. performance appraisal is the tool for determining whether employee is to be promoted, demoted or sacked (remove) in case of very poor performance and no scope for improvement.

Every corporate sector uses performance appraisal as a tool for knowing about the employee and take decisions about particular employee. for the purpose of performance appraisal of employees there are different methods under the category of traditional methods and modern methods which are discussed in following chapters.

What is Performance?

What does the term performance actually mean? Employees are performing well when they are productive. Productivity implies both concern for effectiveness and efficiency, effectiveness refers to goal



accomplishment. However it does not speak of the costs incurred in reaching the goal. That is where efficiency comes in. Efficiency evaluates the ratio of inputs consumed to outputs achieved. The greater the output for a given input, the greater the efficiency. It is not desirable to have objective measures of productivity such as hard data on effectiveness, number of units produced, or percent of crimes solved etc and hard data on efficiency (average cost per unit or ratio of sales volume to number of calls made etc.).

In addition to productivity as measured in terms of effectiveness and efficiency, performance also includes personnel data such as measures of accidents, turnover, absences, and tardiness. That is a good employee is one who not only performs well in terms of productivity but also minimizes problems for the organisation by being to work on time, by not missing days, and by minimizing the number of work-related accidents.

What is Appraisal?

Appraisals are judgments of the characteristics, traits and performance of others. On the basis of these judgments we assess the worth or value of others and identify what is good or bad. In industry performance appraisal is a systematic evaluation of employees by supervisors. Employees also wish to know their position in the organization. Appraisals are essential for making many administrative decisions: selection, training, promotion, transfer, wage and salary administration etc. Besides they aid in personnel research.

Performance Appraisal thus is a systematic and objective way of judging the relative worth of ability of an employee in performing his task. Performance appraisal helps to identify those who are performing their assigned tasks well and those who are not and the reasons for such performance.

Definitions:

Performance appraisal has been defined by different scholars in various ways. Some of the important definitions are as follows:

Dale S. Beach, "Performance appraisal is systematic evaluation of the individual with respect to his or her performance on the job and his or her potential for development".

Randall S. Schuler, "Performance appraisal is a formal, structured system of measuring and evaluating an employees job, related behaviour and outcomes to discover how and why the employee is presently performing on the job and how the employee can perform more effectively in the future so that the employee, organisation, and society all benefit."

Heyel, "It is the process of evaluating the performance and qualifications of the employees in terms of the requirements of the job for which he is employed, for purposes of administration including placement, selection for promotions, providing financial rewards and other actions which require differential treatment among the members of a group as distinguished from actions affecting all members equally."

Dale Yoder, "Performance appraisal includes all formal procedures used to evaluated personalities and contributions and potentials of group members in a working organisation. It is a continuous process to secure information necessary for making correct and objective decisions on employees."

Performance appraisal from employee point of view - "A performance appraisal is meant to help employees realise their strengths and shortcomings and receive a compensation accordingly."

How often should appraisals take place?

Performance appraisal in any organisation will be done at a specific period, like annually or half yearly or quarterly or maybe regularly. It all depends upon the nature or size of the organisation, and sometimes necessity of the managers decide the period of performance appraisal of their employees. Most of organisations are insisting employee appraisal should be a continuous process and should not be limited to a formal review once a year. The frequency of formal appraisals will depend on the nature of the



organization and on the objectives of the system. For example, in a high technology organisation objectives may be changing quickly so that formal appraisals may need to be carried out more than once a year. In an environment which is less subject to change, annual appraisals may be sufficient. Most employees receive a formal appraisal annually, although more frequent appraisals are often needed for new employees, for longer serving staff who have moved to new posts or for those who are below acceptable performance standards.

Adobe Systems, U.S based software company has abolished annual performance appraisal system of its employees. Instead company management has introduced regular feedback method for reviewing regular performance of its employees rather than waiting till year ending for performance review. Company managers feel regular feedback will improve the performance of employees as they come to know their regular performance, further managers are considering these regular feedback in the matter of salary hikes and promotions.

Process

- 1) Establishing Performance Standards
- 2) Communicating the Standards
- 3) Measuring Performance
- 4) Comparing the Actual with the Standards
- 5) Discussing the Appraisal
- 6) Taking Corrective Actions

Performance Appraisal Techniques:

The techniques of appraisal have been divided into two categories: The modern and the traditional techniques. While the traditional methods base their findings on the personality traits of an individual like creativity, responsibility, and leadership, the modern techniques laid more stress on the evaluation of work results.

Traditional methods:

1. Confidential report: It is used for promotion and transfer of an employee and is prepared by the immediate superior who describes in detail the strength and weaknesses along with major achievements and failures of the employee. The personality and behavior of the employee also find mention in this report.

2. Essay or free form method: As the name suggests the appraiser write a short essay detailing the performance of the employee. It is a very time consuming method and is prone to bias also as specific performance dimensions are not considered. The quality of appraisal also depends on the writing skills of the appraiser. It is also difficult to compare two Essay appraisals as there is no common criterion for the appraiser.

3. Straight ranking method: This is the old and simplest method of performance appraisal. In this method ranks are assigned relatively to all the employees working in the same unit and doing the same job without analyzing their performance. The method is biased as the ranking is not based on the specific performance measures of a job. It can be cumbersome if the number of employees is very large. The other limitations of this method are that it only tells how an employee stands in comparison with other employees.

4. Forced distribution method: In this method the evaluator is required to distribute his rating in the form of normal frequency distribution. Employees are shown in categories that range from poor to excellent by the evaluator. This method was evolved by Joseph Tiffin but it also suffers from certain limitations as the performance criteria related to a job are not used and the reasons for assigning a category to particular employee are not clear.



5. Graphic or linear rating scale: In this method a numerical scale is used which indicates different degrees to a particular trait. These traits can be initiative dependability creativity attitude loyalty emotional stability and co-ordination. The evaluator gives a particular ranking on each trait to every employee. Two types of rating scales are used: Continuous and discontinues. In first type degree of a trait is measure along a continuum like 0 1 2 3. IN discontinues rating scale boxes are used to show the different degrees of the traits like (I) no interest (II) indifferent (III) Interesting (IV) enthusiastic (V) very enthusiastic.

6. Critical incident method: This method was developed after a research by the armed forces of United States of the 2nd world war. It is based on a principal that there are some significant acts in the behavior and performance of every employee which can lead to the success of failure on the job. The supervisor keeps a record of these events which can be good or bad and also records the behavior of the employee during such an event. The ratings of the employee depend on the positive or negative behavior during these events. This method also has certain limitations like it is cumbersome and time consuming and a lot of important information is lost while coating the incident after a considerable gap of time. Continues record keeping is also not possible as such events keep on happening frequently. The bios by the supervisor in reporting these incidents can also not be ruled out completely.

7. Group appraisal method: Employees are rated by a group of people comprising the immediate supervisor of the employee and other supervisor who have the knowledge of the employee work along with the concerned head of the department and a personnel expert. This group determines the standards and then measures the actual performance of the employee. It suggests creative measures after analyzing the causes of poor performance. Though it is a time consuming method, it is free from bias.

Modern Methods:

1. Assessment centre method: This method was used for the first time in 1930 by the German army and then in 1960's by the British army. This method tests a candidate in different social situations using a number of assessor and procedures. The performance of an employee an also his potential for a new job is evaluated in this method by assessing his performance on job related simulations. Characteristics that the concerned managers feel are important for the success of a particular job are included in these simulations. Techniques like business games role playing and in basket exercises are used in this method. The employees are evaluated individually as well as collectively on job related characteristics. Personal interview and projective tests help in assessing the motivation, career orientation and dependence on others of an employee. To measure the intellectual capacity written tests are used. The evaluators in this method consist of experienced manager working at different levels who prepare a summary report for the management as well as for the employees. This technique usually measures the planning ability interpersonal skills and organizational skills of an employee.

2. Human Resource Accounting Method: Human resources are a valuable asset for any organization and it can be valued in monetary terms. This method evaluates the performance of an employee in terms of costs and contributions. HR costs include expenses incurred on HR planning recruitment selection induction and training. The difference between this costs and the contribution by an employee reflects the performance of that employee. This method is still developing hence is not very popular at present.

3. Behaviorally anchored rating scale (BARS): This method combines the graphic rating scale and the critical incident method. It determines in advance the critical areas of the performance and the most effective behavior to achieve the results. Then the actual job behavior of an employee is evaluated against the predetermined behavior.

The following steps are used for constructing BARS.

1. Supervisor and other persons well acquainted with a job are asked to described specific critical incidence of effective performance behavior
2. Then these persons categorized the incidents into sets of performance dimensions and each set is then



defined.

3. These people then reallocate the original critical incidents. They are given the cluster definition and critical incidents and are asked to re-design each incident to the dimensions that describes it the best. A critical incidents is retain only a some percentage that is usually between 50 – 80 percent of this group assigns the incidents to the same cluster as was done by the earlier group.

4. The second group then rates each incident on a 7 – 9 point scale where the rating is done on the basis of how well the behavior described in the incidents represented the performance on the appropriate dimensions.

5. A sub set of incidents is used as behavior anchors for the performance dimensions.

4 Appraisal through management by objectives (MBO): This concept was introduced by Peter Drucker in 1954 who named it management by objectives and self control. It is an effective way it is also known as goal setting approach to appraisal .In this process the supervisor and subordinate members jointly identify the common goals of the organization and set the areas of the responsibility of each individual in terms of results expected from that person. These measures are use for operating the unit as well as for appraising the performance of the employees.

5 The 360 degree appraisal: The 360 degree method of performance appraisal is used to make the appraisal process more transparent, objective and participative. It introduced the concepts of self appraisal subordinates appraisal, peer appraisal and appraisal by customers. It is called a 360 degree method because it involves the evaluation of an employee by persons above him, below him and alongside him. Structured questionnaires are used to collect information from the seniors, subordinates and peers. The employee to be evaluated thus acquires a central position and everyone around him participates in the appraisal process in the 360 degree method. The following five are the main components of 360 degree appraisal:

Self appraisal: It allows an employee complete freedom in accessing his or her strengths objectively and identifying the areas of development. The employees get a chance to share the development areas with their seniors based on their self appraisal and jointly worked out a plan in tune with the organizational realities like the availability of resources and time. It also gives a chance to the employee to express his career plans which is in the interest of the organization as it knows beforehand the aspirations of its employee.

Appraisal by superiors: An appraisal by superiors involves providing constructive, feedback about the performance of any employee as well as his development areas during the review period. It helps in setting goals for the employees that help in achieve the organizational goals and improve the performance of the employee. The career aspirations of an employee are also put in proper prospective.

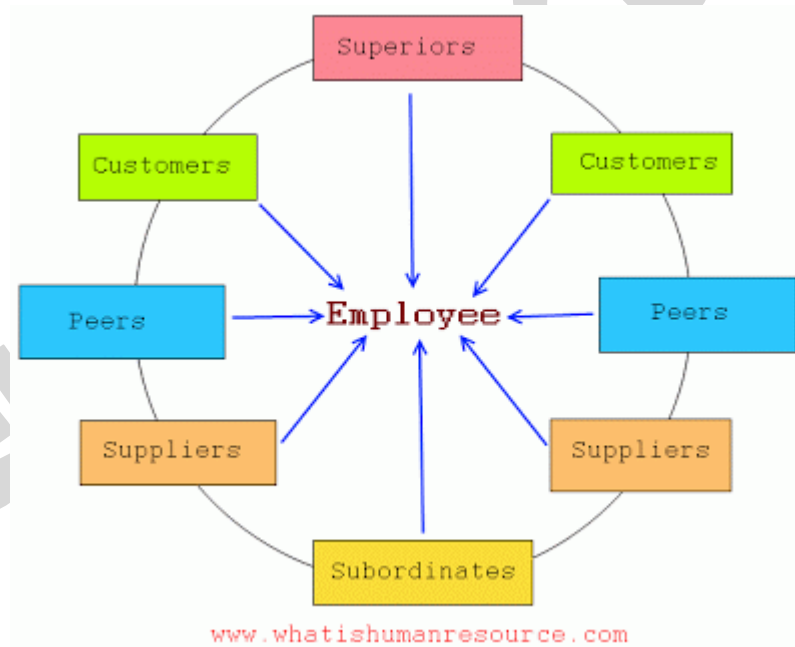
Appraisal by subordinates: This is a unique feature of the 360 degree method of appraisal. As the subordinates play an important role in the performance of the employee. The feedback by the subordinates gives firsthand account of how they look at their superior in terms of working style. The capability of a superior in motivating, delegating the work, building a team and communicating with them effectively form the basis of appraisal by the subordinates.

Peer appraisal: It also plays an important role in 360 degree appraisal as the role of peers is quite important in life of an employee. Selecting the right peers is very important and peers from the departments that are directly related with the department of the employee should also be included. It mainly focuses on feedback about the style of functioning of the employee under review and can also include his ability to work as team leader besides his co-operation and collaboration.

Potential appraisal: It is different from performance appraisal as it refers to the abilities of the employees that are not being used at the time of appraisal. It searches for the latent abilities of the employee in discharging higher responsibilities in future. The potential of the employees is judged on the basis of his present performance, personality traits, past experience and age and qualification. It also looks at the



unused skills and knowledge of an employee. It aims at informing the employee their future prospectus and helps the organization in drawing your suitable successions plan. It also requires updating the training efforts regularly and advised the employees on things which they can do to improve their career prospectus.



360 degree appraisal is also a powerful developmental tool because when conducted at regular intervals (say yearly) it helps to keep a track of the changes others' perceptions about the employees. A 360 degree appraisal is generally found more suitable for the managers as it helps to assess their leadership and managing styles. This technique is being effectively used across the globe for performance appraisals. Some of the organizations following it are Wipro, Infosys, and Reliance Industries etc.

Advantages of 360 degree appraisal

- Offer a more comprehensive view towards the performance of employees.
- Improve credibility of performance appraisal.
- Such colleague's feedback will help strengthen self-development.
- Increases responsibilities of employees to their customers.
- The mix of ideas can give a more accurate assessment.
- Opinions gathered from lots of staff are sure to be more persuasive.
- Not only manager should make assessments on its staff performance but other colleagues should do, too.
- People who undervalue themselves are often motivated by feedback from others.
- If more staff takes part in the process of performance appraisal, the organizational culture of the company will become more honest.

Benefits of 360-degree feedback:

- **To the individual:**
 - > This helps the person understand his or her own personality from an outsider's perspective > Development needs are revealed
- **To the team:**
 - > Increases communication between team members > Supports teamwork by involving team members in the development process
- **To the organization:**



- >Better career development for employees > Improves customer service by having customers contribute to evaluation > Drives training

Disadvantages of 360 degree appraisal

- Taking a lot of time, and being complex in administration
- Extension of exchange feedback can cause troubles and tensions to several staff.
- There is requirement for training and important effort in order to achieve efficient working.
- It will be very hard to figure out the results.
- Feedback can be useless if it is not carefully and smoothly dealt.
- Can impose an environment of suspicion if the information is not openly and honestly managed.
- If 360-degree feedback is linked to compensation decisions, it may lose its power as a tool for development. The thinking is that when compensation is the outcome, individuals will quickly learn how to play the game of "I'll scratch your back, if you scratch mine."
- Further, if people do not get satisfactory ratings, morale can decrease when 360 is linked to performance appraisal mode. But when 360 is used purely for development, low scores tend to be viewed as constructive feedback.

Who should conduct 360 degree performance appraisal?

- Subordinates.
- Peers.
- Managers (i.e. superior).
- Team members.
- Customers.
- Suppliers/ vendors.
- Anyone who comes into contact with the employee and can provide valuable insights and information.