SCHOOL OF MANAGEMENT STUDIES

UNIT – I – FUNDAMENTALS OF HRM –SBAA3012

INTRODUCTION

Human Resource Management: Concept and Functions, Role, Skills and competencies of HR Manager, HR Policies, Evolution of HRM, HRM vs HRD. Emerging Challenges of Human Resource Management; Workforce diversity; Empowerment; Downsizing; VRS; Human Resource Informtion System.

Human Resource Management: Definition and Concept

The first definition of HRM is that it is the process of managing people in organizations in a structured and thorough manner. This covers the fields of staffing (hiring people), retention of people, pay and perks setting and management, performance management, change management and taking care of exits from the company to round off the activities. This is the traditional definition of HRM which leads some experts to define it as a modern version of the Personnel Management function that was used earlier.

The second definition of HRM encompasses the management of people in organizations from a macro perspective i.e. managing people in the form of a collective relationship between management and employees. This approach focuses on the objectives and outcomes of the HRM function. What this means is that the HR function in contemporary organizations is concerned with the notions of people enabling, people development and a focus on making the "employment relationship" fulfilling for both the management and employees.

These definitions emphasize the difference between Personnel Management as defined in the second paragraph and human resource management as described in the third paragraph. To put it in one sentence, **personnel management is essentially "workforce" centered whereas human resource management is "resource" centered**. The key difference is HRM in recent times is about fulfilling management objectives of providing and deploying people and a greater emphasis on planning, monitoring and control.

The HRM Functions

HRM is the part of the organization concerned with the "people" dimension. HRM can be viewed in one of two ways. First, HRM is a staff or support function in the organization. Its role is to provide assistance in HRM matters to line employees, or those directly involved in producing the

organization's goods and services. Second, HRM is a function of every manager's job. Whether or not one works in a formal HRM department, the fact remains that to effectively manage employees, all managers must handle the following activities.

Every organization is comprised of people. Acquiring their services, developing their skills, motivating them to high levels of performance, and ensuring that they maintain their commitment to the organization are essential to achieving organizational objectives. This is true regardless of the type of organization—government, business, education, health, recreation, or social action. Hiring and keeping good people is critical to the success of every organization.

HRM consists of four basic functions:

(1) staffing, (2) training and development, (3) motivation, and (4) maintenance. In less academic terms, we might say that HRM is made up of four activities: (1) hiring people,   (2) preparing them, (3) stimulating them, and (4) keeping them.

Even the smallest entrepreneurial organization with one or two employees must recognize responsibility for all four HR functions. In organizations that are too small for a formal human resource management department, these functions will be the responsibility of each line manager.

Line managers will always have many of these responsibilities whether a formal human resources department exists or not. HR departments are generally responsible for assisting the line manager in these activities. Organizational strategy, structure, or culture may dictate that such activities, although supportive of line management, will be more effective if handled in a more centralized fashion in the human resource department. When one attempts to piece together an approach for HRM, many variations and themes may exist.

Staffing Function

Although recruiting is frequently perceived as the initial step in the staffing function, it has prerequisites. Specifically, before the first job candidate is sought, the HR specialist must embark on employment planning. This area alone has probably fostered the most change in human resource departments during the past thirty years. Organizations must have a well-defined reason for needing individuals who possess specific skills, knowledge, and abilities directly linked to specific jobs. No longer does the HR manager exist in total darkness, or for that matter, in a

reactive mode. Not until the organization's mission and strategy have been fully developed can human resource managers begin to determine human resource needs.

Specifically, when an organization plans strategically, it determines its goals and objectives for a given period of time. These goals and objectives often lead to structural changes in the organization, requiring changes in job requirements and reporting relationships. These new or revised structures will require HR professionals to direct recruiting efforts to find individuals with skills matching the organizational strategy. For example, an organization seeking a cost differentiation strategy may need to seek employees who are flexible and have a variety of skills in addition to their specific job description. It is these jobs that HRM must be prepared to fill.

Many organizations are choosing to assist recruiting efforts by developing and promoting an employment "branding" strategy much the same way that consumer products have a distinct brand image. The image needs to fit the organizational strategy, mission, and values. Google, for instance, has promoted an employment brand that promotes their culture of creativity and innovation plus employee perks like free food, games, and lots of social interaction. Branding assists candidates in selecting an employer that they perceive to be a good fit with their values, personality, and work ethic. Branding also allows candidates who do not feel that they would be a good fit with the organization to decide not to pursue employment.

As an organization's jobs are analyzed, specific skills, knowledge, and abilities are identified that the job applicant must possess to succeed. This aspect cannot be understated, for herein lies much of the responsibility and success of HRM. Through the job analysis process, HRM identifies the essential qualifications for a particular job and includes them in the job description. This accomplishes two objectives. First, prospective employees can see a clear connection between the job and the mission or strategy of the company. Second, it assures that the candidate is selected according to objective criteria and not politics or personal bias, hopefully reducing the chance that illegal discrimination may influence hiring.

Additionally, almost all activities involved in HRM revolve around an accurate description of the job. One cannot successfully recruit without knowledge of the critical skills required, nor can one appropriately set performance standards and pay rates or invoke disciplinary procedures fairly without this understanding. Once these critical competencies have been identified, the recruiting process begins. Armed with information from employment planning, HR can begin to focus on prospective candidates. When involved in recruiting, HR specialists should attempt to achieve two

goals: to obtain an adequate pool of applicants, thereby giving line managers more choices; and simultaneously provide enough information about the job to head off unqualified applicants. Recruiting then becomes an activity designed to locate potentially good applicants, conditioned by the recruiting effort's constraints, the job market, and the need to reach members of underrepresented groups such as minorities and women.

Once applications have come in, it is time to begin the selection phase. Selection, too, has a dual focus. It attempts to thin out the large set of applications that arrived during the recruiting phase and to select an applicant who will be successful on the job. To achieve this goal, many companies use a variety of steps to assess the applicants. The candidate who successfully completes all steps is typically offered the job, but that is only half of the equation. HRM must also ensure that the best prospect accepts a job offer. Accordingly, HRM must communicate a variety of information to the applicant, such as the organization culture, what is expected of employees, and any other information that is pertinent to the candidate's decision-making process.

The completed selection process ends the staffing function. The goals, then, of the staffing function are to locate competent employees and bring them into the organization. When this goal has been reached, HRM focuses its attention on the employee's training and development.

Training and Development Function

Whenever HRM embarks on the hiring process, it attempts to search for and secure the "best" possible candidate. And while HRM professionals pride themselves on being able to determine those who are qualified versus those who are not, the fact remains that few, if any, new employees can truly come into an organization and immediately become fully functioning, 100 percent performers. First, employees need to adapt to their new surroundings. Socialization is a means of bringing about this adaptation. While it may begin informally in the late stages of the hiring process, the thrust of socialization continues for many months after the individual begins working. During this time, the focus is on orienting the new employee to the rules, regulations, and goals and culture of the organization, department, and work unit. Then, as the employee becomes more comfortable with his or her surroundings, more intense training begins.

Employees often take months to adjust to their new organizations and positions. Although the job description may seem straightforward, employees need to learn the culture of the organization, how information is communicated, and how their position fits the organization structure and

strategy. HRM plays an important role in assimilating employees so they can become fully productive. To accomplish this, HRM typically embarks on four areas in the training and development phase: employee training, employee development, organization development, and career development. It is important to note that employee and career development is more employee-centered, whereas employee training is designed to promote competency in the new job. Organization development, on the other hand, focuses on organizational changes. While each area has a unique focus, all four are critical to the success of the training and development phase.

The training and development function tends to be a continuous process. The goal of training and development is to have competent, adapted employees who possess the up-to-date skills, knowledge, and abilities needed to perform their current jobs more successfully. If that is attained, HRM turns its attention to finding ways to motivate these individuals to exert high energy levels.

Motivation Function

The motivation function is one of the most important yet probably the least understood aspects of the HRM process. Human behavior is complex, and trying to figure out what motivates various employees has long been a concern of behavioural scientists. However, research has given us some important insights into employee motivation.

First of all, one must begin to think of motivation as a multifaceted process—one with individual, managerial, and organizational implications. Motivation is not just what the employee exhibits, but a collection of environmental issues surrounding the job. It has been proposed that one's performance in an organization is a function of two factors: ability and willingness to do the job. Thus, from a performance perspective, employees need the appropriate skills and abilities to adequately do the job.

This should be ensured in the first two phases of HRM by correctly defining the requirements of the job, matching applicants to those requirements, and training the new employee in how to do the job. But another concern is the job design itself. If jobs are poorly designed, inadequately laid out, improperly described, or there does not seem to be a connection to the goals or the organization, employees will perform below their capabilities.

Consequently, HRM must ask if the latest technology has been provided to permit maximum work efficiency. For example, imagine an employee who spends considerable time each day developing

product designs. This employee, however, is struggling with outdated design software or a computer that is unable to accommodate the necessary sophisticated design software. Compared to another employee who does have access to such technology, the first individual is going to be less productive. Indeed, office technology and industrial engineering techniques must be incorporated into the job design. Without such planning, the best intentions of organizational members to motivate employees may be lost or significantly reduced.

Many organizations today recognize that motivating employees also requires a level of respect between management and the workers. This respect can be seen as involving employees in decisions that affect them, listening to employees, and implementing their suggestions where appropriate.

The next step in the motivation process is to set performance standards for each employee. While no easy task, managers must be sure that the performance evaluation system is designed to provide feedback to employees regarding their past performance, while simultaneously addressing any performance weaknesses the employee may have. A link should be established between employee compensation and performance: the compensation and benefit activity in the organization should be adapted to and coordinated with a pay-for-performance plan.

Throughout the activities required in the motivation function, the efforts all focus on one primary goal: to have highly productive, competent, and adapted employees, with up-to-date skills, knowledge, and abilities. Once that is achieved, it is time to turn the HRM focus to the maintenance function.

Maintenance Function

The last phase of the HRM process is called the maintenance function. As the name implies, this phase puts into place activities that will help retain productive employees. When one considers how employee job loyalty has declined in the past decade, it's not difficult to see the importance of maintaining employee commitment. To do so requires some basic common sense and some creativity. HRM must ensure a safe and healthy working environment; caring for employees' well-being has a major effect on their commitment. HRM must also realize that any problem an employee faces in his or her personal life will ultimately be brought into the workplace. This calls for employee assistance programs that help individuals deal with stressful life situations such as

substance abuse, child care, elder care, depression, and relationship problems. These programs provide many benefits to the organization while helping the affected employee.

In addition to protecting employees' welfare, HRM must operate appropriate communications programs in the organization. Such programs help employees know what is occurring around them and provide a place to vent frustrations. Employee relations programs should ensure that employees are kept well informed—through such things as the company's e-mail, voicemail, Web site, bulletin boards, town hall meetings, and videoconferencing—and foster an environment where employee voices are heard. Time and effort expended in this phase help HRM achieve its ultimate goal of retaining highly productive, competent, and adapted employees, with up-to-date skills, knowledge, and abilities, who are willing to maintain their commitment and loyalty to the company. This process is difficult to implement and maintain, but the rewards should be such that the effort placed in such endeavours is warranted.

Role, Skills and competencies of HR Manager

1. Effective Communication

HR professionals must have impeccable communication skills. When the job is to deal with people, it becomes paramount for any HR professional to have strong communication skills. They constantly deal with people over the phone or email, draft company policies, and conduct interviews.

Therefore any HR professional must have excellent writing skills to avoid any miscommunication. They must actively listen to understand others' perspectives and bring a more honest discussion between them and the managers.

Effective communication helps HR managers to handle employee grievances empathically and also manage any internal conflicts effectively.

2. Relationship-building

Building relationships between the HR group and other departments is one of the critical components to bring business together. This helps in maximizing the potential of the organization and its success. Relationships in the workplace often need a great deal of care and communication.

There are also some casual relationships that need attention. Therefore, HR professionals must emphasize building relationships among every department so that they can thrive together.

HR professionals must listen and respond to the concerns of the other departments and act as a glue to keep them stick together. Since a workplace has diverse individuals, HR professionals must introduce inclusive policies, so that everyone feel welcomed in the workplace.

3. Adaptability Skills

The world of business is changing every day. To get comfortable and adapt to the changing times, the HR managers need to rethink their current company policies and curate new ones that are more relevant and effective. Since HR managers actively participate in decision-making and business strategies, they need to forecast the need for changes. For fostering a healthy work environment, HR Professionals must develop new tactics to keep the employees engaged and actively invest themselves in finding ways to retain them.

4. Technological Skills

With the whole world going increasingly digital, HR managers need the ability to adapt to new technology. HR managers are expected to handle a variety of duties that includes-

- Recruiting talented employees.
- Managing onboarding and training for new hires.
- Tracking payroll.
- Handling employee grievances.
- Retaining good employees.

Technological skills give Hr professionals an edge while managing the above duties and more. For example, social media tools help them post job openings online and reach out to more potential candidates.

5. Keep Learning

Learning is a never-ending process. The same holds for any HR professional. The work culture of today's organizations demands better management, support, growth, and development. Deepening knowledge in the Human Resource Management field and applying new Hr trends will always help in becoming the front runner. Therefore, prosperous HR managers look to develop and understand the benefits of new Hr research outcomes and connect them to the current trends in the HR field.

6. Critical Thinking

Linder Elder, a prominent scholar, describes Critical thinking as "Self-guided, self-disciplined, thinking which attempts to reason at the highest level of quality in a fair-minded way.

Critical thinking is one of the most essential attributes for anyone in HR. Whether you are hiring a new candidate, negotiating pay rises, or deciding how to deal with employee grievances, it is imperative to critically analyze the situation and make decisions.

Critical thinking helps bring a rational perspective and help HR professionals to deal with a difficult situation with ease. Either it is conflict resolution or addressing an issue with the employees, critical thinking helps reconstruct or put forward views and ideas that work best for the work environment.

7. Interpersonal skills

Interpersonal skills are the soft skills that hold great value to HR professionals. These skills include active listening, verbal and non-verbal communication, social awareness, self-management, accountability, and so on. People with high interpersonal skills are intuitively good communicators and efficient managers. They show the right attitude and aptitude while communicating. Interpersonal skills allow one to communicate successfully with others at work and in the broader community. Some people are born with this kind of ability, but they can all be enhanced with practice. Expressing respect, settling conflicts, and hearing well are all interpersonal skills worth learning for any HR professional.

HR Policies

Human resource policies are the formal rules and guidelines that businesses put in place to hire, train, assess, and reward the members of their workforce. These policies, when organized and disseminated in an easily used form, can serve to preempt many misunderstandings between employees and employers about their rights and obligations in the business place. It is tempting, as a new small business owner, to focus on the concerns of the business at hand, and put off the task of writing up a human resource policy. All business analysts and employment lawyers will advise a new business owner to get a policy down on paper, even if it is a simple one drafted from a boilerplate model. Having policies written is important so that it is clear to all what the policies are and that they are applied consistently and fairly across the organization. Moreover, when issues concerning employee rights and company policies come before federal and state courts, it is standard practice to assume that the company's human resource policies, whether written or verbal, are a part of an employment contract between the employee and the company. Without clearly written policies, the company is at a disadvantage.

Small businesses and especially business start-ups cannot afford to fritter away valuable time and resources on drawn-out policy disputes or potentially expensive lawsuits. Having a human resource policy in place from the start can help to avoid this situation. The business owner who takes the time to establish sound, comprehensive human resource policies will be far better equipped to succeed over the long run than the business owner who deals with each policy decision as it erupts. The latter ad hoc style is much more likely to produce inconsistent, uninformed, and legally questionable decisions that may cripple an otherwise prosperous business. For as many small business consultants state, human resource policies that are inconsistently applied or based on faulty or incomplete data will almost inevitably result in declines in worker morale, deterioration in employee loyalty, and increased vulnerability to legal penalties. To help ensure that personnel management policies are applied fairly, business owners and consultants alike recommend that small business enterprises produce and maintain a written record of its HR policies and of instances in which those policies came into play.

Small business owners should make sure that they address the following basic human resource issues when putting together their personnel policies:

- Equal Employment Opportunity policies
- Employee classifications

- Workdays, paydays, and pay advances
- Overtime compensation
- Meal periods and break periods
- Payroll deductions
- Vacation policies
- Holidays
- Sick days and personal leave (for bereavement, jury duty, voting, etc.)
- Performance evaluations and salary increases
- Performance improvement
- Termination policies

A broad spectrum of issues can be addressed in human resource policies, depending on the nature of the business in question. Examples of such issues include promotion policies; medical/dental benefits provided to employees; use of company equipment/resources (access to Internet, personal use of fax machines and telephones, etc.); continuity of policies; sexual harassment; substance abuse and/or drug testing; smoking; flexitime and telecommuting policies; pension, profit-sharing, and retirement plans; reimbursement of employee expenses (for travelling expenses and other expenses associated with conducting company business); child or elder care; educational assistance; grievance procedures; employee privacy; dress codes; parking; mail and shipping; and sponsorship of recreational activities.

EVOLUTION OF HUMAN RESOURCE MANAGEMENT

1. Industrial revolution era— 19th century

2. Trade union movement era — close to the 19th century

3. Social responsibility era — beginning of the 20th century

4. Scientific management era— 1900-1920s

5. Human relations era— 1930s-1950s

6. Behavioural science era— 1950s-1960s

7. Systems and contingency approach era – 1960 onwards

8. Human resource management era — 1980 onwards

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

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

1. Industrial Revolution Era:

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

The factory system replaced the old cottage system. Industrial revolution brought out a number of changes like centralized work locations with large number of workers working together, mechanized production process, migration of workers from their place of origin, and indirect contact between factory owners and workers. In order to manage people in the factory system of industrial revolution, three systems of HRM were developed- recruitment of workers, training for workers, and control of workers. However, the basic philosophy of managing workers revolved around master-servant relationship.

2. Trade Union Movement Era:

Shortly after the emergence of factory system, workers started to organize themselves based on their common interests to form workers' associations which were subsequently known as trade unions. The basic objectives of these associations were to safeguard interest of their members and to sort out their problems which arose primarily because of employment of child labour, long hours of work, and poor working conditions.

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

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

3. Social Responsibility Era:

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

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

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

4. Scientific Management Era:

Around the beginning of 20th century, Taylor started to find out 'one best way of doing thing' based on time and motion studies. On the basis of his experiments, he was able to increase workers' productivity considerably and wrote many papers based on these experiments and a book on scientific management.

The main principles of scientific management are:

(i) Replacing rule of thumb with science, (ii) harmony, not conflict, (iii) cooperation, not individualism, and (iv) development of each and every person. Scientific management techniques relevant to management of workers are- functional foremanship, standardization and simplification of work, and differential piece wage system.

5. Human Relations Era:

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

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

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

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

6. Behavioural Science Era:

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

The contribution of behavioural scientists to management practices consists primarily of producing new insights rather than new techniques. It has developed or expanded a useful way of thinking about the role of the manager, the nature of organizations, and the behaviour of

individuals within organizations. As against human relations model, they have given the concept of human resource model.

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

i. People do not dislike work. If they have been helped to establish objectives, they will want to achieve them. In fact, job itself is a source of motivation and satisfaction to employees.

ii. Most people can exercise a great deal of self-direction and self-control and generate more creativity than required in their current job. Therefore, their untapped potential remains unutilized.

iii. Managers' basic job is to use untapped human potential in the organization.

iv. Manager should create a healthy environment wherein all persons can contribute to the best of their capacity. The environment should provide a healthy, safe, comfortable, and convenient place to work.

v. Managers should provide opportunity for self-direction by their subordinates and they must be encouraged to participate fully in all important matters.

vi. Operating efficiency can be improved by expanding subordinate influence, self- direction, and self-control.

vii. Work satisfaction may improve as a 'by-product' of subordinates making full use of their potential.

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

7. Systems and Contingency Approach Era:

Systems and contingency approach has attracted maximum attention of thinkers in management in the present era. It is an integrated approach which considers management of human resources in its totality based on empirical data. The basic idea of this approach is that analysis of any object

must rely on a method of analysis involving simultaneous variations of mutually-dependent variables. This happens when systems approach is applied in managing human resources.

8. Human Resource Management Era:

When the factory system was applied in production, large number of workers started working together. A need was felt that there should be someone who should take care of recruiting, developing, and looking after welfare of these workers. For this purpose, industrial relations department came into existence in most of the large organizations which was concerned mostly with workers.

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

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

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

HRM vs. HRD

Basis of Differentiation	HRM	HRD
Definition and full form	The full form of HRM is Human Resource Management. It refers to how the principles of management can be	The full form of HRD is Human Resource Development. It refers to continuous development functions

Basis of Differentiation	HRM	HRD
	applied to manage the employees working in an organization effectively.	that are implemented for improving the performance of those working in an organization.
Nature	HRM is a management function.	HRD is a sub-function of HRM.
Function	The functions of HRM are reactive and are usually applied to gaining holistic organizational goals.	The functions of HRD are proactive and have to be applied consistently to enhance the productivity of employees.
Goal	The objective of HRM is related to improving the overall performance of employees.	HRD goals are usually connected with skill development, knowledge enhancement, and increasing the competency of employees.
Process	Most HRM processes are routine and have to be carried out as and when the need arises.	HRD processes are ongoing and not occasional.
Dependency	HRM is an independent entity in itself. It comprises of different sections inclusive of recruitment and retention, HRD, compensation, performance, appraisal management, etc.	HRD is a subsystem of HRM and draws many functions, attributes, and processes from HRM.
Concerned with	HRM deals with and has concerns for people only. It handles recruitment, rewards, etc.	HRD is concerned with the development of all aspects and people within an organization and manages its skill development processes.

Basis of Differentiation	HRM	HRD
Levels of formality	HRM functions are generally formal and are applied via classroom/laboratory training, etc.	HRD functions may be informal as in mentorships, employees receive coaching from superiors, usually managers.

Emerging Challenges in Human Resource Management

Challenges of HRM into 3 Broad Groups:-

1. Organisational Level

2. Workplace Level

3. Department Level.

1. Challenges at Organisational Level:

The organisational level challenges include:

(i) Integration of human resource plans with corporate plans.

(ii) Task of motivating executives in view of reduced promotional opportunities.

(iii) Wages settlement and executive salaries.

(iv) Integration of change techniques.

(v) Task of keeping the organisation young and productive.

(vi) Industrial relations movement from conflict to cooperation.

(vii) Development of an organisational culture.

These are explained below:

(i) Integration of HR Planning:

There is a challenge relating to integration of human resource planning with strategic plans of the organisation. Here, effort may be made to forecast the human resource required to implement the

plans of the entire organisation for meeting varied requirements including expansion, diversification or reduction in operations.

The process of integration is likely to positively reinforce the human resource objective of the enterprise and effect human resource planning. The integration of training and development objectives and strategies with the corporate plans represents a major challenge to improve organisational performance.

(ii) Motivation of Executive:

The developments pose a great challenge to human resource managers forcing them to evolve measures for motivating the executives in a stagnant environment. To overcome the frustration arising from blocked upward mobility among executive's efforts may be made to redesign the job as a motivational measure for providing alternate job experience or providing lateral movement.

Other motivational measures include indirect compensation or benefits, recognition of their personal worth and treatment a dignified way. A friendly and supportive relationship can bring individuals a source of worth. A superior may treat individuals a source of worth. A superior may treat individuals with dignity and recognition of their personal worth.

(iii) Wages and Salary Differentials:

The third challenge involves wage settlements and emerging trends in the dynamics of relationship with respect to executives. There are varied challenges in the domain of wage and salary administration especially in public sector enterprises in India. The Bureau of Public Enterprise issues guidelines to regulate negotiations in public enterprises which do not remain unknown to even trade unions.

(iv) Change Techniques Integration:

Business is altered by new or different technologies, product lines, financial resource, marketing plans and ways of managing human resources. Hare we are attempting to focus on strategies to improve business effectiveness through management of human resource.

The application of innovative change techniques has become imperative in view of the declining productivity growth and the economic competition. While introducing change the companies use varied amount of participation and adhere to a process-oriented approach.

a. Organisational development

b. Productivity sharing plans.

c. Joint participation

d. Problem-solving groups

e. Autonomous work team.

(v) To Keep Organisation Young Productive:

There is a challenge task of maintaining a young and productive Organisation. Here, effort may be made to task into account the emerging dimensions relating to the unbalanced age structure of the human resource in the future. This necessitates adherence to a designed strategy for renewal of manpower in a phased manner. In recent past a large number of giant industrial enterprises were set up.

These enterprises recruited large number of young qualified industrial workers in the same age group of 20 years within a span of 4-6 years of its inception. A new dimension relating to the future age structure of the manpower is important to upkeep the efficiency, capability and productivity of the organisation.

In view of this, a designed strategy for renewal of manpower is important in a phased manner a few years ahead of mass retirement period is called for. Young blood has to be inducted to balance the aged workforce and revitalize the organisation.

(vi) Development of Good Industrial Relations:

The present industrial relations situation in India is marked by multiplicity of unions giving rise to barriers in the process of bi-partisan and collective bargaining. It has become very difficult for the management to ascertain who the right representative among their employees is.

The unions tend to make irrational and false promises and adopt erratic and violent measures to compete with the rival unions. Indeed inter-union rivalry stemming from political groupism has caused violent clashes designed by outside leaders. This problem can be resolved by evolving a system of recognition of trade unions.

In connection with the above measure an attempt may be made to accomplish industrial harmony through workers participation which has vast potential for the integration of workers with the organisation. However, the practice of this concept must start from top and percolate downwards to supervisors. The secret of harmonious industrial relation rests with the improved inter-personal interaction based on trust and confidence between workers and management.

(vii) Development of Good Culture:

There remains to be accomplished a challenging task of developing an organisational culture where members have values conducive to organisational growth, innovation and effectiveness. Organisational growth, innovation and effectiveness are influenced by the members and their values system.

A managerial behaviour has special impact because of its strong modeling influence. Such values are essential for institution building so that continuity and vitality achieved.

2. Challenge at Workplace:

Workers are working at the workplace with different machines, equipments and facilities.

Methods, system and technology are changing very fast and following challenges are faced:

(i) Adoption to Technological Changes:

Changes in technology in altering the nature of work itself. We are entering the age of the electronic workplace. Managers and workers which will be increasingly subject to technical obsolescence. Many will also be displaced by the advancing technologies. These changes are both good and necessary in business are to remain competitive. However, it would be a serious error to ignore the impact of these changes on employees. The challenge to the human resource function is a large one.

(ii) Challenge from Hardly Working Workers:

There will be some individuals in any organisation who are just not carrying their own weight. They are not considered as an asset at least for the organisation.

The causes for such ineffective or non-performing manpower can be two-fold:

a. Causes due to personal factors of the individual.

b. Causes due to underutilization of manpower arising out of external factors.

The task of utilizing non-performers necessitates development of competence among executives to assist the unutilized workforce by understanding its strengths and weaknesses, providing feedback on its performance and Vising counselling to revitalize it.

(iii) Challenge Related to Grievances:

There is hardly a company or an industrial concern which functions absolutely smoothly at all times. In some, the employees have complaints against their employers, while in others it is the employers who have a grievance against their employees. These grievances may be real or imaginary, valid or invalid, genuine or false.

But grievance will be invariably there. The nature and pattern of grievance may differ. The way of grievances may differ the way of their expression may differ but they are there. Hence, the need for creating a formal grievance handling procedure becomes a must.

(iv) Focus on Socio-Psychological Needs:

There is a challenge relating to the shift from economic man concept of human being to a dynamic self-activating concept. This necessitates emphasis on the overall quality of work life and fulfillments of socio-psychological needs of people. Modern employment contract will have to provide assurance for the overall quality of work life rather than mere economic support.

(v) Improvement in Managerial Effectiveness:

There is a challenge relating to improving the effectiveness of all managers in the process of human resource management. All executives have develop concern for different personnel and industrial relations functions such as – appraisals, rewards, punishments, promotions, selection, training and development, discipline and dealing with unions.

3. Challenge at HRM Department Level:

The following are challenges at HRM department level:

(i) Process orientation.

(ii) A concern with strategy and proactive approach.

(iii) Research orientation.

(iv) Developing personnel policies.

(v) Strengthening a matrix personnel department globalisation.

(vi) There must be a focus on process orientation involving development of formal processes which the line executive can use in managing people effectively.

(vii) There must be a concern to development human resource strategies in line with organisational goals. The development of these strategies must be based on environmental scanning, embracing, emerging political issues, socio-cultural changes, economic factors, advancing technology and international events influencing domestic labour relations. This anticipation of problem areas by environmental diagnosis is a very crucial strategy.

(viii) The challenge relating to research orientation involves audit of current practices and manpower utilization, experimentation of innovative ideas, evaluation of personnel programmes and computerization of manpower information system for enhancing the quality and efficiency.

(ix) There is a challenge, for developing personnel policies. This may involve improvement of human resource system to fulfil growth and development needs of people, formulation of policies to meet organisation's internal requirements, long-term perspective and maintenance of consistency, and firmness in implementation and interpretation of these policies.

(x) There is a challenge relating to reinforcement of a matrix organisational personnel department at plant level.

This challenge can be met by:

a. Working closely with the like executives.

b. Seeking to handover the personnel function to the line executives through persuasion, education, and adopt a consultative role.

c. Evolving a participative approach in developing personnel policies.

d. Maintaining a high level of reputation of integrity and ability.

Workplace Diversity

Workforce diversity means the heterogeneous composition of employees of an organization in terms of age, gender, language, ethnic origin, education, marital status, etc. Managing such diversity is really a challenge to HRM professionals.

According to Moorhead and Griffin – "Workforce diversity is concerned with the similarities and differences in such characteristics as age, gender, ethnic heritage, physical abilities and disabilities, race, and sexual orientation, among the employees of organisations."

Workforce diversity has significant implications for the management. The managers will be required to shift their approach from treating each group of workers alike to recognizing differences among them and following such policies so as to encourage creativity, improve productivity, reduce labour turnover and avoid any sort of discrimination.

When workforce diversity is managed properly, there would be better communication, better human relations and congenial work culture in the organisation.

India is a land of diversity that is caused by many factors such as multi-linguist composition of the subcontinent, co-existence of people following a large number of religions, an age old and deep rooted multi-caste system and cultural invasion from the outside world that has confused the original values of the Indian mind.

Diversity based on religion, race, caste, language, gender etc. among the workforce is to be duly recognized and managed. Also, a large number of women entering the work arena is emerging as a contributory factor to diversified workforce in modern organisations. No wonder, therefore, the organisations in India have to deal with a very diverse social group of employees.

This is viewed by managers as a problem without which they would have done better. However, what many managers fail to comprehend is that workforce diversity presents an opportunity, and an advantage that can be used to compete and win in the global market place.

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Dimensions of Workforce Diversity
The characteristics that describe the workforce of an organisation may be categorized under two groups, namely, primary dimensions and secondary dimensions.

Primary dimensions such as age, gender, race, ethnicity, sexual orientation, and physical abilities represent those elements that are either inborn or exert extra influence on early socialization. These dimensions make up the essence of who we are as human beings. They define us to others, making them react towards accordingly. These are an enduring aspect of our personality.

Secondary dimensions represent those elements that we learn or over which we have some control throughout our lives, such as education, marital status, religious beliefs, language, etc. Secondary dimensions add an additional layer of complexity to the way we see ourselves and others, and in some instances can exert a powerful impact on our core identities.

In an organization, people enter the workforce with a unique perspective shaped by primary and secondary dimensions. Building effective human relationships is possible only when people learn to accept and value the differences in others. Without this acceptance, both the primary and secondary dimensions of diversity can act as roadblocks to further cooperation and understanding.

i. Primary Dimensions:

These are core elements about each member of the workforce that can't be changed such as age, race, gender, physical and mental abilities and sexual orientation. These inborn elements are interdependent and exert an important influence on individual's behaviour throughout the life. Together they form an individual's 'self-image'.

Gender diversity is increasingly apparent throughout the world. Not only are more women working, but gender-based occupational segregation is also declining in many countries. Thus, within corporations men and women are more likely to be found working side-by-side. Age diversity is increasing too. Many industrialized countries are experiencing declining rates of population growth, which push employers to hire both young and older employees.

Furthermore, as organisations allow the higher education of younger employees to substitute for the job experiences that previous cohorts of employees had to accrue in order to be promoted, relatively young employees are found more often in higher level positions. Consequently, age diversity is replacing the homogeneity associated with traditional age-based stratification.

The greater the number of primary differences between people, the more difficult it is to establish trust and mutual respect. Culture clash and conflicts that occur between groups of people with different core identities can have a devastating effect on human relations in an organisation.

Few organisations are immune to the problems that result from the interaction between the genders and among the generations. When we add the secondary dimensions of diversity to the mix, effective human relations become even more difficult.

ii. Secondary Dimensions:

These constitute the elements that can be changed or at least modified. They include a person's health habits, religious beliefs, education and training, general appearance, status relationship, ethnic customs, communication style and level of income. All these factors add an additional layer

of complexity to the way we see ourselves and others and in some instances can exert a powerful impact on our core identities.

An accountant with ten years of work experience might adjust to a new position far differently from an accountant with much less experience. A male earner who loses his job may be severely affected by his loss of income as he has to cater to his familial demands whereas a married woman with no children may not be as affected by a similar loss as her husband can still meet the requirements of the family.

Even though situations like these intensify the impact of particular secondary dimensions, they do not diminish the impact of primary or core dimensions. Instead, the interaction between primary and secondary dimensions shapes a person's values, priorities and perceptions throughout life.

Both the primary and secondary dimensions of diversity can serve as roadblocks to cooperation between individuals and between groups if the management fails to manage diversity effectively.

Factors increasing workforce diversity

(1) Expansion of the services sector – The services sector jobs, such as banking, tourism, and retailing entail lots of interaction with customers of diverse backgrounds and cultural moorings. In order to sell to a diverse customer base, and because customers tend to prefer to buy from people of the same background, organizations these days have realized the need of a diverse workforce.

(2) Globalization of markets – To satisfy needs and preferences of global customers, organizations have to get closer to their customers. Some organizations have established a strong local presence (for example, American companies advertising their products like soft drinks) while others have forged international alliances (for example, Maruti Udyog Limited (MUL) having alliance with Suzuki of Japan for automobiles manufactures). Either way, diversity gets introduced and must be managed.

(3) Requirement of teamwork for successful implementation of business strategies – For success in business, organizations rely heavily on teamwork. Diversity is an inevitable by-product of teamwork, especially when teams are drawn from a diverse base of employees.

(4) Mergers and alliances – As mergers and alliances become commonplace, it has become important that the corporate culture of the merging entities work together. Workforce diversity, then, becomes inevitable and desirable for the success of such mergers and alliances.

(5) Changing labour market – The rapidly changing labour market is also responsible for injecting diversity in workforce. Increasing demand for knowledgeable workers and also more and more women taking up jobs add an important dimension in workforce diversity.

(6) Constitution and government laws – Under the provisions of the Constitution of India, certain portion of jobs in the government and public sector are reserved for scheduled castes, scheduled tribes, other backward classes, physically challenged, etc. It inevitably leads to diversity in workforce.

Empowerment

Employee empowerment is defined as the ways in which organizations provide their employees with a certain degree of autonomy and control in their day-to-day activities. This can include having a voice in process improvement, helping to create and manage new systems and tactics, and running smaller departments with less oversight from higher-level management.

A key principle of employee empowerment is providing employees the means for making important decisions and helping ensure those decisions are correct. When deployed properly, this should result in heightened productivity and a better quality of employee work and work life.

How does Employee Empowerment work?

Employee empowerment varies based on an organization's culture and work design. However, empowerment is based on the concepts of job enlargement and job enrichment. Job enlargement differs from job enrichment in that job enlargement is horizontal expansion and job enrichment is considered vertical.

- **Job enlargement:** Changing the scope of the job to include a greater portion of the horizontal process.

  Example: A bank teller not only handles deposits and disbursement, but also distributes traveller's checks and sells certificates of deposit.

- **Job enrichment:** Increasing the depth of the job to include responsibilities that have traditionally been carried out at higher levels of the organization.

  Example: The teller also has the authority to help a client fill out a loan application, and to determine whether or not to approve the loan.

As these examples show, employee empowerment requires:

- Training in the skills necessary to carry out the additional responsibilities
- Access to information on which decisions can be made
- Initiative and confidence on the part of the employee to take on greater responsibility

Employee empowerment also means giving up some of the power traditionally held by management, which means managers also must take on new roles, knowledge, and responsibilities. However, this does not mean that management relinquishes all authority, delegates all decision-making, and allows operations to run without accountability. It requires a significant investment of time and effort, especially from management, to develop mutual trust, assess and add to individuals' capabilities, and develop clear agreements about roles, responsibilities, risk taking, and boundaries.

Downsizing

Downsizing is the permanent reduction of a company's labor force through the elimination of unproductive workers or divisions. Downsizing is a common organizational practice, usually associated with economic downturns and failing businesses. Cutting jobs is the fastest way to cut costs, and downsizing an entire store, branch or division also frees assets for sale during corporate reorganizations.

Downsizing is not always involuntary. It is also used at other stages of the business cycle to create leaner, more efficient businesses. Eliminating any part of an organizational structure that is not directly adding any value to the final product is a production and management philosophy known as lean enterprise.

According to the production principles of lean enterprise, any component of a business enterprise that fails to directly benefit a final product is superfluous. What is valuable (and conversely, what is not valuable) is determined by the customer based on the amount they are willing to pay for a good or service.

Downsizing can also be carried out to align the firm's skill and talent with the broader market. For example, a company may pursue downsizing to weed out employees with obsolete skills that may not be useful in its future direction.

Consequences of Downsizing

Downsizing can have adverse long-term consequences that some companies never recover from. Downsizing may actually increase the likelihood of bankruptcy by reducing productivity, customer satisfaction, and morale. Firms that have downsized are much more likely to declare bankruptcy in the future, irrespective of their financial health.

Losing employees with valuable institutional knowledge can reduce innovation. Remaining employees may struggle to manage increased workloads and stress, leaving little time to learn new skills—which can negate any theoretical gain in productivity. Losing trust in management inevitably results in less engagement and loyalty.

Because severe long-term consequences can outweigh any short-term gains, many companies are wary of downsizing, and often take a gentler approach, by cutting work hours, instituting unpaid vacation days, or offering employees incentives to take early retirement. Some companies also offer employees the chance to retrain themselves by subsidizing part of their tuition costs. In some cases, they also rehire laid-off workers after revenues stabilize.

Example of Downsizing

In the wake of the 2020 economic crisis and lockdown, many companies downsized their workforces due to the economic impact of government-ordered business shutdowns that were intended to slow the spread of the virus.

The airline and hospitality industries were particularly impacted, as people were confined to their homes and discretionary travel was all but halted for several months. After announcing in April 2020 that it would eliminate 10% of its worldwide workforce of 160,000—reportedly through voluntary layoffs, natural turnover, and involuntary layoffs—Boeing eliminated more than 12,000 U.S. jobs, including 6,770 involuntary layoffs, in May 2020. Boeing also announced that it had plans to lay-off several thousand more employees, although it did not disclose when this would occur.

Boeing is one of the largest American plane makers, but it has been forced to restructure in the face of the 2020 economic crisis. In addition to the crisis, one of Boeing's jets—the 737 MAX—had been grounded in 2019 after a second fatal crash. In April 2020, the company recorded zero orders for the second time in 2020, and customers cancelled another 108 orders for the 737 MAX. These two factors compounded created its worst start to a year since 1962.

VRS

VRS stands for voluntary retirement scheme, whereby an employee is offered to voluntarily retire from services before the retirement date. The scheme allows companies to reduce the strength of employees. It can be implemented by both the public and private sectors. VRS is also known as 'Golden Handshake'.

VRS applies to employees who have completed 10 years of service or are above the age of 40 years. It applies to workers, executives of companies and/or to an authority of a co-operative society (except company/co-operative society directors). As per the rules, voluntary retirement scheme should result in an overall reduction in the existing strength of employees and the vacancy cannot be filled up. PSUs have to obtain prior approval of the government before offering voluntary retirement. Firms can frame different schemes, however, they must conform to the guidelines under section 2BA of the Income-Tax Rules. One of the pertinent rules clearly states that retiring employee must not be employed in another firm belonging to the same management.

VRS in India

Indian labour laws do not allow direct retrenchment of employees under a union.

According to the Industrial Disputes Act, 1947, employers cannot reduce excess staff by retrenchment. In fact, any plans of retrenchment and reduction of staff and workforce are subjected to strong opposition by trade unions. So, VRS was introduced as an alternative legal solution to solve this problem. The voluntary retirement scheme was not vehemently opposed by the Unions, because it is 'voluntary' in nature and not compulsory.

When can a firm opt for voluntary retirement scheme (VRS)?

Private and public sector firms can opt for VRS under the following circumstances:

Recession in business

Intense competition

Joint-ventures with foreign collaborations

Takeovers and mergers

Obsolescence of product/technology

Benefits of VRS

Right-sizing man power has become an important management strategy today due to intense competition. VRS is regarded as the most humane technique that firms can use to reduce staff.

The employee who opts for VRS is entitled to get:

— 45 days salary for each completed year of service or monthly emoluments at the time of retirement multiplied by the remaining months of service before the normal date of service, whichever is less.

— Employee gets provident fund (PF) and gratuity dues.

— Compensation received at the time of VRS is tax-free up to the prescribed amount on fulfilling certain conditions.

— Companies also offer benefit packages to the employees who opt for VRS. For example, the scheme may also include counselling session for the employee's future; advice on managing funds received under VRS; firms may offer rehabilitation facilities to staff, etc.

Instances of VRS opted by employees

In 2019, state-run telecom operator BSNL announced VRS for its employees after the decision to merge other PSU telco MTNL. As per media reports, over 92,000 BSNL, MTNL staffers opted for VRS.

Human Resource Information System (HRIS)

Human resource information system (HRIS) software makes it easier for most organizations to generate an effective and detailed human resources inventory report. The input for this report comes from applications and other forms completed by employees and checked by supervisors including education, training, prior employment, current position, performance ratings, salary level, languages spoken, capabilities, and specialized skills for all employees. For example, HRIS would be very helpful to Samsung HRM in identifying Korean managers with 4 years of experience that would be good candidates for the Regional Specialist Program. From a planning viewpoint, this information is valuable in determining what skills are currently available in the organization. The HRIS database also has value in other HRM activities, such as selecting

individuals for training and development, promotion, and transfers. The HRIS database can also identify skill gaps that may threaten the organization's ability to successfully meet its goals.

HRIS have become valuable talent management resources for HR professionals. Many competitive vendors provide HRIS systems that fit any size of business and run on nearly any platform including smart phones and tablet computers such as iPads. Employers have the choice of hosting the data themselves or using software-as-a-service (SaaS), which delivers the necessary services over the Internet, usually for a contracted amount of time.

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SCHOOL OF MANAGEMENT STUDIES

UNIT – II – FUNDAMENTALS OF HRM – SBAA3012

Acquisition of Human Resource: Human Resource Planning – Quantitative and Qualitative dimensions; job analysis – job description and job specification; Recruitment – Concept and sources; Selection – Concept and process; test and interview; Placement, induction and orientation.

Human Resource Planning

Whenever an organization is in the process of determining its human resource needs, it is engaged in a process we call human resource planning. Human resource planning is one of the most important elements in a successful HRM program because it is a process by which an organization ensures that it has the right number and kinds of people at the right place, at the right time, capable of effectively and efficiently completing those tasks that will help the organization achieve its overall strategic objectives. Employment planning, then, ultimately translates the organization's overall goals into the number and types of workers needed to meet those goals. Without clear-cut planning, and a direct linkage to the organization's strategic direction, estimations of an organization's human resource needs are reduced to mere guesswork that may well fall short of the organization's actual needs.

This means that employment planning cannot exist in isolation. It must be linked to the organization's overall strategy. Just a few decades ago, outside of the firm's top executives, few employees in a typical firm really knew about the company's long-range objectives. The strategic efforts were often no more than an educated guess in determining the organization's direction. But things are different today. Aggressive domestic and global competition, for instance, have made strategic planning virtually mandatory.

The purpose of human resource planning is to determine what the organization's current employment requirements are as well as anticipate needs for the future. For example, if a company has set as one of its goals to expand its international divisions over the next 5 years, HRM will need to find skilled employees who are able to handle the jobs. Human resource planning/workforce planning ensures that the organization has the right number and kinds of employees at the right place, at the right time, capable of effectively and efficiently completing those tasks necessary to successfully accomplish the strategic objectives.

Though, HR Planning may sound quite simple a process of managing the numbers in terms of human resource requirement of the organization, yet, the actual activity may involve the HR manager to face many roadblocks owing to the effect of the current workforce in the organization, pressure to meet the business objectives and prevailing workforce market condition. HR Planning, thus, help the organization in many ways as follows:-

HR managers are in a stage of anticipating the workforce requirements rather than getting surprised by the change of events

Prevent the business from falling into the trap of shifting workforce market, a common concern among all industries and sectors

Work proactively as the expansion in the workforce market is not always in conjunction with the workforce requirement of the organization in terms of professional experience, talent needs, skills, etc.

Organizations in growth phase may face the challenge of meeting the need for critical set of skills, competencies and talent to meet their strategic objectives so they can stand well-prepared to meet the HR needs. Considering the organizational goals, HR Planning allows the identification, selection and development of required talent or competency within the organization.

It is, therefore, suitable on the part of the organization to opt for HR Planning to prevent any unnecessary hurdles in its workforce needs. An HR Consulting Firm can provide the organization with a comprehensive HR assessment and planning to meet its future requirements in the most cost-effective and timely manner.

An HR Planning process simply involves the following four broad steps

Current HR Supply: Assessment of the current human resource availability in the organization is the foremost step in HR Planning. It includes a comprehensive study of the human resource strength of the organization in terms of numbers, skills, talents, competencies, qualifications, experience, age, tenures, performance ratings, designations, grades, compensations, benefits, etc. At this stage, the consultants may conduct extensive interviews with the managers to understand the critical HR issues they face and workforce capabilities they consider basic or crucial for various business processes.

Future HR Demand: Analysis of the future workforce requirements of the business is the second step in HR Planning. All the known HR variables like attrition, lay-offs, foreseeable vacancies, retirements, promotions, pre-set transfers, etc. are taken into consideration while determining future HR demand. Further, certain unknown workforce variables like competitive factors, resignations, abrupt transfers or dismissals are also included in the scope of analysis.

Demand Forecast: Next step is to match the current supply with the future demand of HR, and create a demand forecast. Here, it is also essential to understand the business strategy and objectives in the long run so that the workforce demand forecast is such that it is aligned to the organizational goals.

HR Sourcing Strategy and Implementation: After reviewing the gaps in the HR supply and demand, the HR Consulting Firm develops plans to meet these gaps as per the demand forecast created by them. This may include conducting communication programs with employees, relocation, talent acquisition, recruitment and outsourcing, talent management, training and coaching, and revision of policies. The plans are, then, implemented taking into confidence the mangers so as to make the process of execution smooth and efficient. Here, it is important to note that all the regulatory and legal compliances are being followed by the consultants to prevent any untoward situation coming from the employees.

Hence, a properly conducted process of HR Planning by an HR Consulting Firm helps the organization in meeting its goals and objectives in timely manner with the right HR strength in action.

Quantitative Considerations

These Include

(i) The Economic Considerations relating to determination of economic situation and in the light of that future sales and production estimates are made. These estimates affect manpower requirements.

(ii) Expansion programmes in future also affect future manpower requirements.

(iii) Availability of existing manpower resources of different kinds should be kept in mind. This is helpful in forecasting future manpower requirements.

(iv) Rate of labour turnover is an important instrument with the help of which estimates with regard to future manpower requirements can be made. It provides required information statistically i.e. how many employees have left and joined the organization during a specific period of time. Labour turnover rates are calculated by applying separation method, replacement approach and flux method. In the light of labour turnover rate future manpower requirements can be estimated,

(v) Resignations and retirements, promotion, demotion, separation, transfers, dismissals and lay off etc. are other important considerations to be borne in mind before initiating the process of human resources planning.

(vi) Changes in the management thinking, philosophy and plans etc. also affect manpower plans. Technological changes and diversifications etc. bring about changes in the skills and performance of workers.

Qualitative Considerations

(i) Work-load analysis. It is a technical aspect of manpower planning. It includes and studies auditing of human resources, study of work standards and demand analysis etc.

(ii) Auditing of Employees Involves Preparation of Skill Inventory. Skill inventory covers data regarding skill and work priorities pertaining to work of different categories of workers. Big organizations prepare organizational charts and other employee information cards for this purpose.

(iii) Study of work standards is necessary for the quality of workers required. It is indispensable for preparing job analysis which includes job specifications and job descriptions.

A job analysis is a systematic exploration of the activities within a job. It is a technical procedure used to define a job's duties, responsibilities, and accountabilities. This analysis "involves the identification and description of what is happening on the job accurately and precisely identifying the required tasks, the knowledge, and the skills necessary for performing them, and the conditions under which they must be performed."

Consider this example: Clarke and Associates, a strategic management services company, has a client with a 65 percent turnover of sales professionals over the past eighteen months. An analysis of the resignations indicated that the average length of stay has been only nine months. Perplexed by this dilemma and the resulting loss to productivity and revenue, consultants from Clarke recommended an investigation to find out why such high turnover levels exist. The complex investigation partly involved contacting most of the individuals who resigned to ask them why they quit. Responses indicated that what they were hired to do often differed substantially from what they were required to do. The actual work required different skills and aptitudes. Many quit in frustration and fear that they would not be able to meet job goals. They believed this might lead to a firing that would look bad on their resume. Unfortunately, the company's training costs over the past three years ran approximately 300 percent over budget. When one senior manager was asked what made it so difficult to properly match the job requirements with people skills, she had no answer. No one in the organization had taken the time to find out what the jobs were all about. In other words, the job analysis process was lacking.

Job Analysis Methods

The basic methods by which HRM can determine job elements and the essential knowledge, skills, and abilities for successful performance include the following.

Observation Method: Using the observation method, a job analyst watches employees directly or reviews films of workers on the job. Although the observation method provides firsthand information, workers rarely function most efficiently when they are being watched, and thus distortions in the job analysis can occur. This method also requires that the entire range of activities be observable, which is possible with some jobs, but impossible for many others—for example, most managerial jobs.

Individual Interview Method: The individual interview method assembles a team of job incumbents for extensive individual interviews. The results of these interviews are combined into a single job analysis. This method is effective for assessing what a job entails. Involving employees in the job analysis is essential.

Group Interview Method: The group interview method is similar to the individual interview method except that job incumbents are interviewed simultaneously. Accuracy is increased in assessing jobs, but group dynamics may hinder its effectiveness.

Structured Questionnaire Method: The structured questionnaire method gives workers a specifically designed questionnaire on which they check or rate items they perform in their job from a long list of possible task items. This technique is excellent for gathering information about jobs. However, exceptions to a job may be overlooked, and opportunity may be lacking to ask follow-up questions or to clarify the information received.

Technical Conference Method: The technical conference method uses supervisors with extensive knowledge of the job, frequently called subject matter experts. Here, specific job characteristics are obtained from the experts. Although a good data-gathering method, it often overlooks the incumbent workers' perceptions about what they do on their job.

Diary Method: The diary method requires job incumbents to record their daily activities. This is the most time consuming of the job analysis methods and may extend over long periods of time—all adding to its cost.

These six methods are not mutually exclusive; nor is one method universally superior. Even obtaining job information from incumbents can create a problem, especially if these individuals describe what they think they should be doing rather than what they actually do. The best results, then, are usually achieved with some combination of methods—with information provided by individual employees, their immediate supervisors, a professional analyst, or an unobtrusive source such as filmed observations.

Purpose of Job Analysis: No matter what method is used to gather data, the information amassed and written down from the conceptual, analytical job analysis process generates three tangible outcomes: job descriptions, job specifications, and job evaluation.

Job Descriptions: A job description is a written statement of what the jobholder does, how it is done, under what conditions, and why. It should accurately portray job content, environment, and conditions of employment. Although there is no standard format for job descriptions, a common format for a job description includes:

■ Job title usually describes the job and hints at the nature and duties of the job.

■ Job identification section includes the department location of the job, who the person reports to, a job identification code, which is sometimes the O*NET code, and the date the description was last revised.

■ Job duties or essential functions list the job duties in order of importance. This section is particularly important because it helps the organization with ADA compliance.

■ Job specifications that explain the personal qualifications necessary to perform the duties listed above including specific skills, education, certification, and physical abilities.

When we discuss employee recruitment, selection, and performance appraisal we will find that the job description acts as an important resource for

(1) describing the job to potential candidates (either verbally by recruiters and interviewers or in written advertisements),

(2) guiding newly hired employees in what they are specifically expected to do,

(3) developing criteria for evaluating performance of the individual holding that job,

(4) establishing the relative worth of the job for compensation. Furthermore, under the Americans with Disabilities Act, job descriptions have taken on an added emphasis in identifying essential job functions.

Job Specifications: The job specification states the minimum acceptable qualifications that the incumbent must possess to perform the job successfully. Based on information acquired through job analysis, the job specification identifies pertinent knowledge, skills, education, experience, certification, and abilities. Individuals possessing the personal characteristics identified in the job specification should perform the job more effectively than those lacking these personal characteristics. The job specification, therefore, is an important tool for keeping the selector's attention on the list of necessary qualifications and assisting in determining whether candidates are essentially qualified.

Job Evaluations: In addition to providing data for job descriptions and specifications, job analysis also provides valuable information for making job comparisons. If an organization is to have an equitable compensation program, jobs that have similar demands in terms of skills, knowledge, and abilities should be placed in common compensation groups. Job evaluation contributes by specifying the relative value of each job in the organization, which makes it an important part of compensation administration. In the meantime, keep in mind that job evaluation relies on data generated from job analysis.

Recruitment

Recruitment in HRM is a systematic process for Hiring Talent. It start from identifying, attracting, screening, short listing interviewing, selecting and finally hiring the most potential candidate for filling up the vacant job vacancies in an organization.

In any business organization, employees are always considered to be their biggest asset and People Management is the most important function managed by their HRM Department. The primary job of Human Resource Management (HRM) Team is to keep building the pool of Human Capital for the organization which can result into selection of right candidate for right job. Recruitment aims for choosing and hiring the right the person for the right Job at the right time. The Human Resource Management Department often considers two major sources of recruitment namely internal and external source of

recruitment. The purpose of recruitment process is to gather information about the talented and qualified individuals who might be interested to work for the organization in an effective way.

Recruitment actually means a way to search the future employees of the organization and stimulate qualified people to apply for the job. It helps to create a pool of job seekers and improve the scope of recruitment of better employee.

Recruitment activity brings together the people who are qualified and looking for job and the organizations which are searching for prospect employees. The properly executed recruitment process leads to joining and selection of suitable manpower in the organization.

Recruitment Definition:

Recruitment is defined as a process of discovering reliable sources of contacting desirable employees which meets the staffing requirements of the organization. Through recruitment process the organization can attract the adequate number of manpower to facilitate the effective selection process and joining of efficient work force.

Definition by eminent Authors

Here are some popular definitions of recruitment given by eminent authors-

Edwin Flippo - Recruitment is the process of searching for prospective employees and stimulating them to apply for jobs in the organization.

DeCenzo and Robbins - It is the process to discover potential candidates for future actual or anticipated job vacancies. Another perspective is that it is a linking activity which brings together organizations those with jobs to fill and people those are seeking jobs.

Plumbley - It is a process to match the capacities of candidates with the demands of the organization. The inclination of qualified candidates should also match with the rewards and benefits the organizations are willing to provide in the job.

Dale Yoder - It is way through which the manpower requirements of the organization can be fulfilled. It employs effective procedure to attract the people in ample amount to make sure a suitable person is recruited on the available job profile.

Kempner - Recruitment is identified as a first step of the process which persists with selection and ends with the joining of the suitable candidate in the organization.

Define Recruit

To define the actual meaning of word 'recruit' is to make a person join a group or a corporation. For example: to recruit members for painting group or to recruit people for army.

The verb refers to formally joining a group or an organization. Recruit word is broadly used when someone participate in a process of getting a job or work from the organization. The person newly joined an organization is referred / defined as new recruit.

Importance of Recruitment

The following points will help to understand the importance of Recruiting:

The process is important to encourage and attract candidates and get ample amount of application for the job vacancies.

It is an effective way to create information pool about the prospective candidates who are suitable for the talent needs of the organization.

It is very important step of planning and analysis about the present and future manpower requirement of the organization.

It bridges the gap between employers and their future employee.

It is a less expensive way of gathering information about the talented manpower in the industry.

It helps to improve the selection process by proper sorting of suitable candidate for the job.

It reduces the turnover of employees due to correct matching of candidate expectations and the rewards offered by the organization.

It also helps the organization to meet the social and legal obligation of maintaining the manpower composition.

It determines the appropriate candidates through the different channels of recruitment.

It helps the organization to create different sources of attracting the right candidate for the job profile.

Recruitment Steps

The process of recruitment consists of three Major Steps or phases -

Before posting job advertisement

Selection process

Formalities after selection of the candidate.

Here are the common steps of recruiting followed by the HRM department of various organizations:

1) Preparation- It is step in which the HRM department prepare a frame of ideal candidate for the vacant position. The skills and competencies required to perform the job are identified, also a qualification and level of experience required execute the job responsibilities is determined. Once the framework is ready, the HR identifies the proper communication channel through which the information about job vacancy can be conveyed to the suitable candidates.

2) Receive applications- Once the advertisement about the job vacancy is posted through internal and external source of recruitment, the HR department starts receiving the applications for the job opening. Most of the time the HR department confirms the candidate that their application is received by the organization and the further sorting process is going on. Many companies used application tracking system (ATS) which helps to automatically communicate with the applicant that their job application is received and is in process.

3) Selection stage 1: Cancel out unqualified applicants

Here the selection process begins- In this stage the application which are not suitable for the job are cancel out by the HRM department. The application can be weed out based on the un-matching qualification or experience of the candidate.

4) Selection stage 2: Arrangement of candidates

The applicants who are matching to the requirement of the job vacancy are then rated based on their on-paper experience and qualification. The ratings convey how well the applicant is fit of the vacant job profile. It is time consuming process and many times excel sheets are used to sort out the application and rank them based on their suitability to the job profile.

5) Selection stage 3: Interview rounds

The ranked and selected candidates can called for the interview round. There are several interview rounds which can vary from 2-6 based on the selection process adopted by the organization. Mostly the HR round includes the background verification, personality check and behavioural suitability of the candidate. The manager interview round is often used to check the actual work suitability of the candidate.
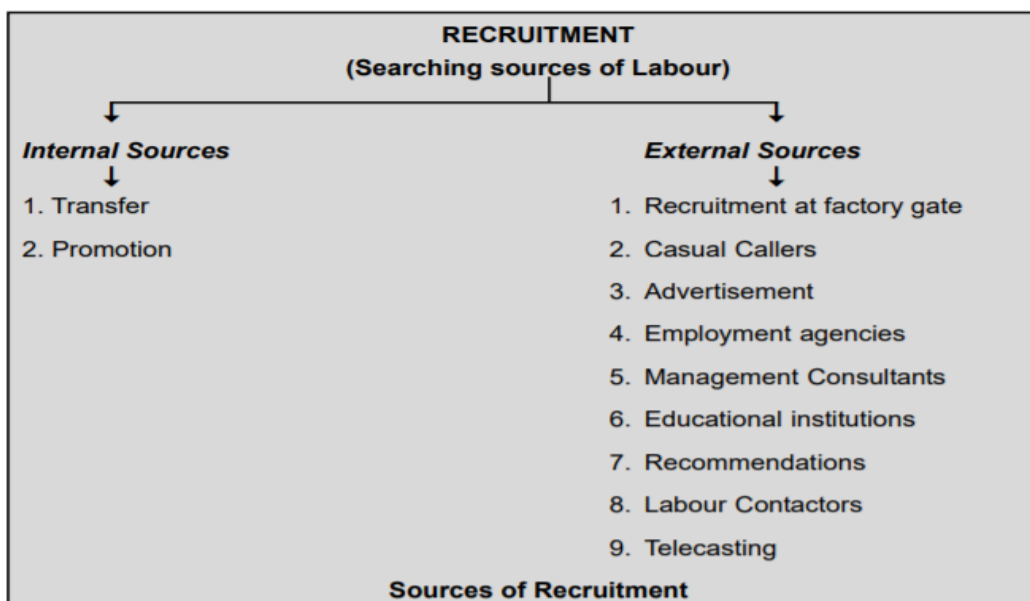
6) Selection stage 4: Future work situation

This is considered as a last round of selection in which a simulated work exercise is given to the candidate. It includes the question or tasks related to the area of expertise of the candidate. It provides actual result about the ability of the candidate to perform as a future employee of the organization.

7) Offer and Joining formalities

Generally 2-3 top selected candidates gets joining offer from the organization. The joining formalities include the submission of relevant papers and signing the work contract with the organization. After the documentation formalities the joining date of the employee is decided and a new recruit joins the organization.

Sources of Recruitment

RECRUITMENT
(Searching sources of Labour)

Internal Sources
1. Transfer
2. Promotion

External Sources
1. Recruitment at factory gate
2. Casual Callers
3. Advertisement
4. Employment agencies
5. Management Consultants
6. Educational institutions
7. Recommendations
8. Labour Contactors
9. Telecasting

Sources of Recruitment

There are many sources of recruiting potential employees but all of them can be grouped into two categories, namely.

Internal Sources of Recruitment

Internal sources of recruitment consist of employees who are already on the payroll of a firm. It also includes former employees who have returned to work for the organization. Recruitment from internal sources is done to fill up vacancies through promotion, re-hiring and transferring employees within the company.

Advantages of Internal Sources of Recruitment

• Selecting and transferring existing employees is a simpler process.

• The managers are aware of the talents and abilities of already existing employees.

• Internal recruitment serves as a tool to boost the morale of employees as internal hiring creates job and promotion opportunities for existing employees.

• Internal hiring promotes a feeling of loyalty amongst the employees.

• Existing employees are already aware of the company's working methods and don't take a long time to adjust to new positions.

However, there is a potential drawback to the internal recruitment process. It can lead to stagnation in the company's workforce. No introduction of new employees or fresh ideas.

Often employees who are not suitable for a higher position are given promotions just because they have been at the organization for a long time, not because of their skills and qualifications.

Characteristics of Internal Sources of Recruitment

• Quick process.

• Cheaper than the external recruitment process.

• Works as a tool of motivation for the staff.

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- The company's choice is limited to existing employees of the company.

- Hiring fresh employees is a lost prospect.

External Sources of Recruitment

External sources of recruitment refer to the sources that lie outside or exist external to the organization.

Sources of external recruitment include:

1. People joining an organization, specifically through recommendations.

2. Employment agencies (e.g. naukri.com) or employment exchanges.

3. Advertising

4. Institutes like colleges and vocational schools (e.g. campus selection)

5. Contractors

6. Hiring unskilled labor

7. List of applications

8. Temporary workers.

Encouraging existing employees to recommend suitable candidates can thus lead to the hiring of the right individuals for the right jobs. A higher level of teamwork and synchronization among employees would, therefore, be achieved.

However, it might also lead to employees picking their close friends and family members who are unfit for the jobs. Thus, talented individuals might lose out on good opportunities.

Whereas, external recruitment provides a wider collection of potential employees with the necessary skillset. It has proven to be a successful recruitment process when hiring for managerial and technical positions.

Characteristics of External Sources

Long and time-consuming process.

It is an expensive process.

When external people are given opportunities over them, then existing workers lose morale

Hiring new employees can lead to the introduction of new blood and thus the introduction of a new set of skills and ideas.

Selection

Concept

Successful selection of employees is both an art and a science, a process that requires a lot of careful planning. At the heart of the process is the goal of finding employees that are capable of successfully completing jobs that have been thoughtfully created via job analysis to fulfill the organizational mission. Part of that mission may be to be a good partner in the community, whether there's an award to be earned or not.
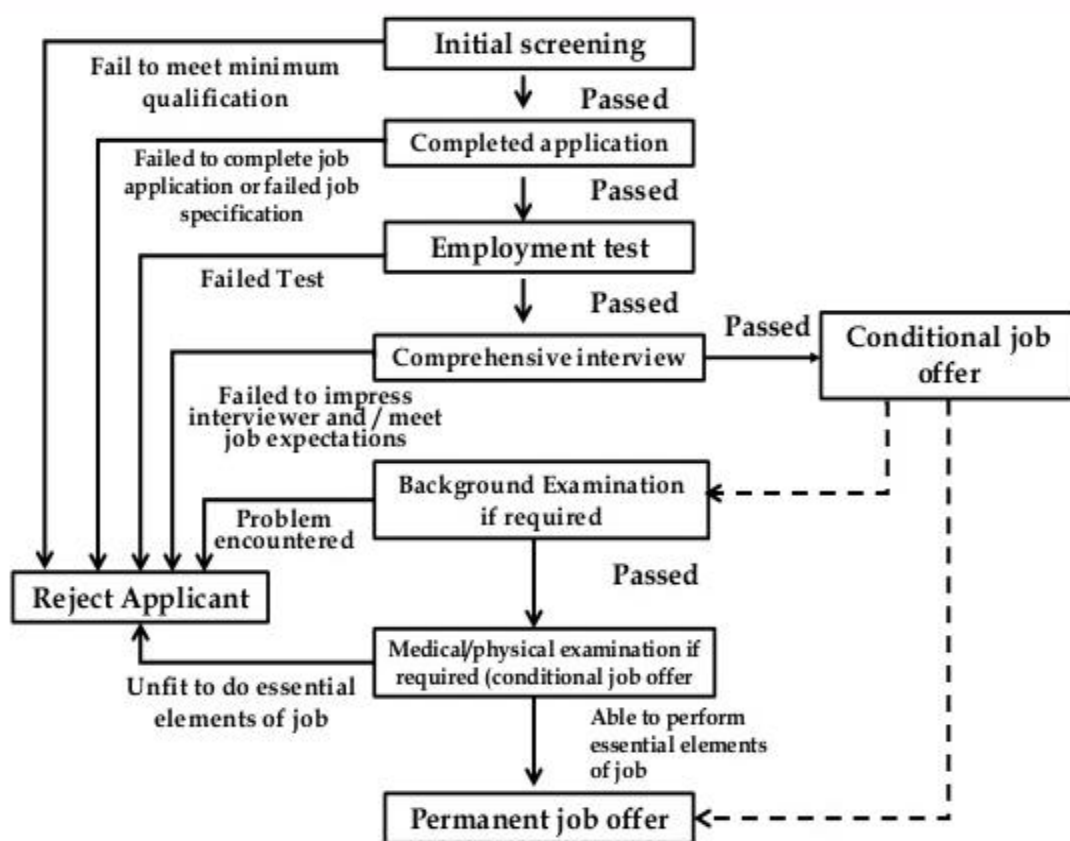
The Selection Process

Selection activities follow a standard pattern, beginning with an initial screening interview and concluding with the final employment decision. The selection process typically consists of eight steps: (1) initial screening interview, (2) completion of the application form, (3) preemployment tests, (4) comprehensive interview, (5) conditional job offer, (6) background investigation, (7) medical or physical examination, and (8) permanent job offer. Each step represents a decision point requiring affirmative feedback in order for the process to continue. Each step in the process seeks to expand the organization's knowledge about the applicant's background, abilities, and motivation, and it increases the information that decision makers use to make their predictions and final choice. However, some steps may be omitted if they do not yield useful data, or if the cost of the step is unwarranted. Applicants should also be advised of any specific screening, such as credit checks, reference checking, and drug tests.

Initial Screening: The first step in the selection process involves initial screening of potential candidates. This initial screening is, in effect, a two-step procedure: (1) screening inquiries and (2) screening interviews. If the company's recruiting effort has been successful, they will have a pool of potential applicants. The organization can eliminate some of these respondents based on the job description and job specification. Perhaps candidates lack adequate or appropriate experience, or adequate or appropriate education. Other red flags include gaps in the applicant's job history, a listing of numerous jobs held for short periods of time, or courses and seminars listed instead of appropriate education.

The screening interview is also an excellent opportunity for HRM to describe the job in enough detail so the candidates can consider if they are really serious about applying. Sharing job description information frequently encourages the unqualified or marginally qualified to voluntarily withdraw from candidacy with a minimum cost to the applicant or the organization.

Phone interviews are efficient ways to hold screening interviews. HRM needs to remember to keep the phone screening interview short. Discuss the candidate's relevant experience as submitted on the application form and résumé. Listen for energy and enthusiasm in their voice, and remember to project the company culture or employment "brand." The candidate is evaluating you and the organization too. Be sure to tell them when the next step will occur and what to expect. Do not offer an official job interview during the phone screening interview. Another important point during the initial screening phase is to identify a salary range. Most workers are concerned about their salaries, and even if a job opening sounds exciting, a low salary may drive away excellent talent. During this phase, if proper HRM activities have been conducted, you should not need to mask salary data.

The Selection Process

Completing the Application Form: After the phone screening interview, applicants may be asked to complete the organization's application form. This may be as brief as requiring only the applicant's name, address, and telephone number. Most organizations, on the other hand, may want a more comprehensive employment profile. In general terms, the application form gives a job-performance-related synopsis of applicants' life, skills, and accomplishments (see Diversity Issues in HRM). Applications obtain information the company wants and needs in order to make a proper selection.

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Completing the application also serves as another hurdle. If the application requires following directions and the individual fails to do so, that is a job related reason for rejection. Finally, applications require a signature attesting to the truthfulness of the information given and giving permission to check references. If, at a later point, the company finds out the information is false, it can justify immediate dismissal.

Preemployment Testing: It is estimated that more than 60 percent of all organizations use some type of employment test. Preemployment tests are quite helpful in predicting who will be successful on the job. Literally hundreds of tests can serve as selection tools. They can measure intellect, spatial ability, perception skills, mechanical comprehension, motor ability, or personality traits. Employers recognize that the investment in time and cost of these tests, combined with other selection tools and a well-thought out hiring process results in better quality hires. Many types of testing exist.

Performance Simulation Tests: To avoid criticism and potential liability from using psychological, aptitude, and other types of written tests, interest has been increasing in performance simulation tests. The single identifying characteristic of these tests is that they require the applicant to engage in specific behaviours necessary for performing the job successfully. As a result, performance simulation tests should more easily meet the requirement of job relatedness because they evaluate actual job behaviours.

Comprehensive Interviews: Applicants who pass the initial screening, application form, and required tests typically receive a comprehensive interview. The applicant may be interviewed by HRM interviewers, senior managers within the organization, a potential supervisor, colleagues, or some or all of these. In fact, at Disney, like most other organizations, applicants are interviewed by numerous individuals. The comprehensive interview is designed to probe areas not easily addressed by the application form or tests, such as assessing a candidate's motivation, values, ability to work under pressure, attitude, and ability to "fit in" with the organizational culture. Fit cannot be overstated. Ironically, in many cases, employees are hired based on their competencies and how likely they are to be successful performers. The majority of those who fail do so because they cannot fit within the organization's culture. Accordingly, skills and aptitudes may get candidates in the door, but how well they adapt to the organization frequently determines how long they'll stay.16 Many organizations are adopting the philosophy of Southwest Airlines and Four Seasons resorts, "Hire for Attitude, Train for Skill." They recognize that getting to know the applicant's personality is crucial. An employee's knowledge can change, but most likely, their personality will not.

Interview Effectiveness: Interviewing is often the responsibility of managers with little experience or training in how to interview or what to look for in an interview. Entrepreneurs, managers in retail, or small businesses often find themselves without an HR department to handle the process or give advice. Too often this results in a hiring decision that is a poor fit. There may not be a job description, inexperienced interviewers may ask off-topic questions, or spend more time talking than listening. They may like an applicant so much that they skip reference checks. And an employer may be so eager to fill

the position that they hire someone they know isn't completely qualified and hope for the best. Managers and HR professionals need to learn all they can about effective interviewing to increase the odds of a successful hiring decision.

Conditional Job Offers: If a job applicant has passed each step of the selection process so far, a conditional job offer is usually made. Conditional job offers typically come from an HRM representative. In essence, the conditional job offer implies that if everything checks out—such as passing a certain medical, physical, or substance abuse test—the conditional nature of the job offer will be removed and the offer will be permanent.

Background Investigation: The next step in the process is to conduct a background investigation of applicants who are potential employees. Background investigations, or reference checks, are intended to verify that information on the application form is correct and accurate. Sometimes just notifying applicants that the firm will check all references and former employers is enough to keep them from falsifying any information. HRM must always remember to ask the candidate to sign a waiver giving the organization permission to check court records, references, former employers, and education.30 Common sources of background information include:

■ References are provided by the applicant and are usually very positive. Even applicants with very poor work records can find someone to agree to be a reference; often it may be a friend or relative. When speaking with references, be sure to ask what their relationship to the applicant is. Also HRM should ask for specific instances where the reference has had the opportunity to observe the applicant in a work environment or demonstrating work skills.

■ Former employers should be called to confirm the candidate's work record and to obtain their performance appraisal. Frequently you will encounter employers who will be hesitant to provide detailed information and will only provide the dates of employment. This is usually due to a company policy in place to prevent defamation lawsuits from former employees or the mistaken belief that providing more information is illegal. Many states have passed laws protecting employers from civil liability when providing employment verification. Sometimes HRM can coax more information from former employers by asking them to rate the employee on a "scale of one to ten." If all else fails, HRM should ask them if they would rehire the worker. If they say no, it should serve as a red flag.

■ Educational accomplishments can be verified by asking for transcripts.

■ Credit references, if job related.

■ Criminal records can be checked by third-party investigators.

■ Background checks are conducted by third-party investigators.

■ Online searches as simple as a "Google" search of a candidate can turn up information on press releases or news items about a candidate that was left off the application or résumé. Web 2.0 social networking sites such as Facebook and

LinkedIn also provide professional as well as personal information. They also may provide more information than the employer wants, such as references to age, religious affiliation, race, or disability. Employers need to be careful only to consider job-related information.

Medical/Physical Examination: The next-to-last step in the selection process may consist of having the applicant take a medical/physical examination. Physical exams can only be used as a selection device to screen out individuals who are unable to physically comply with the requirements of a job. For example, firefighters must perform activities that require a certain physical condition. Whether it is climbing a ladder, lugging a water-filled four-inch hose, or carrying an injured victim, these individuals must demonstrate that they are fit for the job. Jobs that require certain physical characteristics may entail a job-related physical examination. However, this includes only a small proportion of jobs today.

A company must show that any required medical clearance is job-related. Failure to do so may result in the physical examination creating an adverse impact. Also, the company must keep in mind the Americans with Disabilities Act. Thus, even a valid physical examination may be required only after a conditional job offer. Having a physical disability may not be relevant to the hiring process for the position. Companies may be required to make reasonable accommodations for disabled individuals. If an applicant is not selected for a position due to a disability, the employer must be able to show that the disability prevented the applicant from performing the job even if reasonable accommodations were made.

Aside from its use as a screening tool, the physical exam may also show that an individual does not meet the minimum standards of health required to enroll in company health and life insurance programs. Additionally, a company may use this exam to provide base data in case of an employee's future claim of injury on the job. This occurs, however, after one has been hired. In both cases, the exam is paid for by the employer.

One last event fits appropriately under medical examination: the drug test. Many companies require applicants to submit to a drug test. Where in the hiring process that test occurs is somewhat immaterial; the fact remains that failing an employment drug test may be grounds for rejecting an applicant.

Job Offers: Individuals who perform successfully in the preceding steps are now considered eligible to receive the employment offer. Who makes the final employment offer depends on several factors. For administrative purposes (processing salary forms, maintaining EEO statistics, ensuring a statement exists that asserts that employment is not guaranteed, etc.), the offer typically is made by an HRM representative. But that individual's role should be only administrative. The actual hiring decision should be made by the manager in the department where the vacancy exists. First, the applicant will be working for this manager, which necessitates a good fit between boss and employee. Second, if the decision is faulty, the hiring manager has no one else to blame. Remember— as we mentioned in Chapter 6—finalists not hired deserve the courtesy of prompt notification.

Test and Interview

Interviews play a critical role in determining whether you are hired. Up to now, all the recruiter has seen is your well-polished cover letter and resume. Remember, however, few individuals get a job without an interview. No matter how qualified you are for a position, if you perform poorly in the interview, you're not likely to be hired! Interviews are popular because they help the recruiter determine if you are a good fit for the organization, in terms of your level of motivation and interpersonal skills. The following suggestions can help you make your interview experience a successful one. First, do some homework. Search for the company on the Internet (or visit your library) and find as much information on it as possible. Develop a solid understanding of the company, its history, markets, financial situation—and the industry in which it competes.

The night before the interview, get a good night's rest. As you prepare for the interview, keep in mind that your appearance will make your first impression. Dress appropriately. Incorrect attire can result in a negative impression. Arrive early, about fifteen minutes ahead of your scheduled interview. It's better for you to wait than to chance having the unexpected, such as a traffic jam, make you late. Arriving early also gives you an opportunity to survey the work environment and gather clues about the organization. Pay attention to the waiting room layout, the formality of the receptionist, and anything else that can give you insights into the organization. As you meet the interviewer, give him or her a firm handshake. Make eye contact and maintain it throughout the interview. Remember, let your body language augment the impression you want an interviewer to pick up. Sit erect and maintain good posture. Although you will most likely be nervous, try your best to relax.

Interviewers know that you'll be anxious, and a good one will try to put you at ease. Being prepared for an interview can also help build your confidence and reduce the nervousness. You can start building that confidence by reviewing a set of questions most frequently asked by interviewers, which are usually available at your college career center. Develop rough responses to these questions beforehand. This will lessen the likelihood that you'll be asked a question that catches you off guard. Our best advice, however, is to be yourself. Don't go into an interview with a prepared text and recite it from memory. Have an idea of what you would like to say, but don't rely on verbatim responses. Experienced interviewers will see through this over-preparedness and likely downgrade their evaluation. If possible, go through several practice interviews. Universities often have career days on campus when recruiters from companies visit to interview students. Take advantage of them. Even if a job doesn't fit what you want, the practice will help you become more skilled at dealing with interviews. You can also practice with family, friends, career counselors, student groups, or your faculty adviser. When the interview ends, thank the interviewer for his or her time and for this opportunity to talk about your qualifications, but don't think that selling yourself stops there. Send an immediate thank-you letter to the recruiter for taking the time to interview you and giving you the opportunity to discuss your job candidacy. This little act of courtesy has a positive effect—use it to your advantage.

Placement, Induction and Orientation

Once the candidates are selected for the required job, they have to be fitted as per the qualifications. Placement is said to be the process of fitting the selected person at the right job or place, i.e. fitting square pegs in square holes and round pegs in round holes. Once he is fitted into the job, he is given the activities he has to perform and also told about his duties. The freshly appointed candidates are then given orientation in order to familiarize and introduce the company to him. Generally the information given during the orientation programme includes-

- Employee's layout
- Type of organizational structure
- Departmental goals
- Organizational layout
- General rules and regulations
- Standing Orders
- Grievance system or procedure

In short, during Orientation employees are made aware about the mission and vision of the organization, the nature of operation of the organization, policies and programmes of the organization.

The main aim of conducting Orientation is to build up confidence, morale and trust of the employee in the new organization, so that he becomes a productive and an efficient employee of the organization and contributes to the organizational success.

The nature of Orientation program varies with the organizational size, i.e., smaller the organization the more informal is the Orientation and larger the organization more formalized is the Orientation programme.

Proper Placement of employees will lower the chances of employee's absenteeism. The employees will be more satisfied and contended with their work.

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SCHOOL OF MANAGEMENT STUDIES

UNIT – III – FUNDAMENTALS OF FHRM – SBAA3012

Training and Development: Concept and Importance; Identifying Training and Development Needs; Designing Training Programmes; Role-Specific and Competency-Based Training; Evaluating Training Effectiveness; Training Process Outsourcing; Management Development; Career Development.

Training and Development

Concept

Whenever HRM embarks on the hiring process, it attempts to search for and secure the "best" possible candidate. And while HRM professionals pride themselves on being able to determine those who are qualified versus those who are not, the fact remains that few, if any, new employees can truly come into an organization and immediately become fully functioning, 100 percent performers. First, employees need to adapt to their new surroundings.

Employees often take months to adjust to their new organizations and positions. The onboarding process helps employees learn the culture of the organization, how information is communicated, and how their position fits the organization's structure and strategy. HRM plays an important role in assimilating employees so they can become fully productive. To accomplish this, HRM typically embarks on four areas in the training and development phase: employee training, employee development, organization development, and career development. It is important to note that employee and career development is more employee centered, whereas employee training is designed to promote competency in the new job. Organization development, on the other hand, focuses on organizational changes. While each area has a unique focus, all four are critical to the success of the training and development phase.

Employee Training: Employee training is designed to assist employees in acquiring better skills for their current job. The focus of employee training is on current job–skill requirements.

Employee Development: Employee development is designed to help the organization ensure that it has the necessary talent internally for meeting future human resource needs. The focus of employee development is on a future position within the organization for which the employee requires additional competencies.

Career Development: Career development programs are designed to assist employees in advancing their work lives. The focus of career development is to provide the necessary information and assessment in helping employees realize their career goals. However, career development is the responsibility of the individual, not the organization.

Organization Development: Organization development deals with facilitating system-wide changes in the organization. The focus of organization development is to change the attitudes and values of employees according to new organizational strategic directions.

Importance

☐   In Human Resource Management (HRM), Training and development is important aspect when company wants optimum utilization of their manpower.

☐   Training and development is a key for the succession planning of the organization as it helps in improvement of skills like team management and leadership.

☐   HR Training and development activities are vital to motivate the employee and to increase their productivity.

☐   Training and development in HRM is significant aspect to develop a team spirit in the organization.

☐   Training and development programs are also important from the safety point of view as it teaches employee to perform job properly without any life risk.

☐   From the organizational point of view the HR training and development programs are important performance management tool to increase profitability and enhance corporate image.

Identifying Training and Development Needs

The key idea of training need typically refers to a discrepancy or gap between organization expects to happen and what actually occurs.

Variations and gaps between employee's skill and skills required for effective current job performance

The conditions under which HRD activity will occur

Thus it is obvious that need assessment forms the foundation of any training programmed.

The main purpose of a systematic exploration of the way things are and the way they should be. The difference is called **the performance gap.**

Exhibit: Performance Gap

Current level of performance   Desired level of performance

Types of Need Analysis

The need analysis helps to determine which needs analysis is appropriate for your situation are described below:

a)   **Context analysis**

An analysis of the business training needs or other reasons the training is desired. This type of training is generally more connected with organization background, history, why the training programme is seen as the recommended solution and other management interventions.

b) Cost benefit (Return on investment)

The cost benefit can be calculated through the analysis of the return on investment (ROI) of training

c) Training Suitability Analysis

Analysis of whether training is the desired solution. Because training is one of the several solutions of employment problems and training may or may not provide all solutions in one goal. Hence, it is essential to identify and analysis through proper process and tools as to derive the suitability and objectivity of conducting trainings

d) Work Analysis

Analysis of the tasks should be done through performance or outcome an employee. This is an analysis of the job and the requirements for performing the work. This helps ensure that the training, which is developed, will include relevant links to the content of the job.

e) User Analysis

Analysis dealing with potential participants and instructors involved in the process. The questions being answered by these analyses are who will active during the training and their levels of existing knowledge on the subject matter, what are their learning style is and who will contact the training.

Designing Training Programmes

The process of designing a training program is not an easy task. Many problems occur in the process of designing a training program. Some of the common problems are; creating training that does not support a business goal, problems that training cannot fix, how to identify the purpose of a training program, and sometimes all of these things.

So, how to create an effective training program for the employees? Below are the five steps that will help you to create a more effective training program:

Step 1: Perform a Training Needs Assessment

The assessment of a training program has four-step to be followed:

• Identifying the business goal that can be supported by a training program.

- Determining the tasks that workers should perform to make the company reach its goals.

- Conducting the training activities that will help in enhancing the learning of the workers to perform the tasks more effectively.

- Determining the learning characteristics of the workers that will make the training effective.

Step 2: Develop Learning Objectives

A learning objective addresses things that your employees can get to know like:

- What is the product flow?

- How to maintain the product flow cycle?

- Importance of good product lifecycle.

Step 3: Design Training Materials

While designing your materials, keep the following points in mind:

- Focus on the learning needs of your employees.

- Create training assessments that can directly relate to the learning objectives.

- Remember the adult learning philosophies.

- Include more hands-on practice or simulation as possible.

- Put the employees in control of the learning process.

- Do possible thing to let the employees talk and interact with the trainer and with each other while attending the training.

- Make sure there is plenty of opportunity for opinions.

- Break your training materials into small pieces that are easier to understand.

- Use "blended learning" approach that includes training in various types.

- Appeal to your workers' senses during the training.

Step 4: Implement the Training

Implementation can take different forms by moving forward to the training. It can be classroom instructions, the completion of e-learning modules, or more.

Step 5: Evaluate the Training

This method involves evaluating the training at four levels. Those four levels of evaluation are:

- Employees' reaction to training.
- Employees' learning through the training.
- Employee's job behaviour post-training.
- Beneficial business results.

Role-specific and Competency based Training

In-house training has transformed from traditional classrooms to individualized lesson plans via work-computers. Competency evaluation remains one of the strongest tools to ensure that your employees have a thorough understanding of their roles—and role-based training plans can help you make sure that they stay up-to-date on the latest policies, procedures, and regulations for risk management and compliance. If you have thought about implementing a role-based training strategy, take a look at the top five reasons why role-based and competency evaluation training strategies work:

1.   **Individualized Training Strategy for Each Employee**

Rather than relying on a one-size-fits-all approach to training your employees, a role-based training plan allows you to create a customized training path for each employee. You may opt for the training to be identical for all employees within the same role, or you may want to personalize each type of training program to strengthen weaknesses of specific employees.

2.   **Identification of Weaknesses**

Competency evaluations should be conducted on a frequent, recurring basis. For example, you may conduct an evaluation after three to six months at work. However, you need to know what to do with the information

garnered from the evaluation. The competency evaluation gives you insight into the specific problems your employees may be experiencing. Furthermore, competency evaluations can help you identify key problems within your existing training strategy. For example, when the majority of your employees fail a given section, it may allude to a missing element within your training program. Ultimately, a competency evaluation is how you keep your role-based training plan in check.

3.   **Flexible Schedules for Your Corporate Training Strategy**

Traditional training methods require advanced notification, rearrangement of entire working schedules, and result in frustrations throughout your business. Role-based training programs enable you to take advantage of computerized training modules to fit the specific positions of your employees. Furthermore, the training can be taken as quickly, or as slowly, as the employee wishes, which contributes to employee satisfaction as well.

4.   **Minimize Training Expenses**

A successful training strategy must reduce your overhead costs, and role-based training plans typically cost less than a traditional training program. For example, you do not have to take time away from your duties to conduct the training, especially if the training is taken online, or through a third-party training vendor. In some cases, you may even allow your employees to work on their training courses while they are away from the office, which reduces the amount of time wasted while performing the essential functions of their position.

5.   **Helps Maintain Compliance with Local, State, and Federal Statutes**

Throughout many industries, especially the manufacturing, shipping, and industrial trade, safety issues remain a top concern. Since these environments pose a significant threat of injury following an accident, or improper training, workers in these industries must routinely repeat training on promoting compliance, avoiding accidents, and maintaining the safety of the work environment. This same principle may be extended to virtually any sector of the workforce. For example, shippers may create role-based training strategies to ensure proper lifting techniques and US Customs and Border Protection compliance.

Evaluating Training Effectiveness

When training clearly shows increased income or reduced costs for the organization, it's easy to justify the cost of training. Take, for example, a delivery driver who is able to make five additional deliveries each day. Each

of those deliveries represents $10 of the driver's time, so the benefit to the employer is $50 per day for each driver trained.

Divide the benefit of the training by the cost of training, and we can determine the ROI of the training.

Kirkpatrick's Model

A different approach to determining the effectiveness of training is called the Kirkpatrick's model . This is a four-level approach that works well in determining the value of managerial training and any training that is difficult to assess in terms of ROI.

Level one measures the reactions of the participants toward the training and answers questions about whether the participants liked the training; felt they achieved their learning goals; how much they liked the trainers; and any suggestions they have for improving the training.

Level two measures how much the participants learned. This could be accomplished by pre- and post-testing the participants or evaluating the participants against a control group that has not been trained.

Level three measures whether the training actually changes the employee's behavior when he or she returns to the job. This might be evaluated by the participants, supervisors, or trainer.

Level four measures whether the training benefited the employer or not. This could be done by determining ROI as we have above or evaluating a behavior against another standard, such as a benchmark.

Surprisingly, research indicates that nearly half of all training programs are not measured against any substantive outcome, such as employee retention, satisfaction, or productivity. It would be ideal if all companies could boast the returns on investments in training that The Cheesecake Factory does. Their employee turnover rate is consistently below the industry average, and customer satisfaction rates and repeat visits are high. Such a claim, however, is valueless unless training is properly evaluated.

Reaction to training is often evaluated by asking employees who have recently completed a training program for their opinions. If the comments are generally positive, the program may receive a favorable evaluation and it will continue until someone decides, for whatever reason, it should be eliminated or replaced. The problem is that the reactions may be very subjective. They can be heavily influenced by factors such as level of difficulty, entertainment value, or the personality characteristics of the instructor, all of which may have little to do with the training's effectiveness. Beyond general reactions, however, training must also be evaluated in terms of how much the participants learned, how well they use their new skills on the job, positive changes in behavior, and

whether the training program achieved its desired results including reduced turnover, increased customer service, and so on.

Three popular methods of evaluating training programs focus on performance rather than opinions. These are the post-training performance method, the pre–post-training performance method, and the pre–post-training performance with control group method.

Performance-Based Evaluation

When training develops improved productivity, new skills, increased efficiency or other performance measures, the effectiveness of the training can be measured by the change in performance. Three methods of measuring improvement include the post-training performance, pre–post-training performance and pre–post-training performance with control group.

Post-Training Performance Method: Participants' performance is measured after attending a training program to determine if behavioral changes have been made. For example, assume we provide a week-long seminar for HRM recruiters on structured interviewing techniques. We follow up 1 month later with each participant to see if, in fact, attendees use the techniques addressed in the program, and how.

Pre–Post-Training Performance Method: In this method, each participant is evaluated prior to training and rated on actual job performance. After instruction—of which the evaluator has been kept unaware—is completed, the employee is reevaluated. As with the post-training performance method, the increase is assumed to be the result of the instruction.

Pre–Post-Training Performance with Control Group Method: In this method, two groups are established and evaluated on actual job performance. Members of the control group work on the job but do not undergo instruction; the experimental group does receive instruction. At the conclusion of training, the two groups are reevaluated. If the training is really effective, the experimental group's performance will not only have improved but will be substantially better than the control group.

Training process outsourcing is when a business hires an external provider to manage a complete set of L&D activities or processes. Organizations usually hire a training company that provides end-to-end L&D services, such as a managed learning services provider. A managed learning company operates differently than other types of learning vendors in the training industry. More traditional training vendors vary in size and often specialize in a particular area within the industry.

These providers can offer more extensive offerings than traditional training vendors. They give businesses the option to work with a single organization to handle all their training outsourcing needs. They also can help organizations fill L&D gaps and needs that other vendors may not provide.

Activities Included in TPO
Strategy development

Today many organizations are focusing on developing new learning strategies to reskill their current workforce. An experienced managed training provider will have a strategic process for developing learning strategies that maximize training ROI. The most successful training outsourcing programs and companies utilize an outcomes-based approach to create highly effective strategies that support business goals.

Learning administrative services

Business process outsourcing includes services outside of the more commonly outsourced activities like delivering training and training content development. These activities must be done for training and development to run smoothly but lie outside the typical core activities.

They include administrative tasks such as scheduling, budgeting, and content management. They can also include the administration of a learning management system. Outsourcing these activities can lighten the workload of your internal teams.

Instructor facilitation

Many organizations are currently working on closing talent gaps. There is an increased need for instructors for both face-to-face courses and virtual instructor-led sessions. An outsourced provider will already have a strong pipeline of learning talent. They can assist you with recruiting, onboarding, and training new learning staff.

Vendor management Enterprise organizations commonly choose to outsource with multiple training industry vendors to develop and manage their training programs. Working with numerous vendors requires research, contract management, vendor integration, issue resolution, and more. Learning bpo can help streamline these activities.

Measurement
Blended eLearning programs have grown in popularity in the last year. Organizations quickly converted their in-person training programs into online formats after the spread of Covid19.

These custom online learning solutions can be measured and optimized with learning analytics. An outsourced provider can help streamline this process. They will already have a team of professionals who know how to use modern tools for measurement effectively.

Benefits of TPO

Training process outsourcing has been growing in popularity due to its ability to help meet the fluctuating L&D needs of modern organizations. Process outsourcing provides several valuable benefits, including the following.

Reducing costs

Enhancing internal bandwidth

Improved scalability

High-quality learning experiences

Management Development

Management development is the overall concept that describes the many ways in which organizations help employees develop their personal and organizational skills, either as managers in a management job or with an eventual management job in mind.

Building the skills of managers through management development options is critical to the effective functioning of your organization. This is because of the power of a manager to impact the organization through his or her oversight of the work of other employees.

Especially middle managers are expected to communicate the company direction, goals, and vision to their reporting employees. Only comfortable business communicators are likely to perform their needed communication tasks effectively.

Yet senior company leaders depend on their communication because they can't easily communicate with every employee themselves. It is not surprising that the managers in your workplace are the single most important factor in employee engagement, employee motivation, and building a productive workplace.

Internal management development has advantages over external seminars and classes. It presents and reinforces needed skills and management techniques. It speaks a common language that people in your organization will understand—and gives them a common language that they can use with each other.

Internal management development is presented around your challenges and problems so it is customized for the people who attend. It is offered on your terms at your preferred times and at your preferred length.

Internal management development reinforces the organization's culture and addresses the norms and expectations of the manager's workplace. It incorporates familiar workplace examples and reinforces desired organization direction, values, and goals.

Done with care, internal management development also reinforces the application of the skills learned in training back in the workplace. This significant ability to do the activities needed for training transfer to the workplace before, during, and after the training is all the justification you need to offer internal management development.

Management Development Content

These are the areas of content that management development training, either internal or external, should contain for your organization to function effectively. The managers will benefit as will their reporting staff members and the organization as a whole.

- Powerful Management Training

In addition to skill development, management development is also an opportunity to teach the organization culture. The norms, rules, and expectations in the workplace are uniquely the organizations'. Even experienced managers will benefit from training reminders in the expectations of the workplace culture and policies. The focus of all aspects of management development is to enable managers to more effectively accomplish their job as managers.

Career Development

Career development is the process of choosing a career, improving your skills, and advancing along a career path. It's a lifelong process of learning and decision-making that brings you closer to your ideal job, skillset, and lifestyle.

Career development is the process of self-knowledge, exploration, and decision-making that shapes your career. It requires successfully navigating your occupational options to choose and train for jobs that suit your personality, skills, and interests.

When someone pays careful attention to their career development, they identify their own strengths and blind spots, then work hard to improve their skills. It also involved learning about different roles and industries to find a match to their abilities, seeking out opportunities to advance, and maybe even changing careers altogether if they find a more suitable one.

Factors That Influence Career Development

A person's career development can be affected by multiple factors, some of which may be largely outside their control. These influences must be considered during the process of developing a career.

Personal Characteristics: Personality type, interests, aptitudes, and work-related values make all of us who we are. These personal characteristics play a significant role in career development since they influence which occupations we find satisfying, as well as the types of work environments in which we will succeed. That is why, when you are in the process of choosing a career, it is so important to do a self-assessment that will help one learn about oneself.

Financial Resources: Pursuing certain career options can be costly. If you choose an occupation, for example, that requires you to attend college, you may be limited by your ability to pay for it and need to seek student loans, financial aid, and scholarships. Financial limitations can also hinder you when job-hunting. For example, one may have limited funds for interview clothes.

If lack of funds is preventing one from dressing professionally for a job interview, look for organizations that collect donations of business attire and distribute it to job seekers in need.

Financial Obligations: Financial obligations such as a mortgage, rent, student loans, or even a child's college tuition may inhibit a person from switching jobs or careers. To combat this, one can try to put money aside to use later during a career change, or one can try to change one's lifestyle to lessen the financial burden (for example, downsizing one's home to get a smaller mortgage payment).

Physical, Mental, and Emotional Impairments: Some people are better suited to some careers than to others due to physical and mental abilities or limitations. For example, one may want to become a doctor but don't have a strong academic record in the sciences.

Age: One's age, or one's perception of it, can hinder a person's career development. One may worry about being too young or too old to pursue a particular path, advance in career, or make a career change. Instead of focusing on age, the person need to concentrate on one's abilities and motivation.

Family Obligations: Any person's career development may stall if they take time off from work to take care of children or elderly parents. Outside help with childcare or eldercare may make it easier to continue with a career.

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UNIT – IV – FUNDAMENTALS OF HRM – SBAA3012

Performance Appraisal: Nature, objectives and importance; Modern techniques of performance appraisal; potential appraisal and employee counseling; job changes - transfers and promotions; Compensation: concept and policies; job evaluation; methods of wage payments and incentive plans; fringe benefits; performance linked compensation.

Performance Appraisal

Nature

Performance appraisals must convey to employees how well they have performed on established goals. It's also desirable to have these goals and performance measures mutually set between the employee and the supervisor. Without proper two-way feedback about an employee's effort and its effect on performance, we run the risk of decreasing his or her motivation. However, equally important to feedback is the issue of development. By development, we are referring to those areas in which an employee has a deficiency or weakness, or an area that simply could be improved through effort to enhance performance.

Performance appraisals are the evaluation instrument that provides feedback to employees on how well they have progressed toward achieving the goals of their position. Often these goals and performance measures are mutually set between the employee and the supervisor. The feedback provided by the performance appraisal regarding an employee's effort and its effect on performance is important for two additional purposes, motivation and employee development. Going back to our example of your HR class, suppose a student does well on tests and case assignments, but just doesn't do a very good job of participating in class. If class participation is a significant part of the class grade, the student's grade and motivation would benefit from some advice from the professor on how much participation is expected, how his current level of participation is affecting his grade, and how the student can improve on this aspect of the class goals.

The performance appraisal process also provides documentation of an employee's performance. This becomes important to prove that discipline or dismissal were the result of documented performance issues that were communicated to the affected employee. For instance, suppose a supervisor cites performance matters as the reason for terminating an employee, but recent performance appraisals indicate that performance was satisfactory for the past two review periods. Unless there is proper documentation that the employee's performance significantly decreased since the most recent appraisal and efforts were made to correct the performance deficiency, there is little to support the supervisor's decision if the employee protests the termination. Documentation is absolutely critical to ensure that employees are treated fairly and to protect the organization from claims of discrimination or retaliation.

Objectives

Performance Appraisal can be done with following objectives in mind:

- To maintain records in order to determine compensation packages, wage structure, salaries raises, etc.
- To identify the strengths and weaknesses of employees to place right men on right job.
- To maintain and assess the potential present in a person for further growth and development.
- To provide a feedback to employees regarding their performance and related status.
- It serves as a basis for influencing working habits of the employees.

• To review and retain the promotional and other training programmes.

Importance

Performance appraisals are essential for the growth of a company and the employee. It helps the company to find out whether the employee is being productive or is a liability. It helps the employee to find out where his / her career is heading. It is an essential part of HR management. A performance approval need not be a stressful event for the HR / supervisor or for the employee.

This can be a productive platform for the employee to express his / her work related issues and sort it out and for the HR / Supervisor to motivate the employee to contribute more. Following are some of the benefits of performance appraisal.

- **Employee satisfaction and motivation**

A Performance appraisal meeting is a platform where the employee is recognized for his / her good work and it is important to recognize the work done by an employee. Even if the employee has not done a good work, it is important to show that the organization is interested in his / her individual performance and their growth in the company.

This motivates the employee to work hard, which in turn, benefits the company. A regular appraisal program can have a deep impact on levels of employee satisfaction and motivation.

- **Finding out the need for training and development**

During an appraisal meeting, the employer can point out the areas where the employee needs improvement. The employee can look at the data and agree with the employer, and then work out a plan for training and development.

The training will help the employee to perform better and it will pave the way to future growth. Companies can look at consolidated appraisal data and decide on areas where improvement is needed for individual employees, as well as, for the whole team. Then they can plan for training and development.

- **Analyzing appraisal data for better recruitment**

Appraisal data helps in monitoring the success of a company's recruitment practices. For example, how well the employees who were hired in the past one or two years are performing, how is the attrition rate and so on. Based on it, the HR department can strategize future hiring.

- **Improving communication between management and employee**

Most often, there is a communication gap between the supervisor and the employee, especially when the employee is new to the company.

Most of the time supervisor / manager will be too busy to pay proper attention to the new hire. Performance appraisals will help to break that ice, which is good for both the supervisor / manager, as well as, the employee because better communication leads to better productivity.

Modern techniques of performance appraisal

With the right performance appraisal method, organizations can enhance employee performance within the organization. A good employee performance review method can make the whole experience effective and rewarding.

1. Management by Objectives (MBO)

Management by objectives (MBO) is the appraisal method where managers and employees together identify, plan, organize, and communicate objectives to focus on during a specific appraisal period. After setting clear goals, managers and subordinates periodically discuss the progress made to control and debate on the feasibility of achieving those set objectives.

This performance appraisal method is used to match the overarching organizational goals with objectives of employees effectively while validating objectives using the SMART method to see if the set objective is specific, measurable, achievable, realistic, and time-sensitive.

At the end of the review period (quarterly, half-yearly, or annual), employees are judged by their results. Success is rewarded with promotion and a salary hike whereas failure is dealt with transfer or further training. This process usually lays more stress on tangible goals and intangible aspects like interpersonal skills, commitment, etc. are often brushed under the rug.

Management by objectives (Process Flow)

Incorporating MBO into performance management process

To ensure success, the MBO process needs to be embedded in the organizational-wide goal setting and appraisal process. By incorporating MBO into the performance management process, businesses can improve employee's commitment, amplify chances for goal accomplishment, and enable employees to think futuristically.

Ideal for:

Measuring the quantitative and qualitative output of senior management like managers, directors, and executive (business of any size)

Common reason for failure:

Incomplete MBO program, inadequate corporate objectives, lack of top management involvement

Steps to implement a successful MBO program:

1. Every manager must have 5-10 goals expressed in specific, measurable terms
2. Manager can propose their goals in writing, which will be finalized after review
3. Each goal needs to include a description and a clear plan (list of tasks) to accomplish it
4. Determine how progress will be measured and how frequently (minimum quarterly)
5. List down corrective actions that will be taken if progress is not in accordance with plans

6. Ensure that goals at each level are related to the organizational objectives and levels above/below

Retail giant Walmart, uses an extensive MBO participatory approach to manage the performance of its top, middle, and first-line managers.

2. 360-Degree Feedback

360-degree feedback is a multidimensional performance appraisal method that evaluates an employee using feedback collected from the employee's circle of influence namely managers, peers, customers, and direct reports. This method will not only eliminate bias in performance reviews but also offer a clear understanding of an individual's competence.

This appraisal method has five integral components like:

1. Self-appraisals

Self-appraisals offer employees a chance to look back at their performance and understand their strengths and weaknesses. However, if self-appraisals are performed without structured forms or formal procedures, it can become lenient, fickle, and biased.

2. Managerial reviews

Performance reviews done by managers are a part of the traditional and basic form of appraisals. These reviews must include individual employee ratings awarded by supervisors as well as the evaluation of a team or program done by senior managers.

3. Peer reviews

As hierarchies move out of the organizational picture, coworkers get a unique perspective on the employee's performance making them the most relevant evaluator. These reviews help determine an employee's ability to work well with the team, take up initiatives, and be a reliable contributor. However, friendship or animosity between peers may end up distorting the final evaluation results.

4. Subordinates Appraising manager (SAM)

This upward appraisal component of the 360-degree feedback is a delicate and significant step. Reportees tend to have the most unique perspective from a managerial point of view. However, reluctance or fear of retribution can skew appraisal results.

5. Customer or client reviews

The client component of this phase can include either internal customers such as users of product within the organization or external customers who are not a part of the company but interact with this specific employee on a regular basis.

Customer reviews can evaluate the output of an employee better, however, these external users often do not see the impact of processes or policies on an employee's output.

Advantages of using 360-degree feedback:

- Increase the individual's awareness of how they perform and the impact it has on other stakeholders
- Serve as a key to initiate coaching, counselling, and career development activities
- Encourage employees to invest in self-development and embrace change management
- Integrate performance feedback with work culture and promote engagement

Ideal for:

Private sector organizations than public sector organisations as peer reviews at public sector organizations are more lenient.

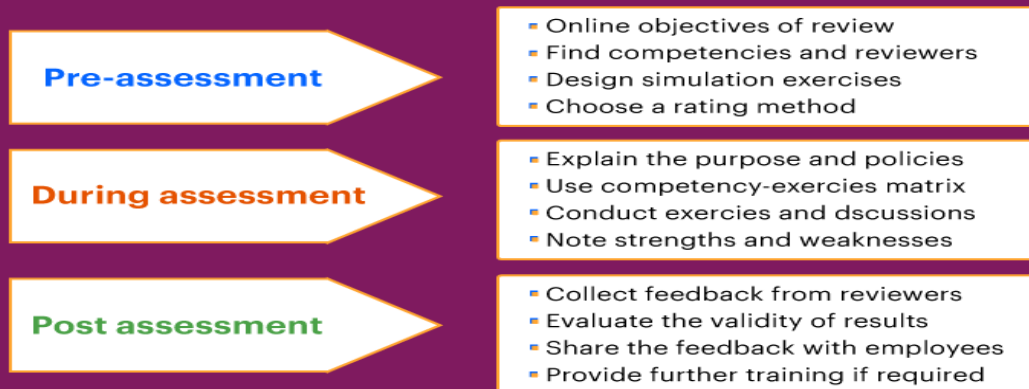**Common reason for failure:**

Leniency in review, cultural differences, competitiveness, ineffective planning, and misguided feedback

Top private organizations like RBS, Sainsbury's, and G4S are using 360-degree, multi-rater performance feedback to measure employee performance.

3. Assessment Centre Method

The concept of assessment centre was introduced way back in 1930 by the German Army but it has been polished and tailored to fit today's environment. The assessment centre method enables employees to get a clear picture of how others observe them and the impact it has on their performance. The main advantage of this method is that it will not only assess the existing performance of an individual but also predict future job performance.

Stages in a typical assessment centre appraisal

Pre-assessment
- Online objectives of review
- Find competencies and reviewers
- Design simulation exercises
- Choose a rating method

During assessment
- Explain the purpose and policies
- Use competency-exercises matrix
- Conduct exercises and dscussions
- Note strengths and weaknesses

Post assessment
- Collect feedback from reviewers
- Evaluate the validity of results
- Share the feedback with employees
- Provide further training if required

During the assessment, employees are asked to take part in social-simulation exercises like in-basket exercises, informal discussions, fact-finding exercises, decision-making problems, role-play, and other exercises that ensure success in a role. The major drawback of this approach is that it is a time and cost intensive process that is difficult to manage.

Advantages of the assessment centre method:

- Enhance a participant's knowledge, boost his/her thought process, and improve employee efficiency
- Can be tailored to fit different roles, competencies, and business needs
- Offer an insight of the employee's personality (ethics, tolerance, problem-solving skill, introversion/extroversion, adaptability, etc.)

Ideal for:

Manufacturing organizations, service-based companies, educational institutions, and consulting firms to identify future organizational leaders and managers.

Guidelines to implement assessment centre practice:

1. Use job analysis to determine the components of effective performance
2. Identify performance metrics that can be measured using this assessment center
3. Classify meaningful and relevant candidate behavior in the assessment process
4. Find assessment techniques that can ideally elicit ideal behavioural information
5. Spot assessors and assessee's excluding immediate supervisors

6. Provide thorough training to assessors and reviewers
7. Maintain a system of performance records for each candidate
8. Review records and reward employee or provide training accordingly

Microsoft, Philips, and several other organizations use the assessment centre practice to identify future leaders in their workforce.

4. Behaviorally Anchored Rating Scale (BARS)

Behaviourally anchored rating scales (BARS) bring out both the qualitative and quantitative benefits in a performance appraisal process. BARS compares employee performance with specific behavioural examples that are anchored to numerical ratings. Each performance level on a BAR scale is anchored by multiple BARS statements which describe common behaviors that an employee routinely exhibits. These statements act as a yardstick to measure an individual's performance against predetermined standards that are applicable to their role and job level.

The first step in BARS creation is generation of critical incidents that depict typical workplace behavior. The next step is editing these critical incidents into a common format and removing any redundancy. After normalization, the critical instances are randomized and assessed for effectiveness. Remaining critical incidents are used to create BARS and evaluate employee performance.

Advantages of using BARS:

• Enjoy clear standards, improved feedback, accurate performance analysis, and consistent evaluation

• Eliminate construct-irrelevant variance in performance appraisal ratings by emphasis more on specific, concrete, and observable behaviors

• Decrease any chance for bias and ensure fairness throughout the appraisal process

Ideal for:

Businesses of all sizes and industries can use BARS to assess the performance of their entire workforce from the entry level agent to c-suite executives

Common drawbacks of BARS:

1. High chance for subjectivity in evaluations
2. Hard to make compensation and promotion decisions

3. Time-consuming to create and implement
4. Demands more from managers and senior executives

5. Psychological Appraisals

Psychological appraisals come in handy to determine the hidden potential of employees. This method focuses on analyzing an employee's future performance rather than their past work. These appraisals are used to analyze seven major components of an employee's performance such as interpersonal skills, cognitive abilities, intellectual traits, leadership skills, personality traits, emotional quotient, and other related skills.

Qualified psychologists conduct a variety of tests (in-depth interviews, psychological tests, discussions, and more) to assess an employee effectively. However, it is a rather slow and complex process and the quality of results is highly dependent on the psychologist who administers the procedure.

Specific scenarios are taken into account while performing psychological appraisal. For instance, the way in which an employee deals with an aggressive customer can be used to appraise his/her persuasion skills, behavioural response, emotional response, and more.

Advantages of psychological appraisals:

1. Extract measurable, objective data about not just an employee's performance but also potential
2. Can be deployed easily when compared with other performance appraisal methods
3. Offer introverted or shy employees a platform to shine and prove their potential

Ideal for:

Large enterprises can use psychological appraisals for an array of reasons including development of leadership pipeline, team building, conflict resolutions, and more.

Common reasons for failure:

Absence of proper training, lack of trained professionals to administer reviews, and nervousness or anxiety of candidates can skew results.

Ford motors, Exxon Mobil, Procter & Gamble use psychological appraisals to test the personality and performance of their employees.

6. Human-Resource (Cost) Accounting Method

Human resource (cost) accounting method analyses an employee's performance through the monetary benefits he/she yields to the company. It is obtained by comparing the cost of retaining an employee (cost to company) and the monetary benefits (contributions) an organization has ascertained from that specific employee.

When an employee's performance is evaluated based on cost accounting methods, factors like unit-wise average service value, quality, overhead cost, interpersonal relationships, and more are taken into account. Its high-dependency on the cost and benefit analysis and the memory power of the reviewer is the drawback of human resources accounting method.

Advantages of the human cost accounting method:

• Effectively measure the cost and value that an employee brings to the organization
• Help identify the financial implications that an employee's performance has on the organization's bottom line

Ideal for:

Start-ups and small businesses where the performance of one employee can make or break the organization's success.

Implementation of human resource cost accounting method:

1. Identify the gap between the market and the current package of an employee
2. Determine the monetary and non-monetary value that an employee brings to the table
3. List down the things that an employee achieved in the review period (increase in the subscriber count, improvement in revenue, number of new deals won, etc.,)

Potential Appraisal

The potential appraisal is made up of two words viz. potential and appraisal. Potential means the abilities of an employee which are required for meeting the challenges of future assignments while appraisal means the evaluation of that abilities in present status of an employee. Thus, potential appraisal is the process of evaluation of the abilities of an employees that uses by employee in the future assignments. It is different from performance appraisal and needs to be carried out at regular intervals.

The potential appraisal refers to the appraisal involving identification of the hidden talents and skills of a person. The person might or might not be aware of them. Potential appraisal is a future-oriented appraisal

whose main objective is to identify and evaluate the potential of the employees to assume higher positions and responsibilities in the organizational hierarchy. Many organizations consider and use potential appraisal as a part of the performance appraisal processes.

The Potential for Improving Performance, or PIP, measures the performance of the average worker versus the best person performing a particular task. Large differences suggest that performance can be improved by bringing average performance up closer to the best performance. Small differences suggest little potential for improvement. Potential appraisal refers to the identification of hidden skills, talents and abilities in a person which even he may be unaware of. It is a future oriented concept and is a powerful tool for employee advancement. The latent skills of a person are tracked and his true potential is evaluated. An employee with high potential is a good candidate for assuming more responsibilities in future. In western countries, many organizations use potential appraisal as a part of performance appraisal process. However, in India, not many managers are aware of this term though informally every organization makes potential assessments. Higher officials often determine whether a particular employee has the potential to take added responsibilities in future. Potential appraisals help in deciding a career plan for the employees. It also helps to evaluate candidates for promotions and developing a suitable employee base for succession planning. This method is based on the aptitude of the employee, his willingness to take additional responsibility and his motivation for accomplishing tasks.

Potential appraising is different from appraising performance. Potential refers to abilities of an employee which are currently not brought to use by an organization. Potential means the talent capacity to undertake higher challenges on job in future. The latent capacity of an individual may mean an individual's ability to foresee opportunities and their impact on current decisions, ability to identify resource gaps, ability to perform in very tough or diverse settings, displaying a high degree of personal and intellectual integrity at all times. The main objective of potential appraisal is to know the employees potentials and to use those later by putting on them higher responsibilities.

It is a normal practice to promote employees based on their past performance. Past performance gives us a feedback regarding the ability of the person to do a given job at a given level successfully or not and it could be a future indicator of potential if the jobs are similar. However, capabilities required to perform one role may not be the same as those required to perform a higher role having different functions. Therefore, past performance is not necessarily a good indicator of the suitability of the individual for a higher role.

Example:

A good salesman need not be a good manager in the sales function since the job of a sales manager requires managerial qualities apart from selling skills.

Employee counselling

Employee counselling is a vital part of performance review and potential appraisal, if these are to achieve their basic purpose of helping employees to improve and develop. Unless carefully and sensitively handled, employees may become more dissatisfied after the counselling than before. Counselling is described as the help provided by the supervisor to the subordinates in analysing their performance and other behaviours on the job, in order to improve their performance. Counselling is also used sometimes in the sense of coaching and reviewing one's performance. Such a review identifies not only the potential for development but also the training needs for further improvements.

Employee counselling is a method of understanding and helping individuals who have technical, personal and emotional adjustment problems interfering with their work performance. The personal adjustment of an employee is often improved when he is able to obtain information that he needs for reaching an intelligent solution to his problems or when he is able to express his feelings without fear of reprisal. Counselling is a sophisticated form of communication in which attempts are focused to maintain constructive attitudes. Viewed in this manner, counselling has been practised in one from or the other since the evolution of mankind. In every field which requires dealing with people, counselling is essential.

Though counselling in the context of employment is different from counselling in a therapeutic setting, what is commonly applicable to both is a strong relationship between the client and the counsellor by developing and expressing attitudes of congruence, acceptance and empathy by the counsellor. These attitudes must have been experienced by a client and he must feel that he is psychologically well received by the counsellor. The counselling activity in industries may be said to have emerged from the founding stages of the human relatives movement when the Hawthorn Plant of the Western Electric Company in Chicago installed a personnel counselling programme that utilized special rules for interviewing derived from the need of eliciting from the employees matters of emotional significance to them.

Since then, counselling in industries has been found to be useful and of special assistance in alleviating attitudes that are detrimental to both the employee and the organization. At present, counselling in industries can be thought of as a type of interview in which attention is focused on the individual's feelings and attitudes towards a problem area and in which an attempt is made to help the person to reach a satisfactory solution to his problem. Counselling in industries is a special method of problem solving which adopts the perspective that

people can think well when they think aloud with someone else who will question their thoughts, help them to clarify their thoughts and help to start the process of generating solutions or managing situations more effectively.

Objectives of Counselling

i. Helping employees to realize their potential.

ii. Helping employees to understand their strengths and weaknesses.

iii. Providing employees an opportunity to acquire more insight into their behaviour and analyse the dynamics of such behaviour.

iv. Helping employees to have a better understanding of the environment.

v. Increasing personal and interpersonal effectiveness through effective feedback.

vi. Encouraging employees to set goals for further improvement; and

vii. Providing employees an atmosphere for sharing and discussing their tension, conflicts, concerns, and problems.

In an organizational setup, the trusting relationship with the supervisors is known as a dyadic relationship but the dyad need not always be the subordinate's supervisor. He/she may be his/her mentor with whom the subordinate has developed a trusting relationship which nurture, support, and guide him/her.

The concept of mentoring relates to emotional support and guidance usually given by a senior person to a younger one known as protege. Both counselling and mentoring involve help and support by a senior person to a younger one.

Job Changes

Mobility of employees from one job to another through transfer, promotion and demotion is internal mobility and some employees leave the organization due to resignation, retirement and termination is called external mobility. Taking internal and external together makes job change. When substantive, measurable changes occur in responsibilities, a job review is in order. Reviews are handled at the local level through the HR office and

may be requested by a supervisor, HR officer, or an employee. Once the request is submitted to HR, decisions are typically made within a reasonably short time period.

Mobility and flexibility in the workforce are necessary to cope with the changing requirement of an organization. These changes emerge out of:

* Changes in the structure of the organization involving job redesign, job regrouping etc.

* Changes in technology.

* Changes in political environment.

* Changes in legal policies.

* Fluctuation in volume of work due to expansion, diversification etc.

* Changes in demand of trade union.

* Changes in the knowledge, skills and values of employees.

Transfers

Estimating changes in internal supply requires HRM to look at those factors that can either increase or decrease its employee base. Internal transfers and promotions may or may not create openings for external candidates, but departures from the company or creating additional positions require HR to find replacements with appropriate skills and experience from the external labor force. These replacements may come from a combination of four sources: new hires, contingent workers, transfers in, or individuals returning from a leave of absence. Decreases in the internal supply can come about through retirements, dismissals, transfers out of the unit, layoffs, voluntary quits, sabbaticals, prolonged illnesses, or deaths. Some of these occurrences are obviously easier to predict than others. The easiest to forecast are retirements, assuming that employees typically retire after a certain length of service and the fact that most organizations require some advance notice of one ' s retirement intent. Given a history of the organization, HRM can predict with some accuracy how many retirements will occur over a given time period. Remember, however, that retirement, for the most part, is voluntary. Under the Age Discrimination in Employment Act, an organization cannot force employees to retire, with the exception of airline pilots who must retire at age 65.

At the other extreme, voluntary resignations, prolonged illnesses, and deaths are difficult to predict. Although large organizations such as Verizon or General Motors can use probability statistics to estimate the number of deaths that will occur among its employee population, such techniques are useless for forecasting in small organizations or estimating the exact positions that will be affected in large ones. Voluntary resignations can also be predicted by utilizing probabilities when the population size is large. In a company like Microsoft, managers can estimate the approximate number of voluntary resignations during any given year. In a department consisting of two or three workers, however, probability estimation is meaningless. Weak predictive ability in small units is unfortunate, too, because voluntary resignations typically have the greatest impact on such units.

In between the extremes—transfers, layoffs, sabbaticals, and dismissals—forecasts within reasonable limits of accuracy can be made. Of the four, transfers out of a unit, such as lateral moves, demotions, or promotions, are the most difficult to predict because they depend on openings in other units. Layoffs are more controllable and anticipated by management, especially in the short run. Sabbaticals, too, are reasonably easy to forecast, since most organizations' sabbatical policies require a reasonable lead-time between request and initiation of the leave. Surprises do happen, requiring HR to act quickly. For example, in 2008, Best Buy was forced to react quickly as the economic downturn dramatically reduced sales. They responded by offering a voluntary severance package to nearly all of the 4,000 employees at their Minneapolis area headquarters. The offer was accepted by 500 employees.

Dismissals based on inadequate job performance can usually be forecast with the same method as voluntary resignations, using probabilities where a large number of employees are involved. Additionally, performance evaluation reports are usually a reliable source for isolating the number of individuals whose employment might have to be terminated at a particular point in time due to unsatisfactory work performance.

One way organizations track the internal supply is by creating staffing tables. This involves creating a table that includes the jobs within the organization and the number of people currently holding the job. This may be combined with a statistical analysis to indicate the number of employees needed for each position in the future.

Promotions

Definition:

Promotion is vertical movement of an employee within the organisation. In other words, promotion refers to the upward movement of an employee from one job to another higher one, with increase in salary, status and responsibilities. Promotion may be temporary or permanent, depending upon the needs of the organisation.

There can be 'dry promotion' also where an employee is assigned to a higher level job without increase in pay. An example of 'dry promotion' is a University Professor made Head of the Department with no increase in salary.

Promotion has an in-built motivational value as it elevates the authority, power and status of an employee within an organisation. It is considered good personnel policy to fill vacancies in a higher job through promotions from within because such promotions provide an inducement and motivation to the employees and also remove feelings of stagnation-and frustration.

Types of Promotion:
Promotion given to employees in an organisation can be classified into three types:
1. Horizontal promotion:
When an employee is shifted in the same category, it is called 'horizontal promotion'. A junior clerk promoted to senior clerk is such an example. It is important to note that such promotion may take place when an employee shifts within the same department, from one department to other or from one plant to another plant.

2. Vertical Promotion:
This is the kind of promotion when an employee is promoted from a lower category to lower category involving increase in salary, status, authority and responsibility. Generally, promotion means 'vertical promotion'.

3. Dry Promotion:
When promotion is made without increase in salary, it is called 'dry promotion'. For example, a lower level manager is promoted to senior level manager without increase in salary or pay. Such promotion is made either there is resource/fund crunch in the organisation or some employees hanker more for status or authority than money.

Purposes:
The following are the purposes or objectives of promotion:
1. To recognize an employee's skill and knowledge and utilize it to improve the organisational effectiveness.

2. To reward and motivate employees to higher productivity.

3. To develop competitive spirit and inculcate the zeal in the employees to acquire skill, knowledge etc.

4. To promote employees satisfaction and boost their morale.

5. To build loyalty among the employees toward organisation.

6. To promote good human relations.

7. To increase sense of belongingness.

8. To retain skilled and talented people.

9. To attract trained, competent and hard working people.

10. To impress the other employees that opportunities are available to them too if they also perform well.

Promotion benefits both employees and the employer. However, it needs to be made with a great caution because wrong promotion may invite implications of one type or other for the organisation. So to say, promotion is like a double-edged weapon. Hence, every organisation needs to evolve and implement a suitable promotion policy for its employees. The following section deals with the same.

Promotion can be made on various bases. Following are the major ones:
1. Seniority i.e., length of service

2. Merit, i.e., performance

3. Educational and technical qualification

4. Potential for better performance

5. Career and succession plan

6. Vacancies based on organisational chart

7. Motivational strategies like job enlargement.

8. Training

As a matter of fact, no single basis of promotion is acceptable and applicable to all organisations. Every basis has its strengths and weaknesses. For example, while promotion on the basis of seniority gives satisfaction to the senior employees, it causes frustration to the talented ones.

Similarly, promotion based on merit motivates competent employees to work hard while trade unions oppose it on the justification of its subjectivity. In India, promotion in the government departments is made on the basis of seniority of the employees. In case of private organisations, merit is generally used as a basis for promoting employees. Here, the promotion policy is to promote the best one available.

Compensation

Compensation is the reward that the employees receive in return for the work performed and services rendered by them to the organization. Compensation includes monetary payments like bonuses, profit sharing, overtime pay, recognition rewards and sales commission, etc., as well as nonmonetary perks like a company-paid car, company-paid housing and stock opportunities and so on. Apart from the basic financial pay the employees receive paid vacations, sick leave, holidays and medical insurance, maternity leave, free travel facility, retirement benefits, etc., and these are called benefits. Compensation is a vital part of human resource management decision making as it helps in encouraging the employees and improves the organizational effectiveness.

Compensation packages with good pay and benefits help to attract and retain the best employees. Employees consider pay package to be fair when the amount of wage covers basic living expenses, keep up with inflation, leave some money for savings (perhaps for retirement) and leisure and there is increment over time. HRM is concerned with the determination of adequate and equitable remuneration of the employees in the organization. HRM use techniques like job evaluation and performance appraisal for determining remuneration. Factors that are considered for determining the remuneration of personnel are their basic needs, requirements of jobs, legal provisions regarding minimum wages, capacity of the organization to pay, wage level afforded by competitors, nature of job, skills required, risk involved nature of working conditioning, bargaining power of the trade union, etc.

Wages and salaries form a substantial part of total costs in most of the organization. Hence a systematic approach must be followed for determining wage and salary structure so as to ensure logical, equitable and fair pay to the employees. The term equity in pay means – pay corresponding to difficulty level of the job assigned to an employee meaning more difficult the job more should be the pay (called internal equity); compensating an employee equally in comparison to similar jobs in the labour market(called external equity) and equal pay for equal jobs(called individual equity)

Compensation may be defined as money received in performance of work and many kinds of services and benefits that an organization provides to their employees. Compensation is a systematic approach of providing monetary value to employees in exchange for work performed. It may help to achieve several purposes, such as recruitment, job performance and job satisfaction. It is also defined as the package of quantifiable rewards an employee receives for her or his labour. It represents both, the intrinsic (psychological mind-sets resulting from job performance) and extrinsic (including both monetary and non-monetary) rewards. The term, compensation refers to all forms of financial returns and tangible benefits that an employee receives as a part of employment relationship. In the globalization era, where the business environment has become increasingly complex and challenging, designing an effective compensation program to attract and retain talent is an important function of organizational effectiveness.

Concept of Compensation:

Compensation is a systematic approach to providing monetary value to employees in exchange for work performed. It is a tool used by management for a variety of purposes to further the existence of the company. It may be adjusted according to the business needs, goals and available resources.

i. Individual worth – The value of a job is related to similar jobs of the company or the competitors but the value of an individual to perform that job may vary according to his/her skill/knowledge, expertise and more so his behaviour on the job and with associating persons. The combinations of these attributes decide the worth of individual. This definition is a perception of the employees.

ii. Cost to Company – Human resource is considered as an asset to the organisation. The investment on this asset by the company with respect to skill, competence or expertise is a cost to the company and the employer's intention is to make aware the employees that he/she has to ensure return on this investment through his/her consistent and continuous performance.

iii. Flexible Compensation Package – Employees are being offered compensation structure with numbers of benefits to choose to plan tax plan and provide freedom to choose to get maximum benefit.

Compensation Policy

The **compensation policy** is the basic document, which drives the detail of the compensation practices in the organization. As the compensation strategy sets the high level compensation goals of the organization, the compensation policy describes the details of the individual compensation components, their behavior and their role in the compensation scheme of the organization.

The **compensation policy** describes the details of the **compensation components** in the organization, how they are used and the conditions for the employees as the compensation component can be applied in their specific situation.

Each organization uses many compensation components and they have to be described. The compensation policy provides the basic explanation of the compensation component, how it is calculated, who is eligible for the usage and the approval procedure.

The compensation policy belongs to most read and discussed **internal policies** of the organization as it drives the salaries of the individual employees. Each employee is interested in the structure of the salary and the potential total cash achievable in the organization. The compensation policy is the main tool to find out the details about the compensation components and the way, how to achieve the highest total cash.

The compensation policy drives the effort and performance of employees as the employees will find the smart and easiest way how to achieve the highest possible income with the smallest possible individual performance. The compensation policy has to be set the smart way as it avoids the potential work-around and abuse.

Job Evaluation

The heart of job evaluation is determining appropriate criteria to arrive at the ranking. It is easy to say that jobs are valued and ranked by their relative job worth, but ambiguity increases when we attempt to state what places one job higher than another in the job structure hierarchy. Most job-evaluation plans use responsibility, skill, effort, and working conditions as major criteria, but each of these, in turn, can be broken down into more specific terms. Skill, for example, is "an observable competence to perform a learned psychomotor act (like keyboarding)." But other criteria can and have been used: supervisory controls, complexity, personal contacts, and the physical demands needed. Three basic methods of job evaluation are currently in use: ordering, classification, and point methods.

Ranking Method The ranking method (or ordering method) requires skilled compensation specialists to arrange jobs in a simple rank order, from highest to lowest. The most obvious limitation to the ordering method is its sheer unmanageability with numerous jobs. Imagine the difficulty of correctly ranking hundreds or thousands of jobs in an organization. Other drawbacks to consider are the method's subjectivity—no definite or consistent standards by which to justify the rankings—and the fact that because jobs are ranked in order, we cannot know the distance between rankings.

Classification Method: The classification method requires that classification grades be created by identifying some common denominator—skills, knowledge, responsibilities—to create distinct classifications of jobs. Examples might include administrative, engineering, and transportation, depending, of course, on the type of jobs the organization requires. Once the classifications are established, they are ranked in an overall order of importance according to the criteria chosen, and each job is placed in its appropriate classification. This

requires comparing each position's job description against the classification description and benchmarked jobs. This system is used by the Office of Personnel Management for federal government job classifications. Jobs are classified into 15 grades (GS-1 to GS-15) according to the level of difficulty, responsibility, and qualifications necessary. Within each grade are 10 steps that determine salary level. Pay is adjusted annually based on a variety of factors including location and other data from the BLS.

The classification method shares most of the disadvantages of the ordering approach, plus the difficulty of writing classification descriptions, judging which jobs go where, and dealing with jobs that appear to fall into more than one classification. On the plus side, the classification method has proven itself successful and viable in classifying millions of kinds and levels of civil service jobs.

Point Method: H R develops a point method by breaking jobs down into categories such as education, skill, effort, responsibility, and working conditions. Points are assigned to each category based on the importance of the criteria to successful performance of the job. Points may be weighted more heavily if increased education, skill, or experience is required for the position. Pay grades or ranges are assigned to jobs based on the total number of points.

The point method offers the greatest stability of the three approaches presented. Jobs may change over time, but the rating scales established under the point method stay intact. Additionally, the methodology underlying the approach contributes to a minimum of rating error. On the other hand, the point method is complex and therefore costly and time consuming to develop. The key criteria must be carefully and clearly identified, degrees of factors must be agreed on in terms all raters recognize, the weight of each criterion must be established, and point values must be assigned to degrees. Although it is expensive and time consuming to both implement and maintain, the point method appears to be the most widely used method. Furthermore, this method can effectively address the comparable worth issue.

Methods of wage payments and incentive plans

Wage payment system consists of the pay structures and the methods used to motivate and reward work force for their contribution to the goals of the organisation. Various systems of the wage payments have been developed in different industries and in different countries. All of these systems may, however, be regarded as variants or combinations of different principles of time-rate system, piece-rate system, payment by results system, balance or debt system, and incentive rate system. These systems reflect the basic philosophy of a company and its management.

The various systems and methods of wage payment are:-

1. Time Wage System

2. Piece Wage System

3. Payment by Results (PBR)

4. Balance or Debt Method

5. Incentive Rate System

Time wage system: Time wage system is also called day wage system is a system in which wages are paid on the basis of time spent by the worker like per day, week or month instead of output produced or amount of work done. Here presence of employee is more important than performance of employee. The wage rate is determined by negotiation considering prevailing local wage rate or job evaluation.

Piece Wage: In this system of wage payment, remuneration is paid to the employees on the basis of unit produced or amount of work done. Unit of output produced or amount of work done is the basis of payment of wages. Therefore, greater is the number of unit produced, higher is the remuneration of employees and vice-versa, hence this method is called payment by result. Under this system efficient and hardworking employees get higher remuneration whereas learner or beginner gets lower amount of remuneration.

Payment by Results: Payment by Results (PbR) is a type of public policy instrument whereby payments are contingent on the independent verification of results. It is being actively promoted by a number of governments for more effective implementation of domestic policy.

There is also increasing interest in the field of international development, where PBR is often referred to either as 'results-based aid' (where the funding relationship is between a donor and a recipient country) or 'results-based financing' (where the funding relationship is between a developing country government or a development agency, and public or private sector providers). There are also a number of other terms in use which can often lead to confusion and a lack of clarity.

PbR instruments have three key features:

- Payments for pre-agreed results
- Recipient discretion over how the results are achieved
- Independent verification as the trigger for disbursement

Balance or Debt Method: This is a combination of time and piece rates. The worker is guaranteed an hourly or a day-rate with an alternative piece rate. If the earnings of a worker calculated at the piece rate exceed the amount which he would have earned if paid on time basis, he gets credit for the balance, i.e., the excess piece rate earnings over the time rate earnings. If his piece rate earnings are equal to his time rate earnings, the question of excess payment does not arise.

Where piece rate earnings are less than time rate earnings, he is paid on the basis of the time rate; but the excess which he is paid is carried forward as a debt against him to be recovered from any future balance of piece work earnings over time work earnings. This system presupposes the fixation of time and piece rates on a scientific basis.

Incentive Rate System: Any plan which induces a worker to produce more and earn more is called 'incentive plan' and remuneration paid for increased output is called 'incentive wage'. Payment of wages based on output is a general kind of incentive plan. But an efficient incentive plan usually implies the payment of a guaranteed minimum wage based on time-rate, irrespective of the output together with additional remuneration for increased output, time saved, costs reduced and better workmanship.

Thus, an incentive wage plan includes in its purview the characteristics of both the time-based and output based systems of wage payment. The objective of an incentive plan is to assure the workers a minimum amount of wages, to give sufficient scope for talented workers to increase their earnings through quicker, economical and superior performance and to establish reasonable link between labour- cost and output.

Fringe benefit, any nonwage payment or benefit (e.g., pension plans, profit-sharing programs, vacation pay, and company-paid life, health, and unemployment insurance programs) granted to employees by employers. It may be required by law, granted unilaterally by employers, or obtained through collective bargaining. Employers' payments for fringe benefits are included in employee-compensation costs and therefore are not usually liable to corporate income tax. If the cost of fringe benefits were paid directly as wages, workers would pay personal income tax on this amount and therefore have less to spend on such benefits as they might elect to furnish for themselves. Thus, with the same amount of money, employers can obtain more benefits for employees and can also take advantage of lower group rates for insurance.

Fringe benefits have generally constituted a higher proportion of total employee compensation in Europe than in the United States. In Europe they are most often the result of legislation, whereas in the United States collective bargaining has been more important in gaining such benefits for workers. The prevalence of fringe benefit programs increased sharply during World War II because controls on this type of compensation were less stringent than controls on wages.

Performance linked Compensation

Performance-based compensation is an incentive-based form of compensation that can be paid to portfolio managers. Regulated mutual funds with performance-based compensation may add approximately 0.20% to their management fees for performance-based incentives. Within the investment industry, hedge fund managers are most well known for receiving high levels of performance-based compensation.

Performance-based compensation is an incentive-driven compensation schedule for paying portfolio managers. It can be used in traditional investment management. In the hedge fund industry it is generally standard for funds to charge performance-based fees.

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Maintenance: Employee health and safety; employee welfare; social security; Employer – Employee relations – Handling and Redressal; Industrial Disputes: causes and settlement machinery

Maintenance

The maintenance function puts into place activities that will help retain productive employees. HRM must ensure a safe and healthy working environment and assist employees in achieving a healthy work–life balance. Many organizations do this by creating a package of family–friendly benefits and work practices such as limiting overtime work, providing family health benefits, on-site daycare, flexible scheduling, wellness programs, and counseling. Employees appreciate these programs, reducing stress, job dissatisfaction, and employee turnover. Family–friendly benefits and a strong organizational culture built around core values sound great, but unless employees know about them, they're useless. HRM must develop effective communications programs in the organization. Employee relations programs should ensure that employees are kept well informed—through things such as the company's e-mail, voicemail, website, videoconferencing, meetings, and social media.

Maintenance of Employee's Health:

This is an important function of personnel management. For this task, certain provisions are given in 'Factory Act', which must be strictly followed. In addition, when a new worker is appointed, he should first be medically examined to ensure that he is physically fit to perform duties. If a worker on a medical examination is not found fit, he should not be given appointment, otherwise it will cause increase in labour turnover and other troubles. Proper sanitation in factory as well as in workers colony is essentially required to be maintained. To avoid monotony of work suitable rest pauses, recreational and cultural amenities hospital or dispensary should be made in the factory or colonies separately. All these will be conducive to health, worker's morale will be high and they feel satisfied.

Maintenance of Employee's Safety:

This is also an important function of personnel management. For this, some provisions are given in 'Factory Act'; those are required to be enforced by the employer. Safety is obtained by proper inspection of plant and machinery, work place, fire protection, first-aid premises, and arranging safety education programmes. Everyone working in the factory should know

the causes of accidents and how to prevent them. If there are no accidents, large number of workers will be willing to compete for the job. Accidents discourage the workers and reduce output.

Employee Welfare – Introduction and Meaning

Employee welfare means anything done for the comfort and (intellectual or social) improvement of the employees, over and above the wages paid. In simple words, it means "the efforts to make life worth living for workmen." It includes various services, facilities and amenities provided to employees for their betterment. These facilities may be provided voluntarily by progressive entrepreneurs, or statutory provisions may compel them to provide these amenities; or these may be undertaken by the government or trade unions, if they have the required funds.

The objectives of employee welfare are to improve the life of the working class, to bring about holistic development of the worker's personality and so on. Employee welfare is in the interest of employee, employer and the society as a whole. It enables workers to perform their work in healthy and favourable environment. Hence, it improves efficiency of workers and keeps them content, thereby contributing to high employee morale. It also develops a sense of responsibility and dignity amongst the workers and thus makes them good citizens of the nation.

Apart from the wages and salary, anything done by the organization to improve the living standard of employees and keep them contented comes under the realm of employee welfare. All those services, benefits and facilities offered to employees by the employer to make his life worth living, are included in employee welfare. According to ILO, "Employee welfare should be understood as such service, facilities and amenities which may be established in or in the vicinity of undertakings to enable the persons employed in them to perform their work in healthy and peaceful surroundings and to avail of facilities which improve their health and bring high morale".

Employee welfare is for the betterment of the workers. It involves adjustment of an employee's work life and family life to the community and social life. Welfare measures may be both voluntary and statutory (prescribed under labour laws).

The need and importance of employee welfare is being increasingly appreciated throughout the civilized world. The concept of welfare is a dynamic one and has different connotations in different countries and at different times in the same country, according to the prevailing

value system, social institution, degree of industrialization, and the general level of social and economic development.

Some describe employee welfare or labour welfare as 'an attitude of mind' while others merely catalogue the schemes and measures which should be included in labour welfare. There are some who emphasize the voluntary nature of measures and include the measures that are undertaken by the employers beyond what is required by law. Some interpret labour/employee welfare measures to mean only measures which are legally obligatory.

The basic features of employees' or labour welfare are as follows:

(i) Labour welfare includes various facilities, services and amenities provided to workers for improving their health, efficiency, economic betterment and social status.

(ii) Welfare measures are in addition to regular wages and other economic benefits available to workers due to legal provisions and collective bargaining.

(iii) Labour welfare measures are flexible and ever-changing. New welfare measures are added to the existing ones from time to time.

(iv) Welfare measures may be introduced by the employers, government, employees or by any social or charitable agency.

(v) The purpose of labour welfare is to bring about the development of the whole personality of the worker to make him a good worker and a good citizen.

Objectives

(i) To enhance the level of morale of employees.

(ii) To create a loyal, contented workforce in organization.

(iii) To develop a better image of the company in the minds of the employees.

(iv) To enable the workers to live comfortably and happily.

(v) To develop efficiency of the workers.

(vi) To reduce influence of trade unions over the workers.

(vii) To expose philanthropic and benevolent activities of the company.

(viii) To make the workers know that the company takes care of them.

(ix) To develop positive attitude towards job, company and management.

(x) To reduce tax burden.

(xi) To develop a feeling of satisfaction of employees with the company.

(xii) To develop a sense of belonging to the company.

(xiii) To retain skilled and talented workers.

(xiv) To develop better human relation.

(xv) To prevent social evils like drinking, gambling through improvement of working conditions, cultural activities and social conditions.

Social Security: Social security is primarily a social insurance program providing social protection, or protection against socially recognized conditions, including poverty, old age, disability, unemployment and others. Social security may refer to:

i. Social insurance where people receive benefits or services in recognition of contributions to an insurance scheme. These services typically include provision for retirement pensions, disability insurance, survivor benefits and unemployment insurance.

ii. Income maintenance mainly the distribution of cash in the event of interruption of employment, including retirement, disability and unemployment

iii. Services provided by administrations responsible for social security. In different countries this may include medical care, aspects of social work and even industrial relations.

iv. Basic security a term roughly equivalent to access to basic necessities things such as food, clothing, shelter, education, money, and medical care.

Social insurance has also been defined as a program where risks are transferred to and pooled by an organization, often governmental, that is legally required to provide certain benefits. Typical differences between private insurance programs and social insurance programs include:

Employer – employee relations handling and redressal

When an employer hires a new employee, he is not just bringing a new member of the workforce aboard; he is also starting a new relationship. Because employers and employees often work in close quarters, they necessarily develop relationships. Managing these relationships is vital to business success, as strong relationships can lead to greater employee happiness and even increased productivity. To reap these benefits, keep the dynamics of your employer-employee relationship in mind. Generally, employer and employee relationships should be mutually respectful. The degree of closeness in these relationships will depend on both the employer and the employee. Some employers opt to keep their employees at a distance and, in doing so, ensure that there is no confusion as to

the hierarchy that exists between them. Others elect to become friendlier with their employees, seeing this as a way to amp up employee happiness.

While neither option is entirely right or wrong, it is wise to avoid getting too close to employees, as doing so can cause the line between employer and employee to become blurred.

Mutual Reliance Relationship

The employer-employee relationship should be one of mutual reliance. The employer is relying upon the employee to perform her job and, in doing so, keep the business running smoothly. Conversely, the employee is relying upon the employer to pay her and enable her to support herself, and potentially her family, financially.

Relationship Building Over Time

Just as with all relationships, the employer and employee relationship is one that must develop over time. Employers can promote the building of relationships by speaking candidly with their employees about their lives, asking them about their families and learning about their interests. Similarly, employees can promote the building of this relationship by being open with their employer and sharing information about themselves and their lives.

Set Relationship Boundaries

Though the type of employee and employer relationship that is considered appropriate varies from company to company, boundaries exist at almost all companies. Generally, it is unwise for employers to develop romantic relationships with their employees. Similarly, employers should exercise care to ensure that the relationship they develop with one employee isn't notably closer than the relationships they develop with others, as this can lead to concerns regarding favoritism or similar issues of unfairness within the workplace.

Grievance: Handling, and Redressal

A grievance is any dissatisfaction or feeling of injustice having connection with one's employment situation which is brought to the attention of management. Speaking broadly, a

grievance is any dissatisfaction that adversely affects organizational relations and productivity. To understand what a grievance is, it is necessary to distinguish between dissatisfaction, complaint, and grievance. Dissatisfaction is anything that disturbs an employee, whether or not the unrest is expressed in words. Complaint is a spoken or written dissatisfaction brought to the attention of the supervisor or the shop steward. Grievance is a complaint that has been formally presented to a management representative or to a union official.

According to Michael Jucious, 'grievance is any discontent or dissatisfaction whether expressed or not, whether valid or not, arising out of anything connected with the company which an employee thinks, believes or even feels to be unfair, unjust or inequitable'. In short, grievance is a state of dissatisfaction, expressed or unexpressed, written or unwritten, justified or unjustified, having connection with employment situation.

FEATURES OF GRIEVANCE

A grievance refers to any form of discontent or dissatisfaction with any aspect of the organization.

The dissatisfaction must arise out of employment and not due to personal or family problems.

The discontent can arise out of real or imaginary reasons. When employees feel that injustice has been done to them, they have a grievance. The reason for such a feeling may be valid or invalid, legitimate or irrational, justifiable or ridiculous.

The discontent may be voiced or unvoiced, but it must find expression in some form. However, discontent per se is not a grievance. Initially, the employee may complain orally or in writing. If this is not looked into promptly, the employee feels a sense of lack of justice. Now, the discontent grows and takes the shape of a grievance.

Broadly speaking, thus, a grievance is traceable to be perceived as non-fulfillment of one's expectations from the organization.

CAUSES OF GRIEVANCES

Economic

Employees may demand for individual wage adjustments. They may feel that they are paid less when compared to others. For example, late bonus, payments, adjustments to overtime pay, perceived inequalities in treatment, claims for equal pay, and appeals against performance- related pay awards.

Work environment

It may be undesirable or unsatisfactory conditions of work. For example, light, space, heat, or poor physical conditions of workplace, defective tools and equipment, poor quality of material, unfair rules, and lack of recognition.

Supervision

It may be objections to the general methods of supervision related to the attitudes of the supervisor towards the employee such as perceived notions of bias, favoritism, nepotism, caste affiliations and regional feelings.

Organizational change

Any change in the organizational policies can result in grievances. For example, the implementation of revised company policies or new working practices.

Employee relations

Employees are unable to adjust with their colleagues, suffer from feelings of neglect and victimization and become an object of ridicule and humiliation, or other inter-employee disputes.

Miscellaneous

These may be issues relating to certain violations in respect of promotions, safety methods, transfer, disciplinary rules, fines, granting leaves, medical facilities, etc.

Redressal Settlement Machinery

The three methods for settlement of industrial disputes are as follows:

Conciliation

Arbitration

Adjudication.

Failure of the employees and the employers to sort out their differences bilaterally leads to the emergence of industrial disputes. The Industrial Disputes Act, 1947 provides legalistic machinery for settlement of such disputes by involving the interference of a third party.

Conciliation

In simple sense, conciliation means reconciliation of differences between persons. Conciliation refers to the process by which representatives of workers and employers are brought together before a third party with a view to persuading them to arrive at an agreement by mutual discussion between them. The alternative name which is used for conciliation is mediation. The third party may be one individual or a group of people.

Board of Conciliation

In case the conciliation officer fails to resolve the dispute between the disputants, under Section 5 of the Industrial Disputes Act, 1947, the appropriate government can appoint a

Board of Conciliation. Thus, the Board of Conciliation is not a permanent institution like conciliation officer. It is an adhoc body consisting of a chairman and two or four other members nominated in equal numbers by the parties to the dispute.

The Board enjoys the powers of civil court. The Board admits disputes only referred to it by the government. It follows the same conciliation proceedings as is followed by the conciliation officer. The Board is expected to give its judgment within two months of the date on which the dispute was referred to it.

In India, appointment of the Board of Conciliation is rare for the settlement of disputes. In practice, settling disputes through a conciliation officer is more common and flexible.

Arbitration

Arbitration is a process in which the conflicting parties agree to refer their dispute to a neutral third party known as 'Arbitrator'. Arbitration differs from conciliation in the sense that in arbitration the arbitrator gives his judgment on a dispute while in conciliation, the conciliator disputing parties to reach at a decision.

The arbitrator does not enjoy any judicial powers. The arbitrator listens to the view points of the conflicting parties and then gives his decision which is binding on all the parties. The judgment on the dispute is sent to the government. The government publishes the judgment within 30 days of its submission and the same becomes enforceable after 30 days of its publication. In India, there are two types of arbitration: Voluntary and Compulsory.

Voluntary Arbitration

In voluntary arbitration both the conflicting parties appoint a neutral third party as arbitrator. The arbitrator acts only when the dispute is referred to him/her. With a view to promote voluntary arbitration, the Government of India has constituted a tripartite National Arbitration Promotion Board in July 1987, consisting of representatives of employees (trade employers and the Government. However, the voluntary arbitration could not be successful because the judgments given by it are not binding on the disputants. Yes, moral binding is exception to it.

Compulsory Arbitration

In compulsory arbitration, the government can force the disputing parties to go for compulsory arbitration. In other form, both the disputing parties can request the government to refer their dispute for arbitration. The judgment given by the arbitrator is binding on the parties of dispute.

Adjudication

The ultimate legal remedy for the settlement of an unresolved dispute is its reference to adjudication by the government. The government can refer the dispute to adjudication with or without the consent of the disputing parties. When the dispute is referred to adjudication with the consent of the disputing parties, it is called 'voluntary adjudication.' When the government herself refers the dispute to adjudication without consulting the concerned parties, it is known as 'compulsory adjudication.

Adjudication of industrial disputes

1. Labour court

2. Industrial Tribunal

3. National Tribunal

Industrial Disputes

In narrow sense industrial dispute means conflict between parties in industrial establishments. Dictionary meaning of 'dispute' is 'disagreement', 'mutual antagonism as of ideas, interests etc.' So, industrial dispute is disagreement/mutual antagonism as of ideas, interests etc. between parties in industry. In industrial setting parties are invariably workers and management.

In the process of working, workers express their need, expectation, desire for fulfilment and satisfaction. They want more money i.e., attractive wages, allowances, monetary incentive which the management may not be agreeable to pay. Workers demand of better fringe benefits, health benefits but management may provide less than that of their requirement.

They want recognition, status, power, advancement, higher quality of work life but management may be reluctant to give. Under such situation, a state of disagreement/mutual antagonism between workers and management develops which gives birth to industrial conflict.

So, industrial dispute is a general concept, and this conflict gets the shape of industrial dispute in a specific dimensional situation. Basically, there is no difference between 'industrial conflict' and 'industrial dispute', variation lies only in scope and coverage.

Causes

Causes of industrial disputes can be divided into four major parts i.e., economic causes, managerial causes political causes and other causes.

The same are discussed in detail as under:

1. Economic Causes:

Most of the Industrial Disputes are due to economic causes. Directly or indirectly economic causes are at the back of industrial disputes.

Main economic causes are as under:

(1) Low Wages:

In industries wages are low. As a result, it becomes awfully difficult for the labourers to meet their minimum necessaries. Labourers demand that wages should commensurate with the amount of work. Such a demand leads to industrial disputes. Demand for higher wage-rate is the most dominant cause leading to industrial disputes.

(2) Dearness Allowance:

Increasing cost of living is another factor responsible for industrial disputes. In order to neutralise it, workers demand additional remuneration in the form of dearness allowance. Rising prices are at the root of demand for dearness allowance and non-acceptance of this demand leads to industrial dispute.

(3) Industrial Profits:

Workers are an important part of production. Profits of the employers multiply because of the untiring labour of the workers. That they should not be treated as a part of machine is the persistent demand of the workers, rather they be considered as partner in production. On the basis of this concept, they demand share out of the increasing profit. When this profit-sharing demand is rejected by the employers, industrial dispute crops up.

(4) Bonus:

Demand for bonus is also a cause of industrial dispute. Workers consider bonus as deferred wage. Demand for payment of bonus constitutes cause of industrial dispute.

(5) Working Conditions:

In India working conditions of the workers are not satisfactory. Obsolescence of machines, lack of safety provisions, inadequate light arrangement, less moving space, lack of other necessary facilities, are the normal features of industrial units. Demand for better working conditions on the part of the workers also contributes to industrial disputes.

(6) Working Hours:

Hours of work is another matter of controversy between employers and workers. Despite legislation to this effect, it is always the intention of the employers to keep the workers engaged for long hours at low wages. It is opposed tooth and nail by the workers. Result is industrial dispute.

Other Causes:

(i) Safety of work,

(ii) Modernisation of machines,

(iii) Pension, Gratuity, Provident Fund and other Beneficiary Schemes,

(iv) Medical and accommodation facilities,

(v) Leaves and Leaves with pay,

(vi) Share in Profits.

2. Managerial Causes:

Success of an organisation depends largely on its managerial capacity. Growth of the organisation is based on the policies of the management. If the management pursues appropriate policies, development of the industrial unit will be automatic. But many a time, due to wrong policies of the management, disputes get accentuated.

Managerial causes of industrial dispute are as under:

(1) Non Recognition of Unions:

Employers' attitude towards trade Employers' attitude towards trade unions has been antagonistic from the very beginning. They do not want that labourers should organise themselves. Hence, to prevent the workers from uniting, they refuse to recognise their unions. It leads to conflict between the employers and the workers. In order to create rift among the workers they deliberately recognise the rival union.

(2) Violation of Agreements:

Employers and workers do enter into agreements on various issues. On many occasions, the employers do not enforce these agreements nor do they strictly adhere to them. It also accounts for dispute between the two parties.

(3) Ill-Treatment by Managers and Supervisors:

Managers and supervisors consider themselves to be superior. It is under the influence of this superiority complex that they ill-treat the workers. The same is vehemently opposed by the trade unions.

(4) Defective Recruitment Procedure and Employees Development Policies:

Defective Recruitment system also gives rise to industrial disputes. Many a time, workers are recruited by the middlemen who get bribe from them. They take undue advantage of the helplessness of the workers. Defective development policies like favoritisms in promotion, unnecessary and biased transfer, casual approach towards training facilities, on the part of employers also contribute to industrial disputes.

(5) Wrongful Retrenchment, Demotion and Termination:

Sometimes on account of fall in production labourers are retrenched. Those workers who take active part in trade union activities are demoted. Sometimes employers terminate the services of the workers without assigning any reason. All these provocative acts of the employers are not only strongly opposed by the trade unions but also serve as good cause for industrial disputes.

(6) Selfish Leadership:

Lack of right and effective leadership weakens the trade unions and the employer class takes advantage of it. In order to serve their selfish ends, these leaders enter into unholy alliance with the employers against the interests of the workers. Often this also becomes cause of dispute.

(7) Violation of Accepted Code of Conduct:

Code of conduct refers to the terms accepted by both the parties and both the parties are required to abide by it. Employers agree to all the codes on paper but fail to carry them out in practice. As a result, workers oppose it.

(8) Collective Bargaining and Workers' Participation in Management:

In the modern industrial world, labour class is seized with new awakening and is influenced by new concept of management. Trade unions, therefore, insist on workers' participation in management. By collective management they try to protect their interests to the maximum. The employers oppose it. The inevitable result is industrial dispute.

3. Political Causes:

Political causes are no less significant than economic and managerial causes in accounting for industrial disputes.

Chief among them are as under:

(1) Influence of Politics:

In a country like India, influence of politics on trade unions is clearly visible. Political parties have been using their influence on trade unions for their selfish ends. Parties mislead the unions and instigate industrial unrest.

(2) Trade Union Movement:

Ever since trade union movement got recognition, industrial disputes have multiplied. Many a time trade unions take undue advantage of their position and this results into industrial dispute.

(3) Strikes against the Government:

During the struggle for independence labour-class had taken leading part in it. Now this class directs its struggle against the government thereby adding fuel to industrial disputes.

Other Causes:

(1) Government's inclination to support management.

(2) Internal conflicts in Trade Unions.

(3) Resistance to automation.

(4) Influence of Communist thinking on labourers.

(5) Effect of non-acceptance of Human Relations.

Percentage distribution of Industrial Disputes by causes between the period 2011 and 2012. In the recent years, indiscipline is major reason for industrial disputes. In 2011, the percentage of industrial disputes due to indiscipline was 41.6 while this percentage was reduced to 24.2 in 2013. Even that this is the only reason for industrial disputes.

After indiscipline, wages and allowances are the major factor of causing industrial disputes. In 2011 and 2012, the percentage of industrial disputes due to wages and allowances was 24.9 and 16.3 respectively. Beside this charter of demand, personnel, bonus etc. are important reasons of industrial disputes.

Settlement Machinery

When a dispute has arisen i.e., it could not be prevented on voluntary basis, the Industrial Disputes Act 1947 provides several provisions for settling the disputes. A dispute settlement machinery has been evolved under the Act.

The machinery for settlement of disputes consists of several bodies which are:

1. Establishment of Works Committees:

In every industrial establishment employing 100 or more workers, it is compulsory to establish a works committee at the plant level to promote the measures for securing and preserving unity and good relations between the parties. There are equal number of representatives of workers and employer on the committee.

The main function of the works of committee is to remove causes of friction between the two parties which concern the factory life of workers. No mention of functions of works committee have been made in the Act but however in 1960 a tripartite committee of Indian Labour Conference prepared two lists of functions one for works to be dealt with and the other for works not to be dealt with by the works committees.

The works committee is to discuss such problems relating to grievances, complaints, matter of discipline, welfare problems such as health, safety, training, education and other personal problems which vitally affect the interests of the workers in general. The functions of these committees are purely of advisory character and no legal obligation is imposed upon employers to carry out the decisions arrived at in the meeting of works committee. This body has not played any conspicuous role in the past.

2. Grievance Settlement Authority:

The Industrial Disputes (Amendment) Act 1982 has provided for the setting up of a Grievance Settlement Authority and for reference of certain individual disputes to such authorities. Any employer employing one hundred or more workers on anyone day in the preceding twelve months, is required to provide for a Grievance Settlement Authority for settlement of industrial dispute relating to an individual. Where such dispute arises, the concerned worker or the trade union of which he is a member, may refer the dispute to the Authority for settlement. Any such reference shall not be referred to Board or Tribunal.

3. Conciliation Officer:

The appointment of conciliation officer is made by the Central or State Government for a particular region or industries in the state. The main duty of these officers is to bring the two parties together and help them resolve their differences. They can do everything to settle the dispute between the two parties amicably. He is bound to take decision within 14 days or such period as extended by the State Government from the date of registration of dispute.

If the dispute is settled through his good offices and an agreement is reached, he should send a. report to the appropriate Government along with a memorandum of settlement signed by the parties to the dispute. In case, the dispute is not settled he should inform the appropriate Government about his failure, steps taken and the reasons for not being successful.

4. Court of Inquiry:

Where an industrial dispute remains unresolved by the efforts conciliation officer and the board of conciliation, the matter is referred to a court of inquiry. The court may consist of one or more independent persons. It will investigate the whole dispute and submit its report to the Government on the matters referred to Government on the matters referred to it ordinarily within 6 months from the date of commencement of inquiry. If settlement is not arrived at by the efforts of the above machinery, a three-tier machinery for compulsory adjudication is provided under the act. There are three types of semi- judicial bodies, i.e., labour courts, industrial tribunals and national tribunals.

5. Conciliation Board:

In case, the conciliation officer fails to resolve the dispute, the Government appoints a board of conciliation on adhoc basis for a particular dispute consisting of a Chairman and two to four persons representing the employer and the employees to bring the parties of disputes to sit together and thrash out their differences as referred to by the Government. The board reports the Government about the success or failure of its efforts, steps taken and reasons for its failure to bring about a settlement within 2 months from the date of reference of the dispute.

6. Labour Courts:

Such courts have been set up by the State Governments to go into the disputed orders of the employers dismissal, discharge and suspensions of employees by the management, legality or otherwise of any order passed by an employer under the standing orders, withdrawal of any concession or privilege, legality or otherwise or any strike or lock-out etc. These courts will award decision and send report to the Government.

7. Industrial Tribunals:

The State Government has been empowered to appoint as many industrial tribunals as it thinks proper, for the adjudication of disputes selecting to wages, hours of work and rest, intervals, leave with pay, holidays, compensatory and other allowances, bonus, profit sharing, provident fund, gratuity, discipline, retrenchments closure of establishment etc. The tribunal will consist of a person of the rank of a high court judge. The adjudication of these tribunals is binding on both the parties.

8. National Tribunal:

Such tribunals are set up by the Central Government for the adjudication of industrial dispute which involve questions of national importance or which affect industrial establishments situated in more than one state. It gives decisions on matters referred to it by the Central Government. If any matter is referred to the National Tribunal by the Central Government the labour courts and industrial courts are barred from entertaining such disputes and if any such dispute, is pending before labour courts or tribunals, shall be deemed to be quashed.

Other Important Provisions:

a. Restrictions on Strikes and Lock-Outs:

The Act prohibits strikes and lock-outs in public utilities without sufficient notice as specified in the Act. The Act also prohibits strikes and lock-outs during pendency of proceedings relating to the dispute before the concerned authority and certain specified period after that. Further prohibition will also apply during the period in which a settlement or award is in operation in respect of any of the matters covered by the settlement or award.

b. Restriction of Layoff and Retrenchment:

The Industrial Disputes (Amendment) Act 1984 has provided that no industrial establishment employing 300 or more workers c-in layoff or retrench a worker without the prior permission of the Government at least three months before such layoff or retrenchment.

The Act also lays down the conditions of layoff and retrenchment, the right of laid off workmen for compensation, procedure for closing down an undertaking, compensation to workmen in case of closing down of undertaking.

c. Essential Services Maintenance (Ordinance) 1981:

The President of India has promulgated an ordinance on 26th July 1981, declaring a ban on strikes in essential services. These essential services are Railways, Post and Telegraph,

Telephone, Ports, Air ports, Banks, units producing or refining petroleum products public conservancy services, defense establishments and hospitals etc. The Government has power to declare a service as essential by notification.

Thus, the Government has provided machinery for prevention and settlement of industrial disputes and also made certain other provisions to maintain industrial harmony.

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