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Chapter 1 - Humana Resource Management

We often hear the term Human Resource Management, [Employee Relations](#) and Personnel used in the popular press as well as by Industry experts. Whenever we hear these terms, we conjure images of efficient managers busily going about their work in glitzy offices.

In this article, we look at the question “what is HRM ?” by giving a broad overview of the topic and introducing the readers to the practice of HRM in contemporary organizations. Though as with all popular perceptions, the above imagery has some validity, the fact remains that there is much more to the field of HRM and despite popular depictions of the same, the “art and science” of HRM is indeed complex. We have chosen the term “art and science” as HRM is both the art of managing people by recourse to creative and innovative approaches; it is a science as well because of the precision and rigorous application of theory that is required.

As outlined above, the process of defining HRM leads us to two different definitions. **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.

Whatever the definition we use the answer to the question as to “what is HRM?” is that it is all about people in organizations. No wonder that some MNC’s (Multinationals) call the HR managers as People Managers, People Enablers and the practice as people management. In the 21st century organizations, the HR manager or the people manager is no longer seen as

someone who takes care of the activities described in the traditional way. In fact, most organizations have different departments dealing with Staffing, Payroll, and Retention etc. Instead, the HR manager is responsible for managing employee expectations vis-à-vis the management objectives and reconciling both to ensure employee fulfillment and realization of management objectives.

Difference between Personnel Management and Human Resource Management

Human resource management is the new version of personnel management. There is no any watertight difference between human resource management and personnel management. However, there are some differences in the following matters.

1. Personnel management is a traditional approach of managing people in the organization. Human resource management is a modern approach of managing people and their strengths in the organization.
2. Personnel management focuses on personnel administration, employee welfare and labor relation. Human resource management focuses on acquisition, development, motivation and maintenance of human resources in the organization.
3. Personnel management assumes people as a input for achieving desired output. Human resource management assumes people as an important and valuable resource for achieving desired output.
4. Under personnel management, personnel function is undertaken for employee's satisfaction. Under human resource management, administrative function is undertaken for goal achievement.
5. Under personnel management, job design is done on the basis of division of labor. Under human resource management, job design function is done on the basis of group work/team work.
6. Under personnel management, employees are provided with less training and development opportunities. Under human resource management, employees are provided with more training and development opportunities.

7. In personnel management, decisions are made by the top management as per the rules and regulation of the organization. In human resource management, decisions are made collectively after considering employee's participation, authority, decentralization, competitive environment etc.

8. Personnel management focuses on increased production and satisfied employees. Human resource management focuses on effectiveness, culture, productivity and employee's participation.

9. Personnel management is concerned with personnel manager. Human resource management is concerned with all level of managers from top to bottom.

10. Personnel management is a routine function. Human resource management is a strategic function.

Characteristics of HRM

Nothing moves unless a piece of paper moves and no paper can move, unless a person moves. Even if there is total automation, the organization will require a person to on the button. This shows how important manpower is to any kind of organization.

All organizations, irrespective of size or extent of its resources, commercial or not for profit, have people – they have human resources. Organizations survive and thrive only because of the Concept of Human Resource Management.

History of HRM is as old and complex as the history of work and organization. HR is the most important asset possessed by any organization. The strategists talk about sustainable competitive advantage. It is the HR which helps to hold the advantage.

Human Resource management is a process and philosophy of acquisition, development, utilization, and maintenance of competent human force to achieve goals of an organization in an efficient and effective manner.

Concept of HRM contains two versions – the hard version and the soft version. The hard version or variant emphasizes the need to manage people in ways that will obtain added value from them and thus achieve competitive advantage.

On the other hand, soft version is concerned with treating employees as valued assets, a source of competitive advantage through their commitment, adaptability and high quality.

Today's HRM is a combination of both the versions. HRM is management of human energy and capabilities.

1. It is an art and a science:

The art and science of HRM is indeed very complex. HRM is both the art of managing people by recourse to creative and innovative approaches; it is a science as well because of the precision and rigorous application of theory that is required.

2. It is pervasive:

Development of HRM covers all levels and all categories of people, and management and operational staff. No discrimination is made between any levels or categories. All those who are managers have to perform HRM. It is pervasive also because it is required in every department of the organization. All kinds of organizations, profit or non-profit making, have to follow HRM.

3. It is a continuous process:

First, it is a process as there are number of functions to be performed in a series, beginning with human resource planning to recruitment to selection, to training to performance appraisal.

To be specific, the HRM process includes acquisition (HR planning, recruitment, selection, placement, socialization), development (training and development, and career development), utilization (job design, motivation, performance appraisal and reward management), and maintenance (labour relations, employee discipline, grievance handling, welfare, and termination). Second, it is continuous, because HRM is a never-ending process.

4. HRM is a service function:

HRM is not a profit centre. It serves all other functional departments. But the basic responsibility always lies with the line managers. HRM is a staff function – a facilitator. The HR Manager has line authority only within his own department, but has staff authority as far as other departments are concerned.

5. HRM must be regulation-friendly:

The HRM function has to be discharged in a manner that legal dictates are not violated. Equal opportunity and equal pay for all, inclusion of communities in employment, inclusion of tribal's (like Posco or Vedanta projects) and farmers in the benefits and non-violation of human rights must be taken care of by the HRM.

6. Interdisciplinary and fast changing:

It is encompassing welfare, manpower, personnel management, and keeps close association with employee and industrial relations. It is multi- disciplinary activity utilising knowledge and inputs from psychology, sociology, economics, etc. It is changing itself in accordance with the changing environment. It has travelled from exploitation of workers to treating them as equal partners in the task.

7. Focus on results:

HRM is performance oriented. It has its focus on results, rather than on rules. It encourages people to give their 100%. It tries to secure the best from people by winning the whole hearted cooperation. It is a process of bringing people and organization together so that the goals of each are met. It is commitment oriented.

8. People-centred:

HRM is about people at work both as individuals and a group. It tries to help employees to develop their potential fully. It comprises people-related functions like hiring, training and development, performance appraisal, working environment, etc.

HRM has the responsibility of building human capital. People are vital for achieving organizational goals. Organizational performance depends on the quality of people and employees.

9. Human relations philosophy:

HRM is a philosophy and the basic assumption is that employees are human beings and not a factor of production like land, labour or capital. HRM recognises individuality and individual differences. Every manager to be successful must possess social skills to manage people with differing needs.

10. An integrated concept:

HRM in its scope includes Personnel aspect, Welfare aspect and Industrial relations aspect in itself. It is also integrated as it concern with not only acquisition, but also development, utilisation, and maintenance.

Scope of HRM

Human resources are undoubtedly the key resources in an organization, the easiest and the most difficult to manage! The objectives of the HRM span right from the manpower needs assessment to management and retention of the same. To this effect Human resource management is responsible for effective designing and implementation of various policies, procedures and programs. It is all about developing and managing knowledge, skills, creativity, aptitude and talent and using them optimally.

Human Resource Management is not just limited to manage and optimally exploit human intellect. It also focuses on managing physical and emotional capital of employees. Considering the intricacies involved, the scope of HRM is widening with every passing day. It covers but is not limited to HR planning, hiring (recruitment and selection), training and development, payroll management, rewards and recognitions, Industrial relations, grievance handling, legal procedures etc. In other words, we can say that it's about developing and managing harmonious relationships at workplace and striking a balance between organizational goals and individual goals.

The scope of HRM is extensive and far-reaching. Therefore, it is very difficult to define it concisely. However, we may classify the same under following heads:

- **HRM in Personnel Management:** This is typically direct manpower management that involves manpower planning, hiring (recruitment and selection), training and development, induction and orientation, transfer, promotion, compensation, layoff and retrenchment, employee productivity. The overall objective here is to ascertain individual growth, development and effectiveness which indirectly contribute to organizational development.

It also includes performance appraisal, developing new skills, disbursement of wages, incentives, allowances, traveling policies and procedures and other related courses of actions.

- **HRM in Employee Welfare:** This particular aspect of HRM deals with working conditions and amenities at workplace. This includes a wide array of responsibilities and services such as safety services, health services, welfare funds, social security and medical services. It also covers appointment of safety officers, making the environment worth working, eliminating workplace hazards, support by top management, job safety, safeguarding machinery, cleanliness, proper ventilation and lighting, sanitation, medical care, sickness benefits, employment injury benefits, personal injury benefits, maternity benefits, unemployment benefits and family benefits.

It also relates to supervision, employee counseling, establishing harmonious relationships with employees, education and training. Employee welfare is about determining employees' real needs and fulfilling them with active participation of both management and employees. In addition to this, it also takes care of canteen facilities, crèches, rest and lunch rooms, housing, transport, medical assistance, education, health and safety, recreation facilities, etc.

- **HRM in Industrial Relations:** Since it is a highly sensitive area, it needs careful interactions with labor or employee unions, addressing their grievances and settling the disputes effectively in order to maintain peace and harmony in the organization. It is the art and science of understanding the employment (union-management) relations, joint consultation, disciplinary procedures, solving problems with mutual efforts, understanding human behavior and maintaining work relations, collective bargaining and settlement of disputes.

The main aim is to safeguarding the interest of employees by securing the highest level of understanding to the extent that does not leave a negative impact on organization. It is about establishing, growing and promoting industrial democracy to safeguard the interests of both employees and management.

Chapter 2 - Humana Resource Planning

Human Resource Planning (HRP) is the process of forecasting the future human resource requirements of the organization and determining as to how the existing human resource capacity of the organization can be utilized to fulfill these requirements. It, thus, focuses on the basic economic concept of demand and supply in context to the human resource capacity of the organization.

It is the HRP process which helps the management of the organization in meeting the future demand of human resource in the organization with the supply of the appropriate people in appropriate numbers at the appropriate time and place. Further, it is only after proper analysis of the HR requirements can the process of recruitment and selection is initiated by the management. Also, HRP is essential in successfully achieving the strategies and objectives of organization. In fact, with the element of strategies and long term objectives of the organization being widely associated with human resource planning these days, HR Planning has now become Strategic HR Planning.

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 managers 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.

Features of Human Resource Planning

1. Well Defined Objectives:

Enterprise's objectives and goals in its strategic planning and operating planning may form the objectives of human resource planning. Human resource needs are planned on the basis of company's goals. Besides, human resource planning has its own objectives like developing human resources, updating technical expertise, career planning of individual executives and people, ensuring better commitment of people and so on.

2. Determining Human Resource Reeds:

Human resource plan must incorporate the human resource needs of the enterprise. The thinking will have to be done in advance so that the persons are available at a time when they are required. For this purpose, an enterprise will have to undertake recruiting, selecting and training process also.

3. Keeping Manpower Inventory:

It includes the inventory of present manpower in the organisation. The executive should know the persons who will be available to him for undertaking higher responsibilities in the near future.

4. Adjusting Demand and Supply:

Manpower needs have to be planned well in advance as suitable persons are available in future. If sufficient persons will not be available in future then efforts should be .made to start recruitment process well in advance. The demand and supply of personnel should be planned in advance.

5. Creating Proper Work Environment:

Besides estimating and employing personnel, human resource planning also ensures that working conditions are created. Employees should like to work in the organisation and they should get proper job satisfaction.

Limitations of the human resource planning:

- It is very difficult to ascertain the future manpower requirements of an organization, the future is always uncertain. As such the predictions are bound to go wrong.
- Human resource planning is more relevant in countries that face scarcity of human resources. In a country like India, human resource planning is of little assistance since manpower is

available in abundance. Also the legal compulsions render human resource planning redundant.

- Human resource planning is a time consuming and a very costly process. The recruitment and selection process is time consuming and requires the services of experts to conduct. This can all add to the cost.
- Human resource planning is beneficial where adequate skilled resources are available. In cases where skilled manpower is not easily available, human resource planning serves no purpose.

Objectives:

The main objective of having human resource planning is to have an accurate number of employees required, with matching skill requirements to accomplish organisational goals.

In other words, the objectives of human resource planning are to:

1. Ensure adequate supply of manpower as and when required.
2. Ensure proper use of existing human resources in the organisation.
3. Forecast future requirements of human resources with different levels of skills.
4. Assess surplus or shortage, if any, of human resources available over a specified period of time.
5. Anticipate the impact of technology on jobs and requirements for human resources.
6. Control the human resources already deployed in the organisation.
7. Provide lead time available to select and train the required additional human resource over a specified time period.

According to Sikula "the ultimate purpose/objective of human resource planning is to relate future human resources to future enterprise need so as to maximise the future return on investment in human resources".

Need for and Importance of HRP:

The need for human resource planning in organisation is realised for the following reasons:

1. Despite growing unemployment, there has been shortage of human resources with required skills, qualification and capabilities to carry on works. Hence the need for human resource planning.

2 Large numbers of employees, who retire, die, leave organisations, or become incapacitated because of physical or mental ailments, need to be replaced by the new employees. Human resource planning ensures smooth supply of workers without interruption.

3. Human resource planning is also essential in the face of marked rise in workforce turnover which is unavoidable and even beneficial. Voluntary quits, discharges, marriages, promotions and seasonal fluctuations in business are the examples of factors leading to workforce turnover in organisations. These cause constant ebb and flow in the work force in many organisations.

4. Technological changes and globalisation usher in change in the method of products and distribution of production and services and in management techniques. These changes may also require a change in the skills of employees, as well as change in the number of employees required. It is human resource planning that enables organisations to cope with such changes.

5. Human resource planning is also needed in order to meet the needs of expansion and diversification programmes of an organisation.

6. The need for human resource planning is also felt in order to identify areas of surplus personnel or areas in which there is shortage of personnel. Then, in case of surplus personnel, it can be redeployed in other areas of organisation. Conversely, in case of shortage of personnel, it can be made good by downsizing the work force.

Human resource planning is important to organisation because it benefits the organisation in several ways.

The important ones are mentioned below:

1. Human resource planning meets the organisation need for right type of people in right number at right times.

2. By maintaining a balance between demand for and supply of human resources, human resource planning makes optimum use of human resources, on the one hand, and reduces labour cost substantially, on the other.

3. Careful consideration of likely future events, through human resource planning might lead to the discovery of better means for managing human resources. Thus, foreseeable pitfalls might be avoided.

4. Manpower shortfalls and surpluses may be avoided, to a large extent.

5. Human resource planning helps the organisation create and develop training and succession planning for employees and managers. Thus, it provides enough lead time for internal succession of employees to higher positions through promotions.

6. It also provides multiple gains to the employees by way of promotions, increase in emoluments and other perquisites and fringe benefits.

7. Some of the problems of managing change may be foreseen and their consequences mitigated. Consultations with affected groups and individuals can take place at an early stage in the change process. This may avoid resistance for change.

8. Human resource planning compels management to assess critically the strength and weaknesses of its employees and personnel policies on continuous basis and, in turn, take corrective measures to improve the situation.

9. Through human resource planning, duplication of efforts and conflict among efforts can be avoided, on the one hand, and coordination of worker's efforts can be improved, on the other.

10. Last but not means the least, with increase in skill, knowledge, potentialities, productivity and job satisfaction, organisation becomes the main beneficiary. Organisation is benefitted in terms of increase in prosperity/production, growth, development, profit and, thus, an edge over its competitors in the market.

Levels of Human Resource Planning:

Human resource planning is useful at different levels.

At the National Level:

Human resource planning by Government at the national level covers population projections, programme of economic development, educational and health facilities, occupational distribution and growth, mobility of personnel across industries and geographical regions.

At the Sector Level:

This would cover manpower requirements of the agricultural sector, industrial sector and service sector.

At the Industry Level:

This would forecast manpower need for specific industries, such as engineering, heavy industries, textile industries, plantation industries, etc.

At the Level of Industrial Unit:

It relates to the manpower needs of a particular enterprise.

SELECTION: -**MEANING OF SELECTION:**

Selection is the process of picking up individuals (out of the pool of job applicants) with requisite qualifications and competence to fill jobs in the organization. A formal definition of Selection is as under

Definition of Selection: Process of differentiating

“Selection is the process of differentiating between applicants in order to identify and hire those with a greater likelihood of success in a job.”

DIFFERENCE BETWEEN RECRUITMENT AND SELECTION:

Basis	Recruitment	Selection
Meaning	It is an activity of establishing contact between employers and applicants.	It is a process of picking up more competent and suitable employees.
Objective	It encourages large number of Candidates for a job.	It attempts at rejecting unsuitable candidates.
Process	It is a simple process.	It is a complicated process.
Hurdles	The candidates have not to cross over many hurdles.	Many hurdles have to be crossed.
Approach	It is a positive approach.	It is a negative approach.
Sequence	It proceeds selection.	It follows recruitment.
Economy	It is an economical method.	It is an expensive method.
Time Consuming	Less time is required.	More time is required.

PROCESS / STEPS IN SELECTION

1. **Preliminary Interview:** The purpose of preliminary interviews is basically to eliminate unqualified applications based on information supplied in application forms. The basic objective is to reject misfits. On the other hands preliminary interviews is often called a courtesy interview and is a good public relations exercise.
2. **Selection Tests:** Jobseekers who past the preliminary interviews are called for tests. There are various types of tests conducted depending upon the jobs and the company. These tests can be Aptitude Tests, Personality Tests, and Ability Tests and are conducted to judge how well an individual can perform tasks related to the job. Besides this there are some other tests also like Interest Tests (activity preferences), Graphology Test (Handwriting), Medical Tests, Psychometric Tests etc.
3. **Employment Interview:** The next step in selection is employment interview. Here interview is a formal and in-depth conversation between applicant's acceptability. It is considered to be an excellent selection device. Interviews can be One-to-One, Panel Interview, or Sequential Interviews. Besides there can be Structured and Unstructured interviews, Behavioral Interviews, Stress Interviews.
4. **Reference & Background Checks:** Reference checks and background checks are conducted to verify the information provided by the candidates. Reference checks can be through formal letters, telephone conversations. However it is merely a formality and selections decisions are seldom affected by it.
5. **Selection Decision:** After obtaining all the information, the most critical step is the selection decision is to be made. The final decision has to be made out of applicants who have passed preliminary interviews, tests, final interviews and reference checks. The views of line managers are considered generally because it is the line manager who is responsible for the performance of the new employee.
6. **Physical Examination:** After the selection decision is made, the candidate is required to undergo a physical fitness test. A job offer is often contingent upon the candidate passing the physical examination.
7. **Job Offer:** The next step in selection process is job offer to those applicants who have crossed all the previous hurdles. It is made by way of letter of appointment.
8. **Final Selection**

Recruitment and Selection

“Recruitment is the Process of finding and attracting capable applicants for employment. The Process begins when new recruits are sought and ends when their applications are submitted. The result is a pool of application from which new employees are selected.”

The Recruitment Process:

The recruitment process begins when you know you need someone new in the Department, either because an existing staff member has left, or because there is new work to be done. It doesn't finish until after the appointment has been made.

The main stages are identified in the below flow chart –

<ul style="list-style-type: none">• Identify Vacancy
<ul style="list-style-type: none">• Prepare Job Description and person Specification
<ul style="list-style-type: none">• Advertise
<ul style="list-style-type: none">• Managing the Response
<ul style="list-style-type: none">• Short-listing
<ul style="list-style-type: none">• References
<ul style="list-style-type: none">• Arrange Interviews
<ul style="list-style-type: none">• Conduct The Interview
<ul style="list-style-type: none">• Decision Making
<ul style="list-style-type: none">• Convey The Decision
<ul style="list-style-type: none">• Appointment Action

PRE-INTERVIEW

Preparation of recruitment /selection document for the position

Advertising

- Preparing advertisement
- Media selection
- Positioning

Response handling

- Initial interview online or telephone
- Short-listing for interviews
- Interview arrangement
- Sending emails or calling short listed candidates
- Interview details to the short listed candidates

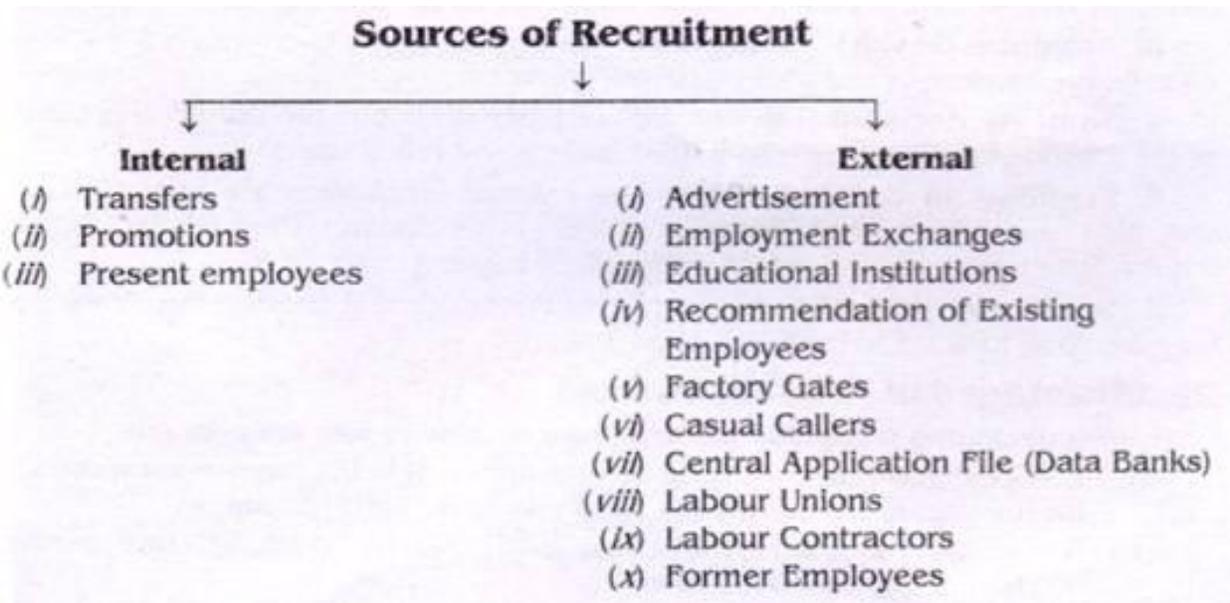
During Interview

- HR interview
- Technical interview
- Conducting tests [Aptitude / Mathematical / Analytical etc.]
- Initial final list of candidates.
- Reference check (if required)

Sources of Recruitment of Employees: Internal and External Sources (with its Advantages and Disadvantages)!

The searching of suitable candidates and informing them about the openings in the enterprise is the most important aspect of recruitment process.

The candidates may be available inside or outside the organization. Basically, there are two sources of recruitment i.e., internal and external sources.



(A) Internal Sources:

Best employees can be found within the organisation... When a vacancy arises in the organisation, it may be given to an employee who is already on the pay-roll. Internal sources include promotion, transfer and in certain cases demotion. When a higher post is given to a deserving employee, it motivates all other employees of the organisation to work hard. The employees can be informed of such a vacancy by internal advertisement.

Methods of Internal Sources:

The Internal Sources Are Given Below:

1. Transfers:

Transfer involves shifting of persons from present jobs to other similar jobs. These do not involve any change in rank, responsibility or prestige. The numbers of persons do not increase with transfers.

2. Promotions:

Promotions refer to shifting of persons to positions carrying better prestige, higher responsibilities and more pay. The higher positions falling vacant may be filled up from within the organisation. A promotion does not increase the number of persons in the organisation.

A person going to get a higher position will vacate his present position. Promotion will motivate employees to improve their performance so that they can also get promotion.

3. Present Employees:

The present employees of a concern are informed about likely vacant positions. The employees recommend their relations or persons intimately known to them. Management is relieved of looking out prospective candidates.

The persons recommended by the employees may be generally suitable for the jobs because they know the requirements of various positions. The existing employees take full responsibility of those recommended by them and also ensure of their proper behaviour and performance.

Advantages of Internal Sources:

The Following are The Advantages of Internal Sources:

1. Improves morale:

When an employee from inside the organisation is given the higher post, it helps in increasing the morale of all employees. Generally every employee expects promotion to a higher post carrying more status and pay (if he fulfills the other requirements).

2. No Error in Selection:

When an employee is selected from inside, there is a least possibility of errors in selection since every company maintains complete record of its employees and can judge them in a better manner.

3. Promotes Loyalty:

It promotes loyalty among the employees as they feel secured on account of chances of advancement.

4. No Hasty Decision:

The chances of hasty decisions are completely eliminated as the existing employees are well tried and can be relied upon.

5. Economy in Training Costs:

The existing employees are fully aware of the operating procedures and policies of the organisation. The existing employees require little training and it brings economy in training costs.

6. Self-Development:

It encourages self-development among the employees as they can look forward to occupy higher posts.

Disadvantages of Internal Sources:

- (i) It discourages capable persons from outside to join the concern.
- (ii) It is possible that the requisite number of persons possessing qualifications for the vacant posts may not be available in the organisation.
- (iii) For posts requiring innovations and creative thinking, this method of recruitment cannot be followed.
- (iv) If only seniority is the criterion for promotion, then the person filling the vacant post may not be really capable.

In spite of the disadvantages, it is frequently used as a source of recruitment for lower positions. It may lead to nepotism and favouritism. The employees may be employed on the basis of their recommendation and not suitability.

(B) External Sources:

All organisations have to use external sources for recruitment to higher positions when existing employees are not suitable. More persons are needed when expansions are undertaken.

The external sources are discussed below:

Methods of External Sources:

1. Advertisement:

It is a method of recruitment frequently used for skilled workers, clerical and higher staff. Advertisement can be given in newspapers and professional journals. These advertisements attract applicants in large number of highly variable quality.

Preparing good advertisement is a specialised task. If a company wants to conceal its name, a 'blind advertisement' may be given asking the applicants to apply to Post Bag or Box Number or to some advertising agency.

2. Employment Exchanges:

Employment exchanges in India are run by the Government. For unskilled, semi-skilled, skilled, clerical posts etc., it is often used as a source of recruitment. In certain cases it has been made obligatory for the business concerns to notify their vacancies to the employment exchange. In the past, employers used to turn to these agencies only as a last resort. The job-seekers and job-givers are brought into contact by the employment exchanges.

3. Schools, Colleges and Universities:

Direct recruitment from educational institutions for certain jobs (i.e. placement) which require technical or professional qualification has become a common practice. A close liaison between

the company and educational institutions helps in getting suitable candidates. The students are spotted during the course of their studies. Junior level executives or managerial trainees may be recruited in this way.

4. Recommendation of Existing Employees:

The present employees know both the company and the candidate being recommended. Hence some companies encourage their existing employees to assist them in getting applications from persons who are known to them.

In certain cases rewards may also be given if candidates recommended by them are actually selected by the company. If recommendation leads to favouritism, it will impair the morale of employees.

5. Factory Gates:

Certain workers present themselves at the factory gate every day for employment. This method of recruitment is very popular in India for unskilled or semi-skilled labour. The desirable candidates are selected by the first line supervisors. The major disadvantage of this system is that the person selected may not be suitable for the vacancy.

6. Casual Callers:

Those personnel who casually come to the company for employment may also be considered for the vacant post. It is most economical method of recruitment. In the advanced countries, this method of recruitment is very popular.

7. Central Application File:

A file of past applicants who were not selected earlier may be maintained. In order to keep the file alive, applications in the files must be checked at periodical intervals.

8. Labour Unions:

In certain occupations like construction, hotels, maritime industry etc., (i.e., industries where there is instability of employment) all recruits usually come from unions. It is advantageous from the management point of view because it saves expenses of recruitment. However, in other industries, unions may be asked to recommend candidates either as a goodwill gesture or as a courtesy towards the union.

9. Labour Contractors:

This method of recruitment is still prevalent in India for hiring unskilled and semi-skilled workers in brick kiln industry. The contractors keep themselves in touch with the labour and bring the workers at the places where they are required. They get commission for the number of persons supplied by them.

10. Former Employees:

In case employees have been laid off or have left the factory at their own, they may be taken back if they are interested in joining the concern (provided their record is good).

11. Other Sources:

Apart from these major sources of external recruitment, there are certain other sources which are exploited by companies from time to time. These include special lectures delivered by recruiter in different institutions, though apparently these lectures do not pertain to recruitment directly.

Then there are video films which are sent to various concerns and institutions so as to show the history and development of the company. These films present the story of company to various audiences, thus creating interest in them.

Various firms organise trade shows which attract many prospective employees. Many a time advertisements may be made for a special class of work force (say married ladies) who worked prior to their marriage.

These ladies can also prove to be very good source of work force. Similarly there is the labour market consisting of physically handicapped. Visits to other companies also help in finding new sources of recruitment.

Merits of External Sources:

1. Availability of Suitable Persons:

Internal sources, sometimes, may not be able to supply suitable persons from within. External sources do give a wide choice to the management. A large number of applicants may be willing to join the organisation. They will also be suitable as per the requirements of skill, training and education.

2. Brings New Ideas:

The selection of persons from outside sources will have the benefit of new ideas. The persons having experience in other concerns will be able to suggest new things and methods. This will keep the organisation in a competitive position.

3. Economical:

This method of recruitment can prove to be economical because new employees are already trained and experienced and do not require much training for the jobs.

Demerits of External Sources:

1. Demoralisation:

When new persons from outside join the organisation then present employees feel demoralised because these positions should have gone to them. There can be a heart burning among old employees. Some employees may even leave the enterprise and go for better avenues in other concerns.

2. Lack of Co-Operation:

The old staff may not co-operate with the new employees because they feel that their right has been snatched away by them. This problem will be acute especially when persons for higher positions are recruited from outside.

3. Expensive:

The process of recruiting from outside is very expensive. It starts with inserting costly advertisements in the media and then arranging written tests and conducting interviews. In spite of all this if suitable persons are not available, then the whole process will have to be repeated.

4. Problem of Maladjustment:

There may be a possibility that the new entrants have not been able to adjust in the new environment. They may not temperamentally adjust with the new persons. In such cases either the persons may leave themselves or management may have to replace them. These things have adverse effect on the working of the organisation.

Suitability of External Sources of Recruitment:

External Sources of Recruitment are Suitable for The Following Reasons:

- (i) The required qualities such as will, skill, talent, knowledge etc., are available from external sources.
- (ii) It can help in bringing new ideas, better techniques and improved methods to the organisation.
- (iii) The selection of candidates will be without preconceived notions or reservations.
- (iv) The cost of employees will be minimum because candidates selected in this method will be placed in the minimum pay scale.
- (v) The entry of new persons with varied experience and talent will help in human resource mix.
- (vi) The existing employees will also broaden their personality.
- (vii) The entry of qualitative persons from outside will be in the long-run interest of the organisation.

Induction and Orientation

The Induction duly helps employees to undergo each and every phase of environment of Company and an introduction to his team and others. It gives them the platform of knowing and understanding the culture and knowing “ Who is who” .It is such a phase which gives a glimpse of entire Organization in that short span.

The process:

The Induction and Orientation program is done on the basis to make the employee

Whether permanent or temporary or trainees get the feel of self-belongingness and work comfortably in the new culture.

The molding program might be different for different employees but the purpose is same.

Definition 1: Planned Introduction

“It is a Planned Introduction of employees to their jobs, their co-workers and the organization per se.”

Orientation conveys 4 types of information:

1. Daily Work Routine
2. Organization Profile
3. Importance of Jobs to the organization

4. Detailed Orientation Presentations Purpose of Orientation

1. To make new employees feel at home in new environment
2. To remove their anxiety about new workplace
3. To remove their inadequacies about new peers
4. To remove worries about their job performance
5. To provide them job information, environment

Types of Orientation Programs

1. Formal or Informal
2. Individual or Group
3. Serial or Disjunctive

Prerequisites of Effective Orientation Program

1. Prepare for receiving new employee
2. Determine information new employee wants to know
3. Determine how to present information
4. Completion of Paperwork

Problems of Orientations

1. Busy or Untrained supervisor
2. Too much information
3. Overloaded with paperwork
4. Given menial tasks and discourage interests
5. Demanding tasks where failure chances are high
6. Employee thrown into action soon
7. Wrong perceptions of employees

What is the difference between induction and orientation?

Induction referred to formal training programs that an employee had to complete before they could start work

Orientation was the informal information giving that made the recruit aware of the comfort issues – where the facilities are, what time lunch is and so forth. How long should the induction process take?

It starts when the job ad is written, continues through the selection process and is not complete until the new team member is comfortable as a full contributor to the organization's goals.

The first hour on day one is a critical component – signing on, issuing keys and passwords, explaining no go zones, emergency procedures, meeting the people that you will interact with all have to be done immediately. Until they are done the newcomer is on the payroll, but is not employed.

After that it is a matter of just in time training – expanding the content as new duties are undertaken.

Training of employees takes place after orientation takes place. Training is the process of enhancing the skills, capabilities and knowledge of employees for doing a particular job. Training process moulds the thinking of employees and leads to quality performance of employees. It is continuous and never ending in nature.

Importance of Training

Training is crucial for organizational development and success. It is fruitful to both employers and employees of an organization. An employee will become more efficient and productive if he is trained well.

Training is given on four basic grounds:

1. New candidates who join an organization are given training. This training familiarize them with the organizational mission, vision, rules and regulations and the working conditions.
2. The existing employees are trained to refresh and enhance their knowledge.
3. If any updations and amendments take place in technology, training is given to cope up with those changes. For instance, purchasing a new equipment, changes in technique of production, computer implantment. The employees are trained about use of new equipments and work methods.
4. When promotion and career growth becomes important. Training is given so that employees are prepared to share the responsibilities of the higher level job.

The benefits of training can be summed up as:

1. **Improves morale of employees-** Training helps the employee to get job security and job satisfaction. The more satisfied the employee is and the greater is his morale, the more he will contribute to organizational success and the lesser will be employee absenteeism and turnover.
2. **Less supervision-** A well trained employee will be well acquainted with the job and will need less of supervision. Thus, there will be less wastage of time and efforts.
3. **Fewer accidents-** Errors are likely to occur if the employees lack knowledge and skills required for doing a particular job. The more trained an employee is, the less are the chances of committing accidents in job and the more proficient the employee becomes.
4. **Chances of promotion-** Employees acquire skills and efficiency during training. They become more eligible for promotion. They become an asset for the organization.
5. **Increased productivity-** Training improves efficiency and productivity of employees. Well trained employees show both quantity and quality performance. There is less wastage of time, money and resources if employees are properly trained.

Ways/Methods of Training

Training is generally imparted in two ways:

1. **On the job training-** On the job training methods are those which are given to the employees within the everyday working of a concern. It is a simple and cost-effective training method. The

inproficient as well as semi- proficient employees can be well trained by using such training method. The employees are trained in actual working scenario. The motto of such training is “learning by doing.” Instances of such on-job training methods are job-rotation, coaching, temporary promotions, etc.

2. **Off the job training-** Off the job training methods are those in which training is provided away from the actual working condition. It is generally used in case of new employees. Instances of off the job training methods are workshops, seminars, conferences, etc. Such method is costly and is effective if and only if large number of employees have to be trained within a short time period. Off the job training is also called as vestibule training,i.e., the employees are trained in a separate area(may be a hall, entrance, reception area,etc. known as a vestibule) where the actual working conditions are duplicated.

A. On-the-job Training Methods:

1. Coaching
2. Mentoring
3. Job Rotation
4. Job Instruction Technology
5. Apprenticeship
6. Understudy

B. Off-the-Job Training Methods:

1. Lectures and Conferences
2. Vestibule Training
3. Simulation Exercises
4. Sensitivity Training
5. Transactional Training

A. On-the-job training Methods:

Under these methods new or inexperienced employees learn through observing peers or managers performing the job and trying to imitate their behaviour. These methods do not cost much and are less disruptive as employees are always on the job, training is given on the same machines and

experience would be on already approved standards, and above all the trainee is learning while earning. Some of the commonly used methods are:

1. Coaching:

Coaching is a one-to-one training. It helps in quickly identifying the weak areas and tries to focus on them. It also offers the benefit of transferring theory learning to practice. The biggest problem is that it perpetrates the existing practices and styles. In India most of the scooter mechanics are trained only through this method.

2. Mentoring:

The focus in this training is on the development of attitude. It is used for managerial employees. Mentoring is always done by a senior inside person. It is also one-to- one interaction, like coaching.

3. Job Rotation:

It is the process of training employees by rotating them through a series of related jobs. Rotation not only makes a person well acquainted with different jobs, but it also alleviates boredom and allows to develop rapport with a number of people. Rotation must be logical.

4. Job Instructional Technique (JIT):

It is a Step by step (structured) on the job training method in which a suitable trainer (a) prepares a trainee with an overview of the job, its purpose, and the results desired, (b) demonstrates the task or the skill to the trainee, (c) allows the trainee to show the demonstration on his or her own, and (d) follows up to provide feedback and help. The trainees are presented the learning material in written or by learning machines through a series called 'frames'. This method is a valuable tool for all educators (teachers and trainers). It helps us:

- a. To deliver step-by-step instruction
- b. To know when the learner has learned
- c. To be due diligent (in many work-place environments)

5. Apprenticeship:

Apprenticeship is a system of training a new generation of practitioners of a skill. This method of training is in vogue in those trades, crafts and technical fields in which a long period is required for gaining proficiency. The trainees serve as apprentices to experts for long periods. They have to work in direct association with and also under the direct supervision of their masters.

The object of such training is to make the trainees all-round craftsmen. It is an expensive method of training. Also, there is no guarantee that the trained worker will continue to work in the same organisation after securing training. The apprentices are paid remuneration according the apprenticeship agreements.

6. Understudy:

In this method, a superior gives training to a subordinate as his understudy like an assistant to a manager or director (in a film). The subordinate learns through experience and observation by participating in handling day to day problems. Basic purpose is to prepare subordinate for assuming the full responsibilities and duties.

B. Off-the-job Training Methods:

Off-the-job training methods are conducted in separate from the job environment, study material is supplied, there is full concentration on learning rather than performing, and there is freedom of expression. Important methods include:

1. Lectures and Conferences:

Lectures and conferences are the traditional and direct method of instruction. Every training programme starts with lecture and conference. It's a verbal presentation for a large audience. However, the lectures have to be motivating and creating interest among trainees. The speaker must have considerable depth in the subject. In the colleges and universities, lectures and seminars are the most common methods used for training.

2. Vestibule Training:

Vestibule Training is a term for near-the-job training, as it offers access to something new (learning). In vestibule training, the workers are trained in a prototype environment on specific jobs in a special part of the plant.

An attempt is made to create working condition similar to the actual workshop conditions. After training workers in such condition, the trained workers may be put on similar jobs in the actual workshop.

This enables the workers to secure training in the best methods to work and to get rid of initial nervousness. During the Second World War II, this method was used to train a large number of workers in a short period of time. It may also be used as a preliminary to on-the job training. Duration ranges from few days to few weeks. It prevents trainees to commit costly mistakes on the actual machines.

3. Simulation Exercises:

Simulation is any artificial environment exactly similar to the actual situation. There are four basic simulation techniques used for imparting training: management games, case study, role playing, and in-basket training.

(a) Management Games:

Properly designed games help to ingrain thinking habits, analytical, logical and reasoning capabilities, importance of team work, time management, to make decisions lacking complete information, communication and leadership capabilities. Use of management games can encourage novel, innovative mechanisms for coping with stress.

Management games orient a candidate with practical applicability of the subject. These games help to appreciate management concepts in a practical way. Different games are used for training general managers and the middle management and functional heads – executive Games and functional heads.

(b) Case Study:

Case studies are complex examples which give an insight into the context of a problem as well as illustrating the main point. Case Studies are trainee centered activities based on topics that demonstrate theoretical concepts in an applied setting.

A case study allows the application of theoretical concepts to be demonstrated, thus bridging the gap between theory and practice, encourage active learning, provides an opportunity for the development of key skills such as communication, group working and problem solving, and increases the trainees’ enjoyment of the topic and hence their desire to learn.

(c) Role Playing:

Each trainee takes the role of a person affected by an issue and studies the impacts of the issues on human life and/or the effects of human activities on the world around us from the perspective of that person.

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

In particular, role-playing presents the student a valuable opportunity to learn not just the course content, but other perspectives on it. The steps involved in role playing include defining objectives, choose context & roles, introducing the exercise, trainee preparation/research, the role-play,

concluding discussion, and assessment. Types of role play may be multiple role play, single role play, role rotation, and spontaneous role play.

(d) In-basket training:

In-basket exercise, also known as in-tray training, consists of a set of business papers which may include e-mail SMSs, reports, memos, and other items. Now the trainer is asked to prioritise the decisions to be made immediately and the ones that can be delayed.

4. Sensitivity Training:

Sensitivity training is also known as laboratory or T-group training. This training is about making people understand about themselves and others reasonably, which is done by developing in them social sensitivity and behavioral flexibility. It is ability of an individual to sense what others feel and think from their own point of view.

It reveals information about his or her own personal qualities, concerns, emotional issues, and things that he or she has in common with other members of the group. It is the ability to behave suitably in light of understanding.

A group's trainer refrains from acting as a group leader or lecturer, attempting instead to clarify the group processes using incidents as examples to clarify general points or provide feedback. The group action, overall, is the goal as well as the process.

5. Transactional Analysis:

It provides trainees with a realistic and useful method for analyzing and understanding the behavior of others. In every social interaction, there is a motivation provided by one person and a reaction to that motivation given by another person.

This motivation reaction relationship between two persons is known as a transaction. Transactional analysis can be done by the ego (system of feelings accompanied by a related set of behaviors states of an individual).

Child:

It is a collection of recordings in the brain of an individual of behaviors, attitudes, and impulses which come to him/her naturally from his/her own understanding as a child. The characteristics of this ego are to be spontaneous, intense, unconfident, reliant, probing, anxious, etc. Verbal clues that a person is operating from its child state are the use of words like "I guess", "I suppose", etc. and non verbal clues like, giggling, coyness, silent, attention seeking etc.

Parent:

It is a collection of recordings in the brain of an individual of behaviors, attitudes, and impulses imposed on her in her childhood from various sources such as, social, parents, friends, etc.

The characteristics of this ego are to be overprotective, isolated, rigid, bossy, etc. Verbal clues that a person is operating from its parent states are the use of words like, always, should, never, etc and non-verbal clues such as, raising eyebrows, pointing an accusing finger at somebody, etc.

Adult:

It is a collection of reality testing, rational behaviour, decision making, etc. A person in this ego state verifies, updates the reaction which she has received from the other two states. It is a shift from the taught and felt concepts to tested concepts.

All of us show behaviour from one ego state which is responded to by the other person from any of these three states.

Training & Deveelopment

There are two major functions of the Human Resource Management i.e. Training and Development. Both the activities aim at improving the performance and productivity of the employees. **Training** is a program organized by the organization to develop knowledge and skills in the employees as per the requirement of the job. Conversely, **Development** is an organized activity in which the manpower of the organization learns and grows, it is a self-assessment act. Now let’s start understanding the Difference between Training and Development.

BASIS FOR COMPARISON	TRAINING	DEVELOPMENT
Meaning	Training is a learning process in which employees get an opportunity to develop skill, competency and knowledge as per the job requirement.	Development is an educational process in which the personnel of the organization get the chance to learn the in depth application of theoretical knowledge for their overall growth.
Term	Short Term	Long Term
Focus on	Present	Future
Concentrated	Job	Career

BASIS FOR COMPARISON		TRAINING	DEVELOPMENT
towards			
Instructor		Trainer	Self
Objective		To improve the work performances of the employees.	To prepare employees for future challenges.
Number of Individuals		Many	Only one
Aim		Specific job related	Conceptual and general knowledge

Key Differences between Training and Development

The major differences between training and development are as under:

1. Training is a learning process of new employees in which they get to know about the key skills required for the job. Development is the training process of the existing employees for their all round development.
2. Training is a short term process i.e. 3 to 6 months, but development is a continuous process and so it is for the long term.
3. Training focuses on developing skill and knowledge for the current job. Unlike, development which focuses on the building knowledge, understanding and competencies for overcoming with future challenges.
4. Training has a limited scope, it is specific job oriented. On the other hand, development is career oriented and hence its scope is comparatively wider than training.
5. In training, the trainees get a trainer who instructs them at the time of training. In contrast to development, in which the manager self directs himself for the future assignments.
6. In training program there are many individuals who collectively attend it. Development is a self-assessment procedure and hence one person himself is responsible for one's own development.

Performance Appraisal

Performance Appraisal is the systematic evaluation of the performance of employees and to understand the abilities of a person for further growth and development. Performance appraisal is generally done in systematic ways which are as follows:

1. The supervisors measure the pay of employees and compare it with targets and plans.
2. The supervisor analyses the factors behind work performances of employees.
3. The employers are in position to guide the employees for a better performance.

Objectives of Performance Appraisal

Performance Appraisal can be done with following objectives in mind:

1. To maintain records in order to determine compensation packages, wage structure, salaries raises, etc.
2. To identify the strengths and weaknesses of employees to place right men on right job.
3. To maintain and assess the potential present in a person for further growth and development.
4. To provide a feedback to employees regarding their performance and related status.
5. To provide a feedback to employees regarding their performance and related status.
6. It serves as a basis for influencing working habits of the employees.
7. To review and retain the promotional and other training programmes.

Advantages of Performance Appraisal

It is said that performance appraisal is an investment for the company which can be justified by following advantages:

1. **Promotion:** Performance Appraisal helps the supervisors to chalk out the promotion programmes for efficient employees. In this regards, inefficient workers can be dismissed or demoted in case.
2. **Compensation:** Performance Appraisal helps in chalking out compensation packages for employees. Merit rating is possible through performance appraisal. Performance Appraisal tries to give worth to a performance. Compensation packages which includes bonus, high salary rates, extra benefits, allowances and pre-requisites are dependent on performance appraisal. The criteria should be merit rather than seniority.
3. **Employees Development:** The systematic procedure of performance appraisal helps the supervisors to frame training policies and programmes. It helps to analyse strengths and

weaknesses of employees so that new jobs can be designed for efficient employees. It also helps in framing future development programmes.

4. **Selection Validation:** Performance Appraisal helps the supervisors to understand the validity and importance of the selection procedure. The supervisors come to know the validity and thereby the strengths and weaknesses of selection procedure. Future changes in selection methods can be made in this regard.
5. **Communication:** For an organization, effective communication between employees and employers is very important. Through performance appraisal, communication can be sought for in the following ways:
 - a. Through performance appraisal, the employers can understand and accept skills of subordinates.
 - b. The subordinates can also understand and create a trust and confidence in superiors.
 - c. It also helps in maintaining cordial and congenial labour management relationship.
 - d. It develops the spirit of work and boosts the morale of employees.

All the above factors ensure effective communication.

6. **Motivation:** Performance appraisal serves as a motivation tool. Through evaluating performance of employees, a person's efficiency can be determined if the targets are achieved. This very well motivates a person for better job and helps him to improve his performance in the future.

TECHNIQUES / METHODS OF PERFORMANCE APPRAISALS

Numerous methods have been devised to measure the quantity and quality of performance appraisals. Each of the methods is effective for some purposes for some organizations only. None should be dismissed or accepted as appropriate except as they relate to the particular needs of the organization or an employee.

Broadly all methods of appraisals can be divided into two different categories.

- Past Oriented Methods
- Future Oriented Methods

Past Oriented Methods

1. **Rating Scales:** Rating scales consists of several numerical scales representing job related performance criterions such as dependability, initiative, output, attendance, attitude etc. Each scales ranges from excellent to poor. The total numerical scores are computed and final conclusions are

derived. Advantages – Adaptability, easy to use, low cost, every type of job can be evaluated, large number of employees covered, no formal training required. Disadvantages – Rater’s biases

2. **Checklist:** Under this method, checklist of statements of traits of employee in the form of Yes or No based questions is prepared. Here the rater only does the reporting or checking and HR department does the actual evaluation. Advantages – economy, ease of administration, limited training required, standardization. Disadvantages – Raters biases, use of improper weighs by HR, does not allow rater to give relative ratings

3. **Forced Choice Method:** The series of statements arranged in the blocks of two or more are given and the rater indicates which statement is true or false. The rater is forced to make a choice. HR department does actual assessment. Advantages – Absence of personal biases because of forced choice. Disadvantages – Statements may be wrongly framed.

4. **Forced Distribution Method:** here employees are clustered around a high point on a rating scale. Rater is compelled to distribute the employees on all points on the scale. It is assumed that the performance is conformed to normal distribution. Advantages – Eliminates Disadvantages – Assumption of normal distribution, unrealistic, errors of central tendency.

5. **Critical Incidents Method:** The approach is focused on certain critical behaviors of employee that makes all the difference in the performance. Supervisors as and when they occur record such incidents. Advantages – Evaluations are based on actual job behaviors, ratings are supported by descriptions, feedback is easy, reduces recency biases, chances of subordinate improvement are high. Disadvantages – Negative incidents can be prioritized, forgetting incidents, overly close supervision; feedback may be too much and may appear to be punishment.

6. **Behaviorally Anchored Rating Scales:** statements of effective and ineffective behaviors determine the points. They are said to be behaviorally anchored. The rater is supposed to say, which behavior describes the employee performance. Advantages – helps overcome rating errors. Disadvantages – Suffers from distortions inherent in most rating techniques.

7. **Field Review Method:** This is an appraisal done by someone outside employees’ own department usually from corporate or HR department. Advantages – Useful for managerial level promotions, when comparable information is needed, Disadvantages – Outsider is generally not familiar with employees work environment, Observation of actual behaviors not possible.

8. **Performance Tests & Observations:** This is based on the test of knowledge or skills. The tests may be written or an actual presentation of skills. Tests must be reliable and validated to be useful. Advantage – Tests may be apt to measure potential more than actual performance. Disadvantages – Tests may suffer if costs of test development or administration are high.

9. **Confidential Records:** Mostly used by government departments, however its application in industry is not ruled out. Here the report is given in the form of Annual Confidentiality Report (ACR) and may record ratings with respect to following items; attendance, self expression, team work, leadership,

initiative, technical ability, reasoning ability, originality and resourcefulness etc. The system is highly secretive and confidential. Feedback to the assessee is given only in case of an adverse entry. Disadvantage is that it is highly subjective and ratings can be manipulated because the evaluations are linked to HR actions like promotions etc.

10. **Essay Method:** In this method the rater writes down the employee description in detail within a number of broad categories like, overall impression of performance, promoteability of employee, existing capabilities and qualifications of performing jobs, strengths and weaknesses and training needs of the employee. Advantage – It is extremely useful in filling information gaps about the employees that often occur in a better-structured checklist. Disadvantages – It is highly dependent upon the writing skills of rater and most of them are not good writers. They may get confused success depends on the memory power of raters.

11. **Cost Accounting Method:** Here performance is evaluated from the monetary returns yields to his or her organization. Cost to keep employee, and benefit the organization derives is ascertained. Hence it is more dependent upon cost and benefit analysis.

12. **Comparative Evaluation Method (Ranking & Paired Comparisons):** These are collection of different methods that compare performance with that of other co-workers. The usual techniques used may be ranking methods and paired comparison method.

- **Ranking Methods:** Superior ranks his worker based on merit, from best to worst. However how best and why best are not elaborated in this method. It is easy to administer and explanation.
- **Paired Comparison Methods:** In this method each employee is rated with another employee in the form of pairs. The number of comparisons may be calculated with the help of a formula as under.

$$N \times (N-1) / 2$$

Future Oriented Methods

1. **Management By Objectives:** It means management by objectives and the performance is rated against the achievement of objectives stated by the management. MBO process goes as under.

- Establish goals and desired outcomes for each subordinate
- Setting performance standards
- Comparison of actual goals with goals attained by the employee
- Establish new goals and new strategies for goals not achieved in previous year.

Advantage – It is more useful for managerial positions.

Disadvantages – Not applicable to all jobs, allocation of merit pay may result in setting short-term goals rather than important and long-term goals etc.

2. **Psychological Appraisals:** These appraisals are more directed to assess employees potential for future performance rather than the past one. It is done in the form of in-depth interviews, psychological tests, and discussion with supervisors and review of other evaluations. It is more focused on employees emotional, intellectual, and motivational and other personal characteristics affecting his performance. This approach is slow and costly and may be useful for bright young members who may have considerable potential. However quality of these appraisals largely depend upon the skills of psychologists who perform the evaluation.

3. **Assessment Centers:** This technique was first developed in USA and UK in 1943. An assessment center is a central location where managers may come together to have their participation in job related exercises evaluated by trained observers. It is more focused on observation of behaviors across a series of select exercises or work samples. Assesseees are requested to participate in in-basket exercises, work groups, computer simulations, role playing and other similar activities which require same attributes for successful performance in actual job. The characteristics assessed in assessment center can be assertiveness, persuasive ability, communicating ability, planning and organizational ability, self confidence, resistance to stress, energy level, decision making, sensitivity to feelings, administrative ability, creativity and mental alertness etc. Disadvantages – Costs of employees traveling and lodging, psychologists, ratings strongly influenced by assessee's inter-personal skills. Solid performers may feel suffocated in simulated situations. Those who are not selected for this also may get affected.

Advantages – well-conducted assessment center can achieve better forecasts of future performance and progress than other methods of appraisals. Also reliability, content validity and predictive ability are said to be high in assessment centers. The tests also make sure that the wrong people are not hired or promoted. Finally it clearly defines the criteria for selection and promotion.

4. **360-Degree Feedback:** It is a technique which is systematic collection of performance data on an individual group, derived from a number of stakeholders like immediate supervisors, team members, customers, peers and self. In fact anyone who has useful information on how an employee does a job may be one of the appraisers. This technique is highly useful in terms of broader perspective, greater self-development and multi-source feedback is useful. 360-degree appraisals are useful to measure inter-personal skills, customer satisfaction and team building skills. However on the negative side, receiving feedback from multiple sources can be intimidating, threatening etc. Multiple raters may be less adept at providing balanced and objective feedback.

Chapter 4 – Wages & Salary Administration

Definitions and Concepts

Wage salary administration is essentially the application of a systematic approach to the problem of ensuring that employees are paid in a logical, equitable and fair manner and the terms used are Wage, Salary, Earnings, Nominal Wage, Real Wage, Take Home salary, Minimum Wage, Statutory Minimum Wage, The Need-based Minimum Wage, The Living Wage, The Fair Wages, Incentive Wage, Wage Rate, Standard Wage Rate.

- ✓ **Indian Labour Organization (ILO) defined the term wage as “the remuneration paid by the employer for the services of hourly, daily, weekly and fortnightly employees**
- ✓ **Salary is defined as the remuneration paid to the clerical and managerial personnel employed on monthly or annual basis**
- ✓ **Minimum Wage is the amount of remuneration which could meet the “normal needs of the average employee regarded as a human being living in a civilised society”**
- ✓ **Statutory Minimum Wage is the amount of remuneration fixed according to the provisions of the Minimum Wages Act. 1948**
- ✓ **The Need-based Minimum Wage is the amount of remuneration fixed on the basis of norms accepted at the 15th session of the Indian Labour Conference held at New Delhi in July 1957**
- ✓ **The Conference recommended that minimum wages should ensure the minimum human needs of industrial workers, minimum food requirements should be calculated on the basis of a set in activity, clothing requirements should be estimated on the basis of per capita consumption of 18 yards per annum which would give for the average worker’s family of four a total of 72 yards amongst other recommendations**

NEED FOR SOUND SALARY ADMINISTRATION

- Most of the employees’ satisfaction and work performance are based on pay
- Internal inequalities in pay are more serious to certain employees
- Employees act only to gross external inequities
- Employee comparisons of pay are uninfluenced by levels of aspirations and pay history

Employees compare their pay with that of others

OBJECTIVE OF WAGE AND SALARY ADMINISTRATION

- To Acquire Qualified Competent Personnel
- To Retain the Present Employees

- To Secure Internal and External Equity
- To Ensure Desired Behaviour
- To Keep Labour and Administrative costs in line with the ability of the organization to pay
- To Facilitate Pay Roll
- To Simplify Collective Bargaining procedures and negotiations
- To Promote Organization feasibility

FACTORS AFFECTING WAGE/SALARY LEVELS

- Remuneration in Comparable Industries
- Firm's ability to pay
- Relating to price index
- Productivity
- Cost of living
- Union pressure and strategies
- Government legislations

Chapter 5 – Conflict Management

Organizational Conflict

Organizational Conflict or otherwise known as workplace conflict, is described as the state of disagreement or misunderstanding, resulting from the actual or perceived dissent of needs, beliefs, resources and relationship between the members of the organization. At the workplace, whenever, two or more persons interact, conflict occurs when opinions with respect to any task or decision are in contradiction.

Types of Conflicts

Conflict is classified into the following four types:

- **Interpersonal conflict** refers to a conflict between two individuals. This occurs typically due to how people are different from one another. We have varied personalities which usually results to incompatible choices and opinions. Apparently, it is a natural occurrence which can eventually help in personal growth or developing your relationships with others. In addition, coming up with adjustments is necessary for managing this type of conflict. However, when interpersonal conflict gets too destructive, calling in a [mediator](#) would help so as to have it resolved.
- **Intrapersonal conflict** occurs within an individual. The experience takes place in the person's mind. Hence, it is a type of conflict that is psychological involving the individual's thoughts, values, principles and emotions. Interpersonal conflict may come in different scales, from the simpler mundane ones like deciding whether or not to go organic for lunch to ones that can affect major decisions such as choosing a career path. Furthermore, this type of conflict can be quite difficult to handle if you find it hard to decipher your inner struggles. It leads to restlessness and uneasiness, or can even cause depression. In such occasions, it would be best to seek a way to let go of the anxiety through communicating with other people. Eventually, when you find yourself out of the situation, you can become more empowered as a person. Thus, the experience evoked a positive change which will help you in your own personal growth.
- **Intragroup conflict** is a type of conflict that happens among individuals within a team. The incompatibilities and misunderstandings among these individuals lead to an intragroup conflict. It arises from interpersonal disagreements (e.g. team members have different personalities which may lead to tension) or differences in views and ideas (e.g. in a presentation, members of the team might find the notions presented by the one presiding to be erroneous due to their differences in opinion). Within a team, conflict can be helpful in coming up with decisions which will eventually allow them to reach their objectives as a team. However, if the degree of conflict disrupts harmony among the members, then some serious guidance from a different party will be needed for it to be settled.

- **Intergroup conflict** takes place when a misunderstanding arises among different teams within an organization. For instance, the sales department of an organization can come in conflict with the customer support department. This is due to the varied sets of goals and interests of these different groups. In addition, competition also contributes for intergroup conflict to arise. There are other factors which fuel this type of conflict. Some of these factors may include a rivalry in resources or the boundaries set by a group to others which establishes their own identity as a team.

Measures undertaken to minimize organizational conflict

1. **Provide conflict resolution training.** You can reduce the negative impact of conflict by helping employees develop the skills they need to successfully resolve the conflicts that occur in their lives. This gives people more confidence in their ability to resolve both personal and professional conflict. It also makes people more effective at addressing minor conflicts as they occur, instead of allowing them to become major distractions.
2. **Provide communication skills training.** By providing communication skills training, employees can increase their ability to communicate effectively with a diverse range of individuals, and manage the communication problems that are often at the heart of organizational conflict.
3. **Help staff develop positive work relationships.** Give employees a chance to get to know each other better and to feel more comfortable with each other. This can be done by providing opportunities for social interaction on a continuous basis, by giving assignments that put staff into contact with people they don't normally interact with, and by providing cross-training opportunities.
4. **Implement team building activities.** You can significantly improve team relationships and performance through the team development process. Such activities provide an opportunity for team members to get more comfortable with each other, to identify acceptable behaviors and modes of interaction, and to determine how team problems and conflicts will be resolved.
5. **Develop strong communication channels.** You can improve communication within a team or organization by strategically employing informational and problem-solving meetings, and by utilizing a diverse range of organizational communication tools. Such tools include face-to-face discussions, e-mail, texting, videoconferences, online meetings, bulletin boards (both physical and electronic), voice mail and faxes.
6. **Create an environment that encourages participation.** This can be done through formal employee involvement programs such as self-directed work teams, and suggestion systems that ask for employee input and reward people for their participation. This is especially important because research has shown that employee involvement programs have a positive impact on both individual and organizational performance.

7. **Provide conflict mediation training for leaders.** No matter how hard you work at reducing dysfunctional conflict (conflict that hinders performance and prevents you from achieving organizational goals), sooner or later it is going to occur. Therefore, organizational leaders should develop their conflict mediation skills so they can help employees resolve the conflicts that will inevitably arise.
8. **Provide third-party conflict mediation services.** There will be times when a manager or supervisor cannot mediate a conflict between employees. During these times, it helps if employees feel they have an experienced, objective third-party where they can confidentially address a conflict situation.
9. **Make sure employees are clear about organizational goals and priorities.** Generally speaking, conflicts occur because of differences over *facts, goals, methods* or *values*. By ensuring that employees (especially the members of a given work team) are on the same page regarding objectives, priorities and plans, you will decrease the chances that dysfunctional conflict will occur due to differences over facts, goals or methods.
10. **Treat everyone fairly.** This may seem obvious, but many managers are accused of preferential treatment, and it is incumbent upon organizational leaders to make sure they are behaving in an egalitarian fashion. Even the appearance of preferential behavior can create conflict situations.

Chapter 6 – Labour Management Relations

Objective of Trade Unions

Trade Union

- a. **Wages and Salaries:** The subject which drew the major attention of the trade unions is wages and salaries. Of course, this item may be related to policy matters. However, differences may arise in the process of their implementation. In the case of unorganised sector the trade union plays a crucial role in bargaining the pay scales.
- b. **Working Conditions:** Trade unions with a view to safeguard the health of workers demands the management to provide all the basic facilities such as, lighting and ventilation, sanitation, rest rooms, safety equipment while discharging hazardous duties, drinking, refreshment, minimum working hours, leave and rest, holidays with pay, job satisfaction, social security benefits and other welfare measures.
- c. **Discipline:** Trade unions not only conduct negotiations in respect of the items with which their working conditions may be improved but also protect the workers from the clutches of management whenever workers become the victims of management's unilateral acts and disciplinary policies. This victimisation may take the form of penal transfers, suspensions, dismissals, etc. In such a situation the seperated worker who is left in a helpless condition may approach the trade union. Ultimately the problem may be brought to the notice of management by the trade union and it explains about the injustice met out to an individual worker and fights the management for justice. Thus, the victimised worker may be protected by the trade union.
- d. **Personnel Policies:** Trade unions may fight against improper implementation of personnel policies in respect of recruitment, selection, promotions, transfers, training, etc.
- e. **Welfare:** As stated earlier, trade unions are meant for the welfare of workers. Trade union works as a guide, consulting authority and cooperates in overcoming the personnel problems of workers. It may bring to the notice of management, through collective bargaining meetings, the difficulties of workers in respect of sanitation, hospitals, quarters, schools and colleges for their children's cultural and social problems.
- f. **Employee-employer relation:** Harmonious relations between the employees and employer is a sine quo non for industrial peace. A trade union always strives for achieving this objective. However, the bureaucratic attitude and unilateral thinking of management may lead to conflicts in the organisation which ultimately disrupt the relations between the workers and management. Trade union, being the representative of all the workers, may carry out continuous negotiations with the management with a view to promote industrial peace.

Coimbatore, Feb 22: Tyre manufacturer Dunlop India Ltd has suspended work at its Ambattur, Chennai, factory with immediate effect due to labour unrest. In its notice of suspension of work at Ambattur issued on Tuesday, the company said that as per the Long-Term Settlement arrived at on July 30, 2009, between the management and the Dunlop Factory Employees' Union, the workers had agreed to bring down the production cost to the minimum level possible, promote productivity and all-round discipline and maximise capacity utilisation. The agreement paved the way for the opening of the factory in October 2009. The Dunlop management claimed that despite its best possible efforts to revive the unit and though it incurred heavy losses, the union did not co-operate and "manipulated the attendance/payroll, which turned out to be detrimental to the revival/survival of the company".

Explaining in detail the atmosphere prevailing at the plant since February 10, 2012 when workmen "practically resorted to illegal strike" culminating in the management's decision to suspend work at the plant with immediate effect, the DIL management said that most of the management staff, fearing for their safety, have "refused to report" for duty and under the circumstances, it was left with "no other alternative but to suspend the operations of the factory with immediate effect".

The company said during the period of suspension of work, the "principle of no work no pay shall be followed".

g. **Negotiating machinery:** Negotiations include the proposals made by one party and the counter proposals of the other party. This process continues until the parties reach an agreement. Thus, negotiations are based on 'give and take' principle. Trade union being a party for negotiations, protects the interests of workers through collective bargaining. Thus, the trade union works as the negotiating machinery.

h. **Safeguarding organisational health and the interest of the industry:** Organisational health can be diagnosed by methods evolved for grievance redressal and techniques adopted to reduce the rate of absenteeism and labour turnover and to improve the employee relations. Trade unions by their effective working may achieve employee satisfaction. Thus, trade unions help in reducing the rate of absenteeism, labour turnover and developing systematic grievance settlement procedures leading to harmonious industrial relations. Trade unions can thus contribute to the improvements in level of production and productivity, discipline and improve quality of work life.

India, Maruthi Suzuki India, Ltd. violence

18,July,2012: Maruthi Suzuki India Ltd., general manager human resource was burnt to death at manufacturing plant located at Manesar (Haryana) by the workers in a dispute between workers and management due to the disciplinary action taken against worker by the management. Workers union alleges that this incident was caused due to the supervisor made objectionable remark against a permanent worker, who belongs to the Scheduled Caste category. When we opposed it, they misbehaved with us and suspended the worker that led to violence. Company had huge loss of property, damage and burned, police complaint was filed and the Indian penal code (IPC) against the workers who indulged in violence, killing general manager, severely hurting almost 100 workers and 40 executives and managers. Companies top Management decided to dismiss the workers who ever involved in these activities and declare that there is no further reinstatement of dismissed employees.

After the police enquiry they found work as union were involved and behind the violence of hurting workers, killing general human resource manager and damaging property of company. Haryana police on 2nd August 2012 arrested 10 office bearers of Maruti Suzuki Workers' union, including its president Ram Meher and general secretary Sarabjit Singh, in relation with the violence at the company's Manesar plant on July 18 2012.

Functions of Trade Union

Trade unions perform a number of functions in order to achieve the objectives. These functions can be broadly classified into three categories:

- (i) Militant functions,
- (ii) Fraternal functions

Militant Functions

One set of activities performed by trade unions leads to the betterment of the position of their members in relation to their employment. The aim of such activities is to ensure adequate wages, secure better conditions of work and employment, get better treatment from employers, etc. When the unions fail to accomplish these aims by the method of collective bargaining and negotiations, they adopt an approach and put up a fight with the management in the form of go-slow tactics, strike, boycott, gherao, etc. Hence, these functions of the trade unions are known as militant or fighting functions. Thus, the militant functions of trade unions can be summed up as:

- To achieve higher wages and better working conditions
- To raise the status of workers as a part of industry

- To protect labors against victimization and injustice

Fraternal Functions

Another set of activities performed by trade unions aims at rendering help to its members in times of need, and improving their efficiency. Trade unions try to foster a spirit of cooperation and promote friendly [industrial relations](#) and diffuse education and culture among their members. They take up welfare measures for improving the morale of workers and generate self confidence among them. They also arrange for legal assistance to its members, if necessary. Besides, these, they undertake many welfare measures for their members, e.g., school for the education of children, library, reading-rooms, indoor and out-door games, and other recreational facilities. Some trade unions even undertake publication of some magazine or journal. These activities, which may be called fraternal functions, depend on the availability of funds, which the unions raise by subscription from members and donations from outsiders, and also on their competent and enlightened leadership. Thus, the fraternal functions of trade unions can be summed up as:

- To take up welfare measures for improving the morale of workers
- To generate self confidence among workers
- To encourage sincerity and discipline among workers
- To provide opportunities for promotion and growth
- To protect women workers against discrimination

Collective Bargaining

Collective bargaining is process of joint decision making and basically represents a democratic way of life in industry. It is the process of negotiation between firm's and workers' representatives for the purpose of establishing mutually agreeable conditions of employment. It is a technique adopted by two parties to reach an understanding acceptable to both through the process of discussion and negotiation.

ILO has defined collective bargaining as, negotiation about working conditions and terms of employment between an employer and a group of employees or one or more employee, organization with a view to reaching an agreement wherein the terms serve as a code of defining the rights and obligations of each party in their employment/[industrial relations](#) with one another. Collective bargaining involves discussions and negotiations between two groups as to the terms and conditions of employment. It is called „collective“ because both the employer and the employee act as a group rather than as individuals. It is known

as „bargaining“ because the method of reaching an agreement involves proposals and counter proposals, offers and counter offers and other negotiations. Thus collective bargaining:

- is a collective process in which representatives of both the management and employees participate.
- is a continuous process which aims at establishing stable relationships between the parties involved.
- not only involves the bargaining agreement, but also involves the implementation of such an agreement.
- attempts in achieving discipline in the industry
- is a flexible approach, as the parties involved have to adopt a flexible attitude towards negotiations

Workers Participation in Management

Participative Management refers to as an open form of management where employees are actively involved in organization's decision making process. The concept is applied by the managers who understand the importance to human intellect and seek a strong relationship with their employees. They understand that the employees are the facilitators who deal directly with the customers and satisfy their needs. To beat the competition in market and to stay ahead of the competition, this form of management has been adopted by many organizations. They welcome the innovative ideas, concepts and thoughts from the employees and involve them in decision making process.

Participative Management can also be termed as 'Industrial Democracy', 'Co-determination', 'Employee Involvement' as well as 'Participative Decision Making'. The concept of employee participation in organization's decision making is not new. However, the idea couldn't gain that much popularity among organizations. Studies have shown that only 3-5 percent of organizations have actually implemented this concept in their daily operations. Though the theory of participative management is as old as the institution of employees and employers still it is not applied by a large proportion of organizations.

The idea behind employee involvement at every stage of decision making is absolutely straight. Open and honest communication always produces good results both for organization as well as workers. Freedom and transparency in company's operations take it to the next level and strengthens the basis of the organization. On the other hand, there are several companies that straightway rule out the possibility of participative decision making process. According to them, employees misuse their freedom of expression and participation in decision making as it provides higher status to employees and empowers them.

However, there are many companies who have embraced this particular style of management and are now getting positive results. Toyota is the best example. The company has been following suggestion schemes and employee involvement procedures for over a decade now. The management receives almost 2,000,000 suggestions and ideas every year and around 95 percent of these are implemented by the company. Who is not aware of Toyota's success rate? Around five thousand improvements per year have made Toyota one of the fastest growing organizations globally. The need is to develop and implement a comprehensive company policy and everything works well.

British Airways is another great example of participatory management. During economic downsizing, employees' suggestions helped them cut annual cost of their operations by 4.5 million pounds. This is just unbelievable. The company would have suffered from huge losses, had it not adopted employees' suggestions. It is right to some extent that employees can misuse industrial democracy but with a proper management of HR functions, this problem can be solved and the operations of organization can be taken to the next level.

Satyam is another great example. It has been implementing company-wide suggestion scheme, 'The Idea Junction', since 2001. A real-time web-based portal is present in Intranet that can be accessed by all its employees all across the globe to support the entire life cycle of an idea right from its generation till its implementation. The main idea behind adopting this management style was to create values and bring sense of belongingness in the employees through ideas, suggestions and complaints. The whole procedure is backed by a strong and comprehensive reward policy that encourages employees to perform better each time.

Employee participation at each level of decision making process is not at all harmful if managed efficiently. The whole process can be well coordinated and controlled by the sincere and honest efforts of human resource managers.

Objective of Participative Management

Participative management acts as a force to motivate employees to meet specific organizational goals. The main idea behind this style of management is not only using physical capital but also making optimum utilization of intellectual and emotional human capital. This is the process of involving people in decision making process to ensure that everyone's psychological needs are met. It, in turn, increases the job satisfaction among employees and improves the quality of their work life. Motivated employees are the biggest assets of an organization and participative management is an effective strategy to retain the best talents of the industry.

Participatory Management or co-determination is seen as the quick cure for poor morale, employee attrition, low productivity and job dissatisfaction. However, it may not be

appropriate to empower employees at every level but use of joint decision making at certain levels in organization can work wonders. Let us read further to explore the main objectives to introduce participative style of management in organizations:

- **To Make Best Use of Human Capital:** Participative management does not restrict organizations to exploit only physical capital of employees. Rather it makes the best use of human intellectual and emotional capital. It gives employees an opportunity to contribute their ideas and suggestions to improve business processes and create a better working environment.
- **To Meet the Psychological Needs of Employees:** When employees have a say in decision making process, it gives them a psychological satisfaction. It is a simple force that drives them to improve their performance, create a proper channel of communication and find practical solutions to design better organizational processes.
- **To Retain the Best Talent:** Participatory management is one of the most effective strategies to retain the best talent in the industry. It gives employees a sense of pride to have a say in organizational decision making process. Once they are valued by their seniors, they stick to the organization and become management's partners in meeting specific goals and achieving success.
- **To Increase Industrial Productivity:** In today's competitive world, motivation, job security and high pay packages are not enough to increase industrial productivity. Leadership, flexibility, delegation of authority, industrial democracy and employee say in decision making are important to increase annual turnover of any organization.
- **To Establish Harmonious Industrial Relationship:** Participatory from of management is an unbeatable tact to establish and maintain cordial relationships with employees and workers union. The success of an organization depends on its human resources. Employee empowerment acts as a strong force to bind the employees and motivate to give them their best to the organization.
- **To Maintain a Proper Flow of Communication:** Two-way communication plays an important role in the success of any organization. Employee participation in decision making ensures proper flow of communication in the organization. Everyone contributes their best and tries to strengthen the organization by contributing their best to improve business processes.

Participative management is beneficial to organization as well as employees. It gives employees a higher degree of enjoyment at work place that drives them to work harder. It is

equally rewarding for the management as it ensures tremendous improvement in work culture within the organization as well as increase in its productivity.

Participation of Employees

Participation of workers in decision-making process has resulted in successful value creation in many organizations. Though the extent to which employees should participate in organizational decision making is still a matter of debate. Some say that workers' union should participate with management as equal partners while some believe in restricted or bounded participation, that is, participation of employees or workers to a limited extent. However, there are a number of ways through which employees can participate in decision-making process of any organization.

- **Participation at the Board Level:** Representation of employees at the board level is known as industrial democracy. This can play an important role in protecting the interests of employees. The representative can put all the problems and issues of the employees in front of management and guide the board members to invest in employee benefit schemes.
- **Participation through Ownership:** The other way of ensuring workers' participation in organizational decision making is making them shareholders of the company. Inducing them to buy equity shares, advancing loans, giving financial assistance to enable them to buy equity shares are some of the ways to keep them involved in decision-making.
- **Participation through Collective Bargaining:** This refers to the participation of workers through collective agreements and by deciding and following certain rules and regulations. This is considered as an ideal way to ensure employee participation in managerial processes. It should be well controlled otherwise each party tries to take an advantage of the other.
- **Participation through Suggestion Schemes:** Encouraging your employees to come up with unique ideas can work wonders especially on matters such as cost cutting, waste management, safety measures, reward system, etc. Developing a full-fledged procedure can add value to the organizational functions and create a healthy environment and work culture. For instance, Satyam is known to have introduced an amazing country-wide suggestion scheme, the Idea Junction. It receives over 5,000 ideas per year from its employees and company accepts almost one-fifth of them.

- **Participation through Complete Control:** This is called the system of self management where workers union acts as management. Through elected boards, they acquire full control of the management. In this style, workers directly deal with all aspects of management or industrial issues through their representatives.
- **Participation through Job Enrichment:** Expanding the job content and adding additional motivators and rewards to the existing job profile is a fine way to keep workers involved in managerial decision-making. Job enrichment offers freedom to employees to exploit their wisdom and use their judgment while handling day-to-day business problems.
- **Participation through Quality Circles:** A quality circle is a group of five to ten people who are experts in a particular work area. They meet regularly to identify, analyze and solve the problems arising in their area of operation. Anyone, from the organization, who is an expert of that particular field, can become its member. It is an ideal way to identify the problem areas and work upon them to improve working conditions of the organization.

Employees can participate in organizational decision making through various processes mentioned above. However, there are other ways such as financial participation, Total Quality Management, participation through empowered teams and joint committees and councils through which they can contribute their share in making the organizations a better place to work.

Advantages of Participative Management

Undoubtedly participative approach to management increases the stake or ownership of employees. But there is more to it. The following points elucidate the same.

- **Increase in Productivity:** An increased say in decision making means that there is a strong feeling of association now. The employee now assumes responsibility and takes charges. There is lesser new or delegation or supervision from the manager. Working hours may get stretched on their own without any compulsion or force from the management. All this leads to increased productivity.
- **Job Satisfaction:** In lots of organizations that employ participative management, most of the employees are satisfied with their jobs and the level of satisfaction is very high. This is specially when people see their suggestions and recommendations being implemented or put to practice. Psychologically, this tells the individual employee that, 'he too has a say in decision making and that he too is an integral component of the organization and not a mere worker'.

- **Motivation:** Increased productivity and job satisfaction cannot exist unless there is a high level of motivation in the employee. The vice versa also holds true! Decentralized decision making means that everyone has a say and everyone is important.
- **Improved Quality:** Since the inputs or feedback comes from people who are part of the processes at the lowest or execution level. This means that even the minutest details are taken care of and reported. No flaw or loophole goes unreported. Quality control is thus begins and is ensured at the lowest level.
- **Reduced Costs:** There is a lesser need of supervision and more emphasis is laid on widening of skills, self management. This and quality control means that the costs are controlled automatically.

Disadvantages of Participative Management

There is a flip side to everything; participative management stands no exception to it. Whereas this style of leadership or decision making leads to better participation of all the employees, there are undoubtedly some disadvantages too.

- **Decision making slows down:** Participative management stands for increased participation and when there are many people involved in decision making, the process definitely slows down. Inputs and feedback starts pouring from each side. It takes time to verify the accuracy of measurements which means that decision making will be slowed down.
- **Security Issue:** The security issue in participative management also arises from the fact that since early stages too many people are known to lots of facts and information. This information may transform into critical information in the later stages. There is thus a greater apprehension of information being leaked out.

The advantages seem to outnumber the disadvantages. This however is no assurance that one should blindly adopt it for his/her organization. Organizations are different and therefore the culture, the human resources. A deep understanding of both is required in order to ascertain a decision making style and adopt the same.

Causes of Labour Turnover:

The various causes of labour turnover can be classified under the following three heads:

1. Personal causes;
2. Unavoidable causes; and

3. Avoidable causes.

1. Personal Causes:

Workers may leave the organisation purely on personal grounds, e.g.

- a. Domestic troubles and family responsibilities.
- b. Retirement due to old age.
- c. Accident making workers permanently incapable of doing work.
- d. Women workers may leave after marriage in order to take up household duties.
- e. Dislike for the job or place.
- f. Death.
- g. Workers finding better jobs at some other places.
- h. Workers may leave just because of their roving nature.
- i. Cases involving moral turpitude.

In all such cases, labour turnover is unavoidable and the employer can practically do nothing to reduce the labour turnover.

2. Unavoidable Causes:

In certain circumstances it becomes necessary for the management to ask some of the workers to leave the organisation.

These circumstances may be as follows:

- a. Workers may be discharged due to insubordination or inefficiency.
- b. Workers may be discharged due to continued or long absence.
- c. Workers may be retrenched due to shortage of work.

3. Avoidable Causes:

(a) Low wages and allowances may induce workers to leave the factory and join other factories where higher wages and allowances are paid.

(b) Unsatisfactory working conditions e.g., bad environment, inadequate ventilation etc. leading to strained relations with the employer.

- (c) Job dissatisfaction on account of wrong placement of workers may become a cause of leaving the organisation.
- (d) Lack of accommodation, medical, transport and recreational facilities.
- (e) Long hours of work.
- (f) Lack of promotion opportunities.
- (g) Unfair methods of promotion.
- (h) Lack of security of employment.
- (i) Lack of proper training facilities.
- (J) Unsympathetic attitude of the management may force the workers to leave.

Effects of Labour Turnover:

There must be some labour turnover due to personal and unavoidable causes. It has been observed by employers that a normal labour turnover, which is between 3% and 5%, need not cause much anxiety. But a high labour turnover is always detrimental to the organisation. The effect of excessive labour turnover is low labour productivity and increased cost of production.

This is due to the following reasons:

- I. Frequent changes in the labour force give rise to interruption in the continuous flow of production with result that overall production is reduced.
- II. New workers take time to become efficient. Hence lower efficiency of new workers increases the cost of production.
- III. Selection and training costs of new workers recruited to replace the workers who have left increase the cost of production.
- IV. New workers being unfamiliar with the work give more scrap, rejects and defective work which increase the cost of production.
- V. New workers being inexperienced workers cause more depreciation of tools and machinery. Due to faulty handling of new workers, breakdown of tools and machinery may also occur very often and hamper production.
- VI. New workers being inexperienced workers are more prone to accidents. Consequently, all costs associated with accidents such as loss on account of output lost, compensation for the

injured workers, damage of materials and equipment due to accidents etc. increase the cost of production.

Reduction of Labour Turnover:

As already pointed out, normal labour turnover is advantageous because it allows injection of fresh blood into the firm. But excessive labour turnover is not desirable because it shows that labour force is not contented. Therefore, every effort should be made to remove the avoidable causes which give rise to excessive labour turnover.

Following steps may be taken to reduce the labour turnover:

- I. A suitable personnel policy should be framed for employing the right man for the right job and giving a fair and equal treatment to all workers.
- II. Good working conditions which may be conducive to health and efficiency should be provided.
- III. Fair rates of pay and allowances and other monetary benefits should be introduced.
- IV. Maximum non-monetary benefits (i.e., fringe benefits) should be introduced.
- V. Distinction should be made between efficient and inefficient workers by introducing incentive plans whereby efficient workers may be rewarded more as compared to inefficient workers.
- VI. An employee suggestion box scheme should be introduced whereby workers who suggest improvements in the method of production should be suitably rewarded.
- VII. Men-management relationships should be improved by encouraging labour participation in management.

In addition to the above steps, the personnel department should prepare periodical reports on the labour turnover listing out the various reasons due to which workers have left the organisation. The report should be sent to the management with the necessary recommendations so that corrective measures may be taken to reduce labour turnover.

Cost of Labour Turnover:

The cost of labour turnover can be divided under two heads:

- (i) Preventive Costs.
- (ii) Replacement Costs.

(i) Preventive Costs:

These are costs which are incurred to prevent excessive labour turnover. The aim of these costs is to keep the workers satisfied so that they may not leave the factory.

These costs may include:

1. Cost of providing good working conditions.
2. Cost of providing medical, housing and recreational facilities to workers.
3. Cost of providing educational facilities to the children of the workers.
4. Cost of providing subsidised meals.
5. Cost of providing other welfare facilities.
6. Cost of providing safety measures against working conditions.
7. Measures of security and retirement benefits such as pension, gratuity, employer's contribution to provident fund and other measures over and above the compulsory legal provisions.

As "prevention is better than cure" preventive cost should be incurred to prevent excessive labour turnover. This cost of labour turnover should be apportioned among different departments on the basis of average number of employees in each department and justifiably treated as overhead.

If preventive cost is incurred for reasons of image or status of the employer or non-economical corporate goals, it may be debited to the Costing Profit and Loss Account. If preventive cost is incurred for a particular department, it may be taken as overhead of that department.

(ii) Replacement Costs:

These costs are associated with replacement of workers and include:

1. Cost of recruitment of new workers.
2. Cost of training new workers.
3. Loss of production due to
 - (a) Interruption in production, and
 - (b) Inefficiency of new workers.

4. Loss of profit due to loss of production.
5. Loss in fixed overhead cost because of less production on account of new inexperienced workers.
6. Wastage due to excessive spoilage on account of inept handling of machines, tools and materials by new workers recruited as a result of labour turnover.
7. Cost of accidents because of new workers having more proneness to accidents.

These costs should be distributed among different departments on the basis of actual number of workers replaced in each department and treated as overhead.

Illustration 1:

The management of Sunshine Ltd. wants to have an idea of the profit lost/foregone as a result of labour turnover last year.

Last year sales amounted to Rs 66, 00,000 and the P/V Ratio was 20%. The total number of actual hours worked by the direct labour force was 3.45 lakhs. As a result of the delays by the Personnel Department in filling vacancies due to labour turnover, 75,000 potentially productive hours were lost. The actual direct labour hours included 30,000 hours attributable to training new recruits, out of which half of the hours were unproductive.

The costs incurred consequent on labour turnover revealed on analysis the following:

	₹
Settlement cost due to leaving	27,420
Recruitment costs	18,725
Selection costs	12,750
Training costs	16,105

Assuming that the potential production lost due to labour turnover could have been sold at prevailing prices, ascertain the profit foregone/lost last year on account of labour turnover.

SOLUTION

<i>Calculation of Actual Productive Hours</i>	
Actual hours worked	3,45,000
<i>Less:</i> Hours lost due to training workers (unproductive hours i.e. $\frac{1}{2}$ of 30,000 hours)	15,000
Actual Productive Hours	3,30,000
Sales per Productive Hour = $\frac{\text{Total Sales}}{\text{Actual Productive Hours}} = ₹ \frac{66,00,000}{3,30,000} = ₹ 20$	
Potential productive hours lost as a result of labour turnover	75,000 hours.
Sales forgone @ ₹ 20 per hour (75,000 × ₹ 20)	₹ 15,00,000
P/V Ratio	20%
Contribution forgone (₹ 15,00,000 × 20%)	₹ 3,00,000

STATEMENT OF PROFIT FOREGONE
(as a result of labour turnover)

	₹
Contribution foregone	3,00,000
<i>Add</i> : Settlement cost due to leaving	27,420
Recruitment costs	18,725
Selection costs	12,750
Training costs	16,105
Total Profit foregone as a result of labour turnover	3,75,000

REFERENCES

1. Personnel Management – Mamoria
2. Personnel Management – Edwin B. Flippo – McGraw Hill
3. <https://managementstudyguide.com>