UNIT I

INTRODUCTION TO HRM

MEANING OF HRM

- HRM is the art of Procuring, developing and maintaining competent workforce to achieve organisational goals effectively.
- The process of employing people, developing their resources, utilising, maintaining & compensating their service in tune with the job & organisational requirements with a view to contribute to the goals of the organisation, individual & the society.

DEFINITION

According to Wendell L French "the human resource management refers to the philosophy, policies, procedures, & practice related to the management of people within an organisation.

According to Stephen P Robbins, HRM is a process consisting of the acquisition, development, motivation & maintenance of human resources.

SCOPE OF HRM

The Scope of Human Resource management into the following aspects

1. **The Personnel Aspect**
   This aspect of HRM is concerned with the manpower planning, recruitment, selection, placement, induction, transfer, promotion, demotion, termination, training & development, layoff & retrenchment, wage & salary administration, incentives, productivity etc.

2. **The Welfare Aspect:-**
   The welfare aspect is concerned with working conditions & amenities such as canteens, crèches, rest rooms, lunch rooms, housing, transport, education, medical help, health & safety, washing facilities recreation & cultural activities etc.

3. **The Industrial Aspect:-**
   This aspect is concerned with employees. It includes union management relations, joint consultation, negotiating collective bargaining, grievance handling, disciplinary actions, settlement of industrial disputes etc.

IMPORTANCE OF HRM

1. **Importance for the Organisation:-**

   HRM is important for the organisation to the following:

   - Good human resource practices help in attracting & retaining the best people in the organisation.
   - In order to make use of latest technology the appointment of right type of persons is essential. The right people can be fitted into new jobs properly only if the management performs its HR function satisfactorily.
   - Globalisation has increased the size of the organisation who employ thousands of employees in different countries. The performance of the company depends upon the qualities of the people employed. This has further increased the importance of HRM
   - HR planning alerts the organisation to the types of people it will need in the short , medium & long run.
   - HR development is essential for meeting the challenges of future. The importance of HRM has increased because of the shortage of really managerial talent in the country.

2. **Importance for the employees**

   - HRM stress on the motivation of employees by providing them various financial & non-financial incentives.
   - Right organisational climate is also stressed upon so that the employees can contribute their maximum to the achievement of the organisational objectives.
   - Effective management of HR promotes team wok & team spirit among employees.
   - It offers excellent growth opportunities to people who have the potential to rise.
   - It also encourages people to work with diligence & commitment.

3. **Importance for the society:-**

   Good HR efforts lead to productivity gains (ration of output to input) to the society, since it enables the managers to reduce costs, save scarce resources, enhance profits & offer better pay, benefits & working conditions to employees.

OBJECTIVES OF HRM

1) **Societal Objectives:-**
   - To manage human resources in an ethical & socially responsible manner.
   - To ensure compliance with legal & ethical standards.
   - To minimise the negative impact of societal demands upon the organisation.

2) **Organisational Objective:-**
   - HR department, like any other department in an organisation, should focus on achieving the goals of the organisation first. If it does not meet this purpose, the HR department cannot exist in the long run.
   - HR department should recognise its role in bringing about organisational effectiveness.
   - HRM is not an end in itself. It is only a means to assist the organisation with its primary objectives.

3) **Functional Objectives:-**
   - To maintain the HRM departments contribution at a level appropriate to the organisation's needs. Resources are wasted when HRM is either more or less sophisticated to suit the organisation's demands.
   - The department's level of service must be tailored to fit the organisation it serves.
   - HRM should employ the skills & abilities of the workforce efficiently. It should aim at making the people's strength more productive & beneficial to the organisation.
   - HRM should aim at providing the organisation with well trained & well motivated employees.

4) **Personnel Objectives**
   - HRM should increase employees job satisfaction to the fullest extent.
   - HRM should also meet the self actualisation needs of the employees. It should stimulate every employee to achieve his potential.
   - HRM should assist the employees in achieving their personal goals, at least in so far as these goals enhance the individual's contribution to the organisation.
   - HRM should develop & maintain a quality of work life. It makes employment in the organisation a desirable, personal & social situation. Organisational performance can never be improved without the quality of work life.

- The HRM should also communicate HR policies to all employees. It will help the HRM in tapping the ideas, opinions, feelings, & the views of the employees.

PERSONNEL MANAGEMENT

Meaning:- it is the process of Planning, organising, compensation, integration & maintenance o people for the purpose of contributing to organisational individual & societal goals.

Personnel management can be defined as obtaining, using & maintaining a satisfied workforce.

Definition:- Acc. to Flippo " personnel management is the planning, organizing, compensation, integration & maintenance of people for the purpose of contributing to organisational, individual & societal goals.

Acc, to Brech "personnel management is that part which is primarily concerned with human resources of organisation.

DIFFERENCES BETWEEN PERSONNEL MANAGEMENT & HRM

PERSONNEL MANAGEMENT	HRM
It is a traditional approach to managing people in the organisation.	It is modern approach to managing people in the organisation.
It focuses on personnel administration, employee welfare, & labour relation.	It focuses on acquisition, development, motivation & maintenance of HR in the organisation.
It assumes people as input for achieving the desired output.	It assumes people as in important & valuable resource for achieving the desired output.
It undertaken for employee satisfaction.	It undertaken for goal achievement.
Job design is done on the basis of division of labour.	Job design function is done on the basis of group work/teamwork.
Employees are provided with less training & development opportunities.	Employees are provided with more training & development.
Decisions are made by the top management as per the rules & regulation of the organisation	Decisions are made collectively after considering employee's participation, authority, decentralization, competitive environment etc.
It focuses on increased production & satisfied employees	It focuses on effectiveness, culture, productivity & employee's participation.
It is concerned with the personnel manager.	It is concerned with all levels of managers from top to bottom.
It is a routine function.	It is a strategic function.

FUNCTIONS OF HRM

1. **MANAGERIAL FUNCTION**
   Managerial function includes
   a) **Planning:-**
      It is pre-determined course of action. Planning pertain to formulating strategies of personnel programmes & changes in advance that will contribute to the organisational goals.
      In other words it involves planning of HR, requirements, selection, training etc.
   b) **Organising:-** an organisation is a means to an end. It is essential to carry out the determined course of action. Acc. to J.C Massie, an organisation is a structure & a process by which a co-operative group of human beings allocates its task among its members, identifies relationship & integrates its activities towards a common objective.
   c) **Directing:-** activating employees at different level & making them contribute maximum to the organisation is possible through proper direction & motivation. Taping the maximum potentialities of the employees is possible through motivation & command.
   d) **Controlling:-** after planning, organizing, & directing the actual performance of employees is checked, verified & compared with the plans. It the actual performance is found deviated from the plan, control measures are required to be taken.

ii) OPERATIVE FUNCTIONS

the operative functions of HRM are related to specific activities like

1) **Employment:-**

It is concerned with securing & employing the people possessing the required kind & level of human resources necessary to achieve the organisational objectives. It includes

i)   **Job Analysis:-** it is the process of study & collection of information relating to the Role & Responsibilities of a specific job.

ii)   **HR Planning:-** it is a process for determination & assuring that the organisation will have an adequate number of qualified persons, available at proper times, performing jobs, which would meet the needs of the organisation & which would provide satisfaction for the individuals involved.

iii) **Recruitment:-** it is the process of searching for prospective employees & stimulating them to apply for jobs in an organisation.

iv) **Selection:-** it is the process of ascertaining the qualifications, experiences, skills, knowledge etc of an applicant with a view to appraising his/her suitability to a job.

v) **Placement:-** it is the process of assigning the selected candidate with the most suitable job in terms of job requirements. It is matching employee specifications with job requirements.

vi) **Induction & Orientation:-** Induction & orientation are the techniques by which a new employee is rehabilitated in the changed surrounding & introduced to the practices, policies, purposes & people of the organisation.

2. **Human Resource Development:-**

   It is the process of improving, moulding & changing the skills, knowledge, creative ability, aptitude, values, commitment etc based on present & future job organisational requirements. It includes.

   i) **Performance Appraisal:-** it is the systematic evaluation of individuals with respect to their performance on the job & their potential for development.

   ii) **Training:-** it is the process of imparting to the employees technical & operating skills & knowledge.

   iii) **Managerial Development:-** it is the process of designing & conducting suitable executive development programmes so as to develop the managerial & human relations skill of employees.

   iv) **Career Planning & Development:-** it is the planning of one's career & implementation career plans by means of education, training, job search & acquisition of work experience. It includes internal mobility & external mobility.

   v) **Transfer:-** it is process of placing employees in the same level jobs where they can be utilised more effectively in consistence with their potentialities & needs of the employees & the organisation.

   vi) **Promotion:-** it deals with upward reassignment given to an employee in the organisation occupy higher position which commands better status or pay keeping in view in human resources of the employees & the job requirements.

   vii) **Demotion:-** it deals with downward reassignment to an employee in the organisation.

viii) **Retention Management:-** employers prefer to retain more talented employees while they retrench less talented employees. Employers modify existing human resource strategies & craft new strategies in order to pay more salaries, provide more benefits & create high quality of work life to retain the best employees.

3) Compensation :-

It is the process of providing adequate, equitable & fair remuneration to the employees. It includes

i) **Wage & salary Administration:-** it is the process of developing & operating a suitable wage & salary programme

ii) **Incentives:-** it is the process of formulating administrating & reviewing the schemes of financial incentives in addition to regular payment of wages & salary.

iii) **Fringe Benefits:-** these are the various benefits at the fringe of the wage. Management provides these benefits to motivate the employees & to meet their life's contingencies. Ex:- housing facilities, canteen facilities, medical facilities, disablement benefits etc.

iv) **Social Security Measures:-** management provide social security to their employees in addition to the fringe benefits. These includes worker men compensation, maternity benefits for women, medical benefits, retirement benefits lie PF, pension, gratuity etc.

4) Human Relations:-

It is the process of interaction among human beings. Human relations is an area of management in integrating people into work situation in a way that motivates them to work together productively cooperatively & with economic, psychological & social satisfaction.

5. Industrial relations:-

It refers to the study of relations among employee, employer, government & trade unions. It includes Trade union, collective bargaining, Quality circles etc.

6. Recent Trends in HRM:-

HRM has been advancing at a fast rate. The recent trends in HRM includes Quality of work life, Total quality in human resources, HR accounting, audit & research & Recent techniques of HRM.

HR MANAGER

A person who headed with HRM department. Or A person who is charge of the department that deals with the employment, training, support, records etc, of company.

Role of HR Manager

1. **The conscience role:-** the conscience role is that of humanitarian who reminds the management of its morals & obligations to its employees.
2. **The Counsellor**:- employees who are dissatisfied with the present job approach the personnel manager for counselling. In addition employees facing various problems like marital, health, children's education/marriage, mental, physical & career problems.
3. **The Mediator:-** as a Mediator, the Personnel Manager plays the role of peace maker. He settles the disputes between employees & the management. He acts as a liaison & communication link between both of them.
4. **The spokesman:-** he is a frequent spokesman for or representative of the company.
5. **The Problem Solver:-** he acts as a problem solver with respect to the issues that involve human resources management & overall long range organisational planning.
6. **The Change Agent:-** he acts as a change agent & introduces changes in various existing programmes.

EVOLUTION OF HRM

The evolution of the concept of Human Resource Management is presented below

➢ **Period before industrial revolution** – The society was primarily an agriculture economy with limited production. Number of specialized crafts was limited and was usually carried out within a village or community with apprentices assisting the master craftsmen. Communication channel were limited.

➢ **Period of industrial revolution (1750 to 1850)** – Industrial revolution marked the conversion of economy from agriculture based to industry based. Modernization and increased means if communication gave way to industrial setup. A department was set up to look into workers' wages, welfare and other related issues. This led to emergence of personnel management with the major task as

– Worker's wages and salaries

– Worker's record maintenance

– Worker's housing facilities and health care

An important event in industrial revolution was growth of Labour Union (1790) – The works working in the industries or factories were subjected to long working hours and very less wages. With growing unrest, workers across the world started protest and this led to the establishment of Labour unions. To deal with labour issues at one end and management at the other Personnel Management department had to be capable of politics and diplomacy, thus the industrial relation department emerged.

> **Post Industrial revolution** – The term Human resource Management saw a major evolution after 1850. Various studies were released and many experiments were conducted during this period which gave HRM altogether a new meaning and importance.

A brief overview of major theories release during this period is presented below

- Frederick W. Taylor gave principles of scientific management (1857 o 1911) led to the evolution of scientific human resource management approach which was involved in

– Worker's training

– Maintaining wage uniformity

– Focus on attaining better productivity.

- Hawthorne studies, conducted by Elton Mayo & Fritz Roethlisberger (1927 to 1940). – Observations and findings of Hawthorne experiment shifted the focus of Human resource from increasing worker's productivity to increasing worker's efficiency through greater work satisfaction.
- Douglas McGregor Theory X and Theory Y (1960) and Abraham Maslow's Hierarchy of needs (1954) – These studies and observations led to the transition from the administrative and passive **Personnel Management approach to a more dynamic Human Resource Management approach** which considered workers as a valuable resource.

As a result of these principles and studies, Human resource management became increasingly line management function, linked to core business operations. Some of the major activities of HR department are listed as-

1. Recruitment and selection of skilled workforce.
2. Motivation and employee benefits
3. Training and development of workforce
4. Performance related salaries and appraisals.

Evolution of HRM ...
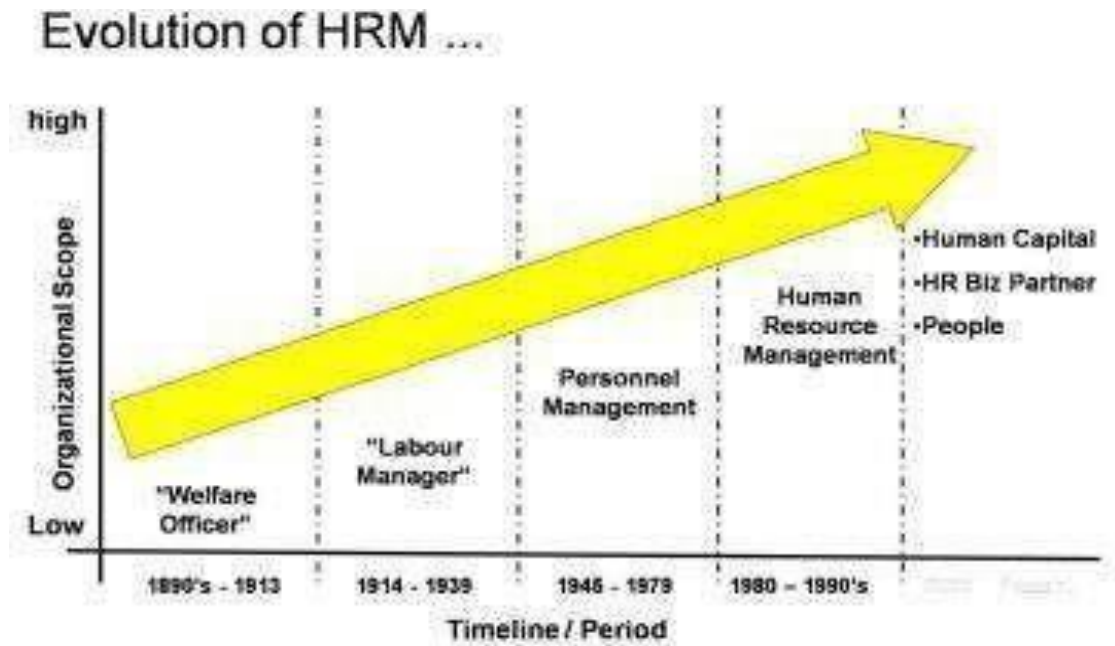
HRM POLICY

➢ Policy is predetermined course of action established to guide the performance of work towards accepted objectives.

➢ In organisational context" policy is a statement or general understanding which provides guideline to member of the organisation for making decision in respect to any course of action.

➢ Acc. to Edwin B Flippo a policy is rule or pre-determined course of action established to guide an organisational towards its objectives.

NEED/IMPORTANCE OF HRM POLICY

1. To Achieve the Objectives of the Organization:

Policies guide the employees to take action for achieving the objectives of the organization. Hence, they must be known and well understood by everyone in order to concentrate efforts on the objectives.

2. To Bring Uniformity in Decisions:

HR policies furnish the general standard on which decisions are taken. Various line authorities take decisions in an organization keeping in view the HR policies. Thus, uniformity of action is maintained in similar cases.

3. To Delegate Authority:

HR policies make delegation of authority possible, which means assigning the work to others and give them authority to do it. HR policies help executives at various levels of decision centres to act with confidence without consulting the superiors every time. HR policies give a manager liberty to choose the alternatives provided and to decide upon the action.

4. To Achieve Better Control:

HR policies specify relationships among organization, management and workers. Therefore, each group works for the achievement of the larger objectives of the organization without any policy conflicts. Thus, HR policies provide better control.

5. To Evaluate Efficiency:

HR policies serve as standards in execution of work. Efficiency of a group may be evaluated by its performance in the light of the policy. After assessing whether organization has achieved the desired results set in the policy, HR policy may be amended or a new policy may be formulated in the light of the actual performance.

6. To Create Confidence among Employees:

HR policies provide the workers a security against exploitation and create confidence in employees who may know where they stand in the organization.

7. To Motivate:

HR policies introduce the employees to the objectives of the organization. It guides the workers in achieving the objectives. They work enthusiastically and with loyalty to get those objectives.

8. To Guide the Management:

HR policies provide guidance to management in relation to the HR problems. HR policies decide how to get the work done by the people or how to behave with them.

CHARACTERISTICS OF SOUND HRM POLICY

While developing sound personnel policies management should pay attention to the following things:

1. **Related to Objectives:-** Policies must be capable of relating objectives functions, physical factors and Organisational personnel.

2. **Easy to Understand:** Policies should be stated in define, positive, clear and understandable language.

3. **Precise:** Policies should be sufficiently comprehensive and prescribe limits and yardsticks for future action.

4. **Stable as well as Flexible:** Personnel policies should be stable enough assure people that there will not be drastic overnight changes. They should be flexible enough to keep the organization in tune with the times.

5. **Based on Facts:** Personnel policies should be built on the basis of facts and sound judgment and not in personal feelings or opportunistic decision.

6. **Appropriate Number:** There should be as many personnel policies as necessary to cover conditions that can be anticipated, but not so many policies as to become confusing or meaningless.

7. **Fair & Equitable:-** policies should be just fair & equitable to internal as well as external groups. Eg:- a policy of recruitment from within may limit opportunities to bright candidates from outside & a policy of recruitment from outside only a would limit promotional avenue to promising internal candidates.

8. **Reasonable:-** policies must be reasonable & capable of being accomplished. To gain acceptance & commitment from employees, the policy should be conditioned by the suggestions & reactions of those who are affected by the policy.

9. **Review:-** periodic review of policies is essential to keep in tune with changing times & a avoid organisational complacency or managerial stagnation.

BENEFITS OF HRM POLICY

1. Recruitment and Selection

Policies pertaining to the recruitment and selection process are the foundation of building any workforce. You must have a plan for creating applications, how to prequalify applicants, how applicants move up to become a candidate and other employment procedures. This set of policies also benefits current employees who refer applicants to your business.

2. Training and Professional Development

Provisions for employee training and development are included in human resource policy documents because it informs employees of the kind of professional development available to them. In addition, policies related to training and development assistance in the formulation of employee development plans or performance improvement plans. Training and development policies serve as an outline of educational benefits available to current employees.

3. Handling Employee Concerns

Many companies have written procedures for handling employee complaints, whether they are internal, informal complaints or allegations made about the employer to enforcement agencies. The benefit of this policy is to document your company's commitment to non-discriminatory practices and how such complaints are resolved. These policies also benefit employees because they provide important information about workplace communication in the event an employee is unsure of who she contacts to discuss any concerns or problems.

4. Workplace Safety

In a time when more than worker safety in the performance of her job is the primary issue addressed in safety policies, employers distribute policies that address matters such as workplace violence. These types of policies are generally discussed in detail with employee groups; an emergency evacuation policy isn't effective if you don't discuss it until the emergency happens. Another benefit to having a human resources safety policy is adherence to federal and state guidelines for workplace safety.

5. Organizational Structure

An introduction to the human resources policy manual explains the organizational structure, what departments fulfill which expectations and company leadership. In the introductory section, many employers also explain the company philosophy as it is related to customer service, co-workers, leadership and business ethics. Ethics statements are extremely popular, especially in a world where social responsibility is observed by so much of the population. This section of a human resources policy manual may also state the company's compliance with federal, state and local anti-discrimination laws.

6. Employment Rules:-

Employees are accustomed to learning specific workplace rules such as dress code, discipline procedures, parking, attendance and working hours, holidays, employee benefits and payroll dates. The human resources policy on these issues is easy accessed by employees who have questions, or reviewed by new employees eager to learn more about their new employer.

UNIT II

HUMAN RESOURCE PLANNING

HUMAN RESOURCE PLANNING

Meaning:-

HRP means deciding the number & type of the human resources required for each job, unit & the total company for a particular future date in order to carry out organisational activities.

HRP or manpower planning is essentially the process of getting the right number of qualified people into the right job at the right time. It is a system matching the supply of people (existing employees & those to be hired or searched for) with openings the organisation expects over a time frame.

Definition:-Edwin B.Geisler "Manpower planning is the process(including forecasting, developing, implementing & controlling) by which a firm ensures that is has the right number of people & the right kind of people, at the right places, at the right time, doing things for which they are economically useful.

Acc. Bruce P. Coleman "Manpower planning is the process of determining manpower requirements in order to carry out the integrated plan of the organisation".

OBJECTIVES/PURPOSES OF HRP

i. Forecasting Human Requirements:
HRP Human resource planning is essential to determine the future human resource needs in an organization. In the absence of such a plan, it would be difficult to have the services of the right kind of people at the right time.

ii. Effective Management of Change:
Proper planning is required to cope with changes in market conditions, technology products, and government regulations in an effective way. These changes call for continuous allocation or reallocation of skills and in the absence of planning there might be under-utilization of human resource.

iii. Realizing Organizational Goals:
In order to meet the needs of expansion programmes and growth strategies of the organizations planning is essential.

iv. Promoting Employees:

The database available provides a comprehensive skill repertoire, which facilitates for decision making as to the promotional opportunities to be made available for the organization.

v. Effective Utilisation of Human Resource:

This database is also useful for identifying surplus and unutilized human resource and resources. In times of downsizing or in estimating the cost-benefit analysis of human resources would add value to the process.

The objective of human resource planning is to maintain and improve the organization's ability to achieve its goals by developing strategies that will result in optimum contribution of human resources.

Short points

1. To forecast the future needs of human resources.

2. To ensure fuller and effective utilisation of existing human resources.

3. To ensure that necessary manpower is available as and when required.

4. To relate human resource planning with the organisational planning.

5. To estimate the surplus or shortage of human resource in the organisation at any given time.

6. To get information about the manner in which the existing personnel are deployed, the kind of skills needed for various jobs, and manpower requirements over a specified period of time in relation to the organisational goals.

7. To anticipate the impact of technology on jobs and human resources.

8. To determine the levels of recruitment and training.

9. To estimate the cost of labour force and its housing requirements.

10. To provide a basis for management development programme.

11. To meet the needs of expansion and diversification programmes.

12. To increase the labour productivity and thereby reduce the labour costs.

FACTORS AFFECTING /INFLUENCING HRP

The factors can be classified into Internal & External factors

1. Internal Factors:-

1. **Government Policies:-** Policies of the government like labour policy, industrial relations policy, policy towards reserving certain job for different communities & sons of the soil etc affect the HRP.

2. **Level of Economic Development:-** level of economic development determines the level of HRD in the country & thereby the supply of human resources in the future in the country.

3. **Business Environment:-** external business environmental factors influence the volume & mix of production & thereby the future demand for human resources.

4. **Level of Technology:-** level of technology determine the kind of human resources required.

5. **International Factors:-** International factors like the demand for the resources & supply of HR in various counties.

II. Internal Factors

1. **Company Policies & strategies:-** Company's policies & strategies relating to expansion, diversification, alliances etc. determines the human resource demand in terms of quality & quality.

2. **Human Resource Policies:-** HR Policies of the company regarding quality of HR compensation level, quality of work life etc. influences human resources plan.

3. **Job Analysis:-** fundamentally, HR plan is based on job analysis, job description & job specification determines the kind of employees required.

4. **Time Horizons:-** companies with stable competitive environment can plan for the long run whereas the firms with unstable competitive environment can plan for only short term range .

5. **Type & quality of information:-** any planning process need qualitative & accurate information. This is more so with human resource plan, strategic, organisational & specific information affect HRP.

6. Company's production operation policy:- company's policy regarding how much to produce & how much to buy from outside to prepare a final product influence the number the number & kind of people required.

7. **Trade unions:-** Influence of trade unions, regarding number of working hours per week, recruitment sources etc. affect the HRP.

PROCESS OF HRP

1.Environmental Scanning:-Environmental scanning refers to the systematic monitoring of the external forces influencing the organisation. Managers monitor several forces but the following are pertinent for HRP.

   i.   Economic factors, including general & regional conditions.
   ii.   Technological changes, including robotics & automation
   iii.   Demographic changes, including age, composition & literacy.
   iv.   Political & legislative child care & educational facilities & priorities.
   v.   Social concerns, including child care & educational facilities & priorities.

2.Organisational objectives & Policies:- HR plans need to be based on organisational objectives. In practice, this implies that objectives of the HR plans must be derived from organisational objectives. Specific requirements in terms of number & characteristics of employees should be derived from the organisational objectives.

3.HR demand forecast:- it is the process of estimating the future quantity & quality of people required. The basis of the forecast must be the annual budget & long term corporate plan translated into actively levels for each function & department.

4. HR supply forecast:- Personnel demand analysis provides the manager with the means of estimating the number & kind of employees that will be required. The next logical step for the management is to determine whether it will be able to procure the required number of personnel & the sources for such procurement. This information is provided by supply forecasting. Supply forecasting measures the number of people likely to be available from within & outside an organisation after making allowance for absenteeism, internal movements & promotions, wastage & changes in hours & other conditions of work.

5. HR Programming:- Once an organization's personnel & supply are forecast the two must be reconciled or balance in order that vacancies can be filled by the right employees at the right time. HR programming the third step in the planning process, therefore assumes greater importance.

6. HR Plan Implementation:- implementation requires converting an HR plan into action. A series of action programmes are initiated as a part of HR plan

implementation. Some such programmes are recruitment, selection & placement, training & development, retaining & redeployment the retention plan the succession plan & redundancy plan.

7. Control & Evaluation:- this represents the fifth & final phase in the HRP process. The HR plan should include budgets, targets & standards. It should also clarify responsibilities for implementation & control & establish reporting procedures, which will enable achievements to be monitored against plan.

JOB ANALYSIS

Definition:- Job analysis is the process of studying & collecting information relating to the operation & responsibilities of a specific job. The immediate products of this analysis are job descriptions & job specification.

Meaning:- Job Analysis is a process of Collecting information about a job. The process of job analysis results in two sets of data

Job Description :- A statement contains Job title, Location, Job summary, Duties, Machines, tools & equipment, Materials & forms used, supervision given of received, working conditions, hazards.

a) **Job Specification:-** A statement of human qualification necessary to do the job, which contains Education, Experience, Training, Judgment, Initiative, Physical effort, Physical skills, Responsibilities, Communication skills, Emotional characteristics.

Uses of Job Analysis

➢ **Human Resource Planning:-** HRP determines as to how many & what type of personnel will be needed in the coming period. The number & the type of personnel are determined by the jobs which need to be satisfied. Job related information is therefore, necessary for human resource planning.

➢ **Recruitment & Selection:-** Recruitment needs to be preceded by job analysis. Job analysis helps human resource manager to locate places to obtain employees for openings anticipated in the future. An understanding of the types of the skills needed & types of jobs that may open in the future.
Selection a qualified person to fill a job requires knowing clearly the work to be done & the qualifications needed for someone to perform the work satisfactorily, without a clear & precise understanding of what a job entails.

➢ **Training & Development:-** Job analysis is useful for human resource development manager is as much as it helps him/her know what a given job demands from the incumbent in terms of knowledge & skill. Training & development programmes can be designed depending on the job requirements. Selection of trainees is also facilitated by job analysis.

➢ **Job Evaluation:-** it involves determination of relative worth of each job for

the purpose of establishing wage & salary differentials, relative worth is determined mainly on the basis of job description & job specification.

➤ **Remuneration:-** job evaluation helps determine wage & salary grades for all the jobs. Employees need to be compensated depending on the grades of jobs, which they occupy. Remuneration involves fringe benefits, bonus & other benefits.

➤ **Performance Appraisal:-** it involves assessment of the actual performance of an employee against what is expected to him/her. Such assessment is the basis for awarding promotion, effecting transfers, or assessing training needs.

➤ **Safety & Health:-** the process of conducting a detailed job analysis provides an excellent opportunity to uncover & identify hazardous conditions & unhealthy environmental factors (such as heat, noise fumes & dust) so that corrective measures can be taken to minimize & avoid the possibility of human injury.

RECRUITMENT

Meaning:- Recruitment is the process of searching for prospective employees & stimulating them to apply for jobs in the organisation.

Definition:- Acc. to Yoder " Recruitment is a process to discover the sources of manpower to meet the requirements of the staffing schedule & to employ effective measures for attracting the manpower in adequate number to facilitate effective selection of an efficient working force".

SOURCES OF RECRUTIMENT (METHODS/TECHNIQUES)

I.INTERNAL SOURCES/METHODS:- Internal methods seeks applicants for positions from those who are currently employed. It included

i) **Promotions & Transfers:-**

Promotion, movement of employee from a lower level position to a higher level position accompanied by (usually) changes in duties, responsibilities, status & values.

Transfer, is an internal movement within the same grade, from one job to another. It may lead to changes in duties & responsibilities, working condition etc., but not necessarily salary.

ii) **Job Posting:-** job posting is another way of hiring people from within. In this method, the organisation publicizes job openings on bulletin boards, electronic media & similar outlets.

iii) **Employee Referrals:-** Employee referral means using personal contacts to locate job opportunities. It is a recommendation from a current employee regarding a job applicant. The logic behind employee referral is that "it takes on to know one".

II. EXTERNAL SOURECE/METHODS

Every enterprise has to use external sources for recruitment to higher positions when existing employee are not suitable. More persons are needed when expansions are undertaken. External methods includes

1. **Advertisement:-** Advertisement is the best method of recruiting person for higher & experienced jobs. The advertisements are given in local or national press trade or professional journals. The requirements of jobs are given in the advertisements. The prospective candidates evaluate themselves against their requirements f jobs before sending their applications. Management gets a wider range of candidates for selection. The flood of application may create difficulties in the process.

2. **Direct Recruitment:-** Direct recruitment refers to the external source of recruitment where the recruitment of qualified candidates are done by placing a notice of vacancy on the notice board in the organization. This method of sourcing is also called as **factory gate recruitment**, as the blue-collar and technical workers are hired through this process.

3. **Employment Exchanges:-**As per the law, for certain job vacancies, it is mandatory that the organization provides details to the employment exchange. Employment exchange is a government entity, where the details of the job seekers are stored and given to the employers for filling the vacant positions. This external recruitment is helpful in hiring for unskilled, semi-skilled, and skilled workers.

4. **Employment Agencies:-**Employment agencies are a good external source of recruitment. Employment agencies are run by various sectors like private, public, or government. It provides unskilled, semi-skilled and skilled resources as per the requirements of the organization. These agencies hold a database of qualified candidates and organizations can use their services at a cost.

5. **Professional Associations:-** Professional associations can help an organization in hiring professional, technical, and managerial personnel, however they specialize in sourcing mid-level and top-level resources. There are many professional associations that act as a bridge between the organizations and the job-seekers.

6. **Campus Recruitment**:-Campus recruitment is an external source of recruitment, where the educational institutions such as colleges and universities offers opportunities for hiring students. In this process, the organizations visit technical, management, and professional institutions for recruiting students directly for the new positions.

7. **Word of Mouth Advertising:-**Word of mouth is an intangible way of sourcing the candidates for filling up the vacant positions. There are many reputed organizations with good image in the market. Such organizations only need a word-of-mouth advertising regarding a job vacancy to attract a large number of candidates.

SELECTION

Meaning:- selection is the process of examining the applicants with regard to their suitability for the given job or jobs, & choosing the best from the suitable candidates & rejecting the others.

Definition:- Acc. to Dale Yoder, " Selection is the process in which candidates for employment are divided into two classes those who are to be offered employment & those who are not. Selection means a process by which qualified personnel may be chosen from the applicants offering their services to the organization for employment".

SELECTION PROCESS/STEPS IN SELECTION

1. **Screening of Applicants (Application Blank):-** Prospective employees have to fill up some sort of applications forms. These forms have variety of information about the applicants like their personal bio-data, achievements, experience etc. such information is used to screen the applicants who are found to be qualified for the consideration of employment. The information may also be used to keep permanent records of those persons who are selected. Based on screening of applications, only those candidates are called for further process fo selection that are found to be meeting the job standards of the organization.

2. **Selection Methods/Tests:-** Organizations hold different kinds of selection tests to know more about the candidate or to reject the candidates who cannot be called for interview etc. selection test normally supplement the information provided in the application forms, such forms may contain factual information about candidates selection texts may give information about their aptitude, interest, personality etc., which cannot be known by the application forms.

3. **Interview:-** Selection tests are normally allowed by personal interview of the candidates. The basic idea here is to find out over all suitability of candidates for the jobs. It also provides opportunity to give relevant information about the organisation to the candidates. In many cases, interview of preliminary nature can be conducted before the selection tests.

4. **Reference & Background Verification:-** many organisation ask the candidates to provide the names of referees from whom more information about the candidates can be solicited. Such information may be related to character, working etc. the usual referees may be previous

   employers, person's associated with the educational institutions from where the candidates have received education or other persons of prominence who may be aware of the candidates' behaviours ability.

5. **Medical Examinations:-** certain jobs require unusual strength to tolerance of hard working conditions. A physical examination reveals whether or not a candidate possesses these qualities. It brings out deficiencies not as a basis of rejection but as a positive aid to selective placement & as indicating restrictions on his transfer to other positions.

6. **Approval by Appropriate Authority or Hiring Decisions:-** on the basis of the above steps suitable candidates are recommended for selection by the selection committee or personnel department. Though such a committee or personnel department may have authority to select the candidate finally, often it has staff authority to recommend the candidates for selection to the appropriate authority.

7. **Placement:-** After all the formalities are completed the candidates are placed on their jobs initially on probation basis. The probation period may range from 3 months to 2 years. During this period, they are observed keenly, & when they complete this period successfully, they become the permanent employees of the organization.

TYPES OF TESTS/ SLECTION TEST

1. **Aptitude Test:-** these tests measure whether an individual has the capacity or latent ability to learn a given job, if given adequate training. Aptitudes can divided into general & mental ability or intelligence & specific aptitudes such as mechanical, clerical, manipulative capacity etc.

2. **Psycho motor Test :-** these tests measure abilities like manual dexterity, motor ability & eye hand coordination of candidates. These tests can are useful to select semi-skilled workers & workers for repetitive operations like packing & watch assembly.

3. **Job knowledge Test:-** under this test, a candidate is tested in the knowledge of particular job. For example. If a junior lecturer applies for the job of a senior lecturer in commerce he may be tested in job knowledge where he is asked question about accountancy principles, banking law, business management etc.

4. **Vocational / Interest Test:-** these tests are inventories of the like & dislikes of candidates in relation to work, job, occupations, hobbies & recreational activities. The purpose of this test is to find out whether a candidate is interested or disinterested in the job for which he is a candidate & to find out

there is high correlation between the interest of a candidate in a job & job success.

5. **Personality test:-** these tests probe deeply to discover clues to an individual's value system, his emotional reactions & maturity & characteristic mood. They are expressed in such traits like tact, emotional control, optimism, decisiveness, sociability, conformity, objectivity, patience, fear, distrust, initiative, judgement dominance or submission, impulsiveness, sympathy, integrity, stability & self-confidence.

6. **Group discussion:-** this test administered through the group discussion approach to solve a problem under which candidate are observed in the areas of initiating, leading, proposing valuable ideas, conciliating skills, oral communicating skills, coordinating & concluding skills.

INTERVIEW

Meaning:- Interview means a conversation between interviewer & interviewee aimed at assessing the potentialities for a job.

In other words " An interview is an attempt t secure maximum amount of information from the candidate concerning his suitability for the job under consideration".

Types of Interview

1. **Informal Interview:** This is may take place anywhere. The employer or a manager in the personnel department may ask a few questions, like name, place of birth, previous experience, etc. It is not planned and is used widely when the labour market is tight and you need workers very badly. A friend or a relative of the employer may take a candidate to the house of the employer or manager where this type of interview may be conducted.
Formal Interview: This held in a more formal atmosphere in the employment office by the employment officer with the help of well-structured questions. The time and place of the interview are stipulated by the employment office.

2. **Planned Interview:** This is a formal interview carefully planned. The interviewer has a plan of action worked out in relation to time to be devoted to each candidate, type of information to be sought, information to be given, the modality of interview and so on. He may use the plan with some amount of flexibility.

3. **Patterned Interview:** This is also a planned interview but planned to a higher degree of accuracy, precision and exactitude. A list of questions and areas are

carefully prepared. The interviewer goes down the list of questions, asking them one after another.

4. **Non-directive Interview:** This is designed to let the interviewee speak his mind freely. The interviewer is a careful and patient listener, prodding whenever the candidate is silent. The idea is to give the candidate complete freedom to 'sell' himself without encumbrances of the interviewer's questions.

5. **Depth Interview:** This is designed to intensively examine the candidate's background and thinking and to go into considerable detail on a particular subject to special interest to the candidate. The theory behind it is that if the candidate is found good in his area of special interest, the chances are high that if given a job he would take serious interest in it.

6. **Stress Interview:** This is designed to test the candidate and his conduct and behaviour by putting him under conditions of stress and strain. This is very useful to test the behaviour of individuals under disagreeable and trying situations.

7. **Group Interview:** This is designed to see how the candidates react to and against each other. All the candidates may be brought together in the office and they may be interviewed. The candidates may, alternatively, be given a topic for discussion and be observed as to who will lead the discussion, how they will participate in the discussion, how each will make his presentation and how they will react to each other's views and presentation.

8. **Panel Interview:** This is done by members of the interview board or a selection committee. This is done usually for supervisory and managerial positions. It pools the collective judgement and wisdom of members of the panel. The candidate may be asked to meet the panel individually for a fairly lengthy interview.

INDUCTION & PLACEMENT

PLACEMENT

Meaning:- Placement is the actual posting of the candidate for the specific job. It involves the assigning of specific rank & responsibility to that candidate.

In other words, Induction is the task of introducing the new employee to the policies, procedures, rules & regulations of the organisation.

Acc. to Pigors & Myers "Placement is the determination of the job to which an accepted candidate is to be assigned & the work of that job. It is the match of what the supervisor has reason to think he can do with what the job demands".

Significance of Placement

1. It improves employee morale.
2. It helps in reducing employee turnover.
3. It helps in reducing absenteeism
4. It helps in reducing accident rates.
5. It avoids misfit between the candidate & the job.
6. It helps the candidate to work as per the predetermined objectives of the organisation.

INDUCTION

Meaning :- Induction is the process of receiving welcoming an employee when he first joins the company & giving his basic information he needs to settle down quickly & happily & starts work.

Objectives of Induction

- To help the new comer to overcome his shyness & overcome his nervousness in meeting new people in a new environment.
- To give new comer necessary information such as location of café, rest period etc.
- To build new employee confidence in the organisation
- It helps in reducing labour turnover & absenteeism.
- It reduces confusion & develops healthy relations in the organisation.
- To ensure that the new comer do not form false impression & negative attitude towards the organisation.
- To develop among the new comer a sense of belonging & loyalty to the organisation.
- To provide basic skills, terms & ideas of the business world & help the new employee in human relations.

UNIT III

TRAINING AND EXECUTIVE DEVELOPMENT

TRAINING

Meaning:-

➤ Training is concerned with increasing knowledge and skill in doing a particular job and the major burden of training falls upon the business organisation in which the job is located.

➤ Training is the act of increasing the knowledge & skill of an employee for doing a particular job. It is a short term educational process utilising s systematic & organised procedure by which employees learns technical knowledge skills for definite purpose.

DEFINITION

Dale S. Beach defines the training "the organised procedure by procedure by people learn knowledge and/or skill for definite purpose".

OBJECTIVES OF TRAINING

1. To provide the basic knowledge & skill to the newly joined people to perform the tasks as designed by the organisation.
2. To develop the existing employees by exposing them to latest concepts, information & techniques, and thereby strengthen their skills.
3. To develop second & third line executive to strengthen the working links & levels, so that they can occupy higher positions.
4. To improve the outlook of senior level managers & other policy-makers enabling them to look into new horizons of the organisation.
5. To make employees more effective & productive which increase the image of employees' earning power & job security.
6. To would the employee attitude with the purpose of achieving a better co-operative with the company & develop loyalty to the organisation.

NEED/IMPORTANCE OF TRAINING

1. **To Match the employee specifications with the job requirements & organisational needs:-** managements find deviations between employee's present specification & the job requirements & organisational needs. Training is needed to fill these gaps by developing & moulding the employee's skill, knowledge, attitude, behaviour etc., to the tune of the job requirements & organisational needs.

2. **Organisational Viability and the Transformation process:-** the primary goals of most of the organisations is that their viability is continuously influenced by environmental pressure. If the organisation does not adapt itself to the changing factors in the environment, it will lose its market share. If the organisation desires to adapt these changes, first it has to train the employees to impart specific skills & knowledge in order to enable them to contribute to organisational efficiency & to cope with the changing environment.

3. **Technical Advances:-** Every organisation in order to survive & to be effective should adopt the latest technology i.e., mechanisation, computerisation & automation. Adoption of latest technological means & methods will not be complete until they are manned by employees possessing skills to operate them. So, the organisation should train the employees to enrich them in the areas of changing technical skills & knowledge from time to time.

4. **Organisational Complexity:-** with the emergence of increased mechanisation & automation, manufacturing of multiple products & by-products or dealing in services of diversified lines, extension of operations to various regions of the country or in overseas countries, organisation of most of the companies has become complex,. This creates the complex problems of coordination & integration of activities adaptable for adaptable to the expanding & diversifying.

5. **Human Relation :-** Trends in approach towards personnel management has changed from the commodity approach to partnership approach, crossing the human relations approach. So today, management of most of the organisation has to maintain human relations besides maintaining sound industrial relations although hitherto the managers are not accordingly.

6. **Change in the Job Assignment:-** training is also necessary when the existing employee in promoted to the higher level in the organisation & when there is some new job or occupation due to transfer. Training is also necessary to equip old employees with the advanced disciplines, techniques or technology.

7. The training also need for
   - Increase productivity
   - Improve quality of the products/service.
   - Help a company to fulfil its future personnel needs.
   - Improve organisational climate.

- Improve health & safety
- Prevent health & safety
- Prevent obsolescence.
- Effect personal growth
- Minimize the resistance to change.

METHODS OF TRAINING

I – ON THE JOB TRAINING

This type of Training, also known as job instruction training, is the most commonly used method. Under this method, the individual is placed on a regular job & taught the skills necessary to perform that job. The trainee learns under the supervision & guidance of a qualified worker or instructor. On- the job training methods includes

1. **Job Instruction Training:-**
   This method is also known training step by step. Under this method, the trainer explains to the trainee the way of doing the job, Job knowledge & skills & allows him to do the job. The trainer appraises the performance of the trainee, provides feedback information & corrects the trainee.

2. **Vestibule Training:-**
   In this method, actual work conditions are simulated in a classroom. Material, files & equipment which are used in actual job performance are also used in training. This type of training is commonly used to training personnel for clerical & semi-skilled jobs. The Duration of this training ranges from days to a few weeks. Theory can be related to practice in this method.

3. **Simulation:-**
   The real situation of work environment in an organisation is presented in the training session. In other words, in simulation, instead of taking participants into the field, the field is simulated in the training session itself. The participants act out samples of real business behaviour in order to get practice in making decisions. It covers situations of varying complexities & roles for the participants. Role Playing is one of the common simulation methods of training.

4. **Job Rotation:-**
   This type of training involves the movement of the trainee from one job to another. The trainee receives job knowledge & gains experience from his supervisor or trainer in each of the different job assignments. Though this method of training is common in training managers for general management positions, trainees can also be rotated from job to job in workshop jobs.

5. **Coaching :-**

The trainee is placed under a particular supervisor who functions as a coach in training the individual. The supervisor provides feedback to the trainee on his performance & offers him some suggestions for improvements. Often the trainee shares some of the duties & responsibilities of the coach & relieves him of his burden. A limitation of this method of training it shat the trainee may not have the freedom or opportunity to express his own ideas.

6. **Apprenticeship:-**

It is a structured process by which people become skilled workers through a combination of classroom instructions & on-the-job training. It is widely used to train individuals for many occupations. Many organisations have apprenticeship laws with supervised plans for such training.

II OFF-THE-JOB TRAINING

Under this method o training the trainee is separated from the job situation & his attention is focused upon learning the material related to his future job performance. Since the trainee is not distracted by job requirements, he can place his entire concentration on learning the job rather than spending his time in performing it. There is an opportunity for freedom of expression for the trainees.

Off –the Job Training includes

1. **Lecture Method:-**

The lecture is traditional & direct method so instruction. The instructor organises the material & gives it to group of trainees in the form of a talk. To be effective, the lecture must motivate & create interest among the trainees. Thus, costs & time involved are reduced. The major limitation of the lecture method is that it does not provide for transfer of training effectively.

2. **Conference or Discussion:-**

It is a method in training the clerical, professional & supervision personnel. This method involves a group of people who pose ideas, examine & share facts, ideas & data test assumptions & draw conclusions, all of which contribute to the improvement o job performance. Discussion has the distinct advantage over the lecture method, in that the discussion involves two-way communication & hence, feedback is provided. The participants feel free to speak in small groups. The success of this method depends on the person who leads the group.

3. **Case Discussion (Case studies):-**

The case study method, the instructor describes the actual situation or problem on a specific concern of the problem. This method increases the trainee's power of observation & also his analytical ability.

4. **Role Play:-**

It is defined as a method of human interaction that involves realistic behaviour in imaginary situations. This method of training involves action, doing & practice. The participants play the role of certain characters such as the production manager, mechanical engineer, superintendents, maintenance engineers, quality control inspectors, foreman, workers & the like. This method is mostly used for developing interpersonal interactions & relations.

5. **Programmed Instruction:**

In recent years, this method has become popular. The subject matter to be earned is presented in a series of carefully planned sequential units. These units are arranged from simple to more complex levels of instruction. The trainees go through these units by answering question or filling the blanks. This method is expensive & time consuming.

6. **T- Group or Sensitivity Training:-**

This method aims to influence an individual's behaviour through group discussion. In group discussion, the trainees freely express their ideas, beliefs & attitudes. In this method the trainees are enabled to see themselves as others see them & develop an understanding of others' views & behaviour. Further, any. In addition the trainees by interaction in a group become sensitive to one another's feelings & also develop increased tolerance for individual's differences.

7. **In basket Training:-**

In this method to acquaint employees about their job where a number of problems are kept in the in basket (usually kept on the desk of the employee). The worker has to look at the problems which could also the complaints from different employees & simultaneously deal with those problems.

Purpose of Training and Development:

From the point of view of the individual employee, there are three main aims of training:

- Improve the individual's level of awareness

- Increase an individual's skill in one or more areas of expertise

- Increase an individual's motivation to perform their job well

When we consider the purpose of training from the perspective of the employer, we can add one more objective to this list:

- Increase overall productivity and performance

We are aware that the modern organisation is forced to operate in a volatile, uncertain, complex and

ambiguous business climate. In this context, it is important that if an organisation is to invest in training, the skills and learning acquired stimulate relevant productivity, so the business maintains a competitive edge in this competitive global market.

The importance of high-quality training is crucial because the cost to the organisation is often significant. The cost of training includes the training course itself, travel expenses, and lost hours from work to attend training. The national average spend on learning and development, per employee per year, is £300 (The Independent 2018).

Training should be top priority to organisations because the benefits to employees are numerous. According to Steptoe-Warren (2013) these benefits include:

- Reduction in poor quality and defective products and services

- Reduced waste (eg materials in the process of production)

- Reduction in absenteeism

- Reduction in staff turnover

- Reduction in customer complaints and customer turnover

- Increased staff loyalty/feelings of obligation and motivation A more flexible, empowered and adaptable workforce

- Enhanced company image

Benefits / Advantages of Training and Development:

The benefits of training are not restricted to an individual only, but also to the organization they work in, as well as to various inter and intra group relations along with policy implementation.
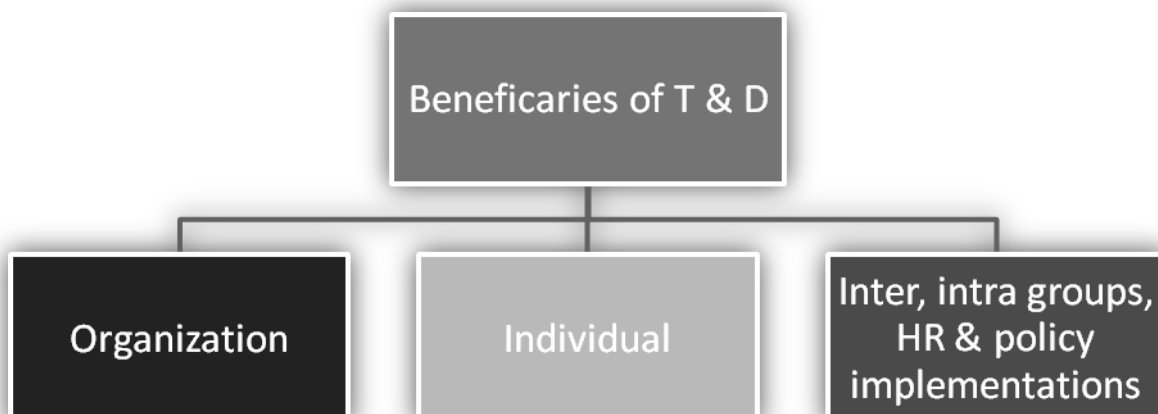
Benefits to Organization:

- Improved organizational efficiency and productivity

- Identifying & Reducing / eliminating operational bottle necks

- Creation of learning Organization
- Profit Orientated attitude

- Enhanced job knowledge and skill at various levels of organization

- Organizational goal communication

- Enhanced Corporate Image

- Climate of trust and openness

- Boss and sub-ordinate relationship development

- Supports in Organizational Development

- Idea generation from trainees

- Recheck of organizational policy

- Better prepared for decision making & problem solving

- Developing leadership skills

- Move towards better QWL

- Reduction of cost in various organizational domains

- Develop sense of organizational commitment

- Foster Organizational citizenship

- Improve labour management relationship

- Organizational culture development

- Support Organizational communication

- Preparing organization to face uncertainties and changes

- Aid in conflict management (ultimately reducing stress and tension)

Benefits to Individuals (Employees):
- Develop new skills (for better decision and solving)

- Increase in knowledge base

- Enhanced individual productivity & efficiency

- Escalating motivation and morale

- Setting up career aspiration and ambitions (preparation for promotion and growth)

- Source of reward and recognition

- Decision to stay back or move to other organization (in case of no/ improper training)

- Preparedness for handling stress, conflict, tension and frustration.

- Enhanced communication (relationship development)

Benefits to Inter, intra groups, HR & policy implementations:

- Improved team efficiency and productivity

- Enhanced communication levels & interpersonal skills

- Employee orientation for fresher's (or those transferred /promoted)

- Policy dissemination

- Relooking organizational policies towards viability

- Enhance morale and cohesiveness

- Climate for learning, development and synchronization

Disadvantages of training and Development:

With numerous advantages associated with training and development, there are certain disadvantages also associated with it like:

- It's an expensive process

- Risk of employee moving to other organizations or getting poached

UNIT IV

EMPLOYEE COMPENSATION

COMPENSATION

INTRODUCTION:

Compensation is the remuneration received by an employee in returns of their contribution to the organization. Compensation of employees for their services is important responsibility of human resource management. Every organization must offer good wages and fringe benefits to attract and retain talented employees with the organization. If at any time, the wages offered by a firm are not competitive as compared to other firms, the efficient workers may leave the firm. Therefore, workers must be remunerated adequately for their services. Compensation to workers will vary depending upon the nature of job, skills required, risk involved, nature of working conditions, paying capacity of the employer, bargaining power of the trade union, wages and benefits offered by the other units in the region or industry etc.,

DEFINITION:

Gary Dessler in his book Human Resource Management defines compensation in these words "Employee compensation refers to all forms of pay going to employees and arising from their employment." The phrase 'all forms of pay' in the definition does not include non-financial benefits, but all the direct and indirect financial compensations

According to Thomas J. Bergmann (1988) compensation consists of four distinct components: Compensation = Wage or Salary + Employee benefits +Non-recurring financial rewards + Non-pecuniary rewards.

OBJECTIVES OF COMPENSATION

➢ Recruit & Retain Competent Employees
➢ Consistency & Equity in Pay
➢ Employability in a Cost Effective
➢ Financial Protection to Employees
➢ Organizational Ability to Pay
➢ Comparative☐& Comparable
➢ Benefit Management
➢ Improve Organizational Performance

IMPORTANCE OF COMPENSATION MANAGEMENT

A good compensation is a must for every business organization, as it gives an employee a reason to stick to the company.

An organization gains from a structured compensation management in the following ways

- It tries to give proper refund to the employees for their contributions to the organization.

- It discovers a positive control on the efficiency of employees and motivates them to perform better and achieve the specific standards.

- It creates a base for happiness and satisfaction of the workforce that limits the labor turnover and confers a stable organization.

- It enhances the job evaluation process, which in return helps in setting up more realistic and achievable standards.

- It is designed to abide with the various labor acts and thus does not result in conflicts between the employee union and the management. This creates a peaceful relationship between the employer and the employees.

- It excites an environment of morale, efficiency and cooperation among the workers and ensures satisfaction to the workers.

COMPONENTS OF COMPENSATION MANAGEMENT

Basic Wages/Salaries:

Basic wages / salaries refer to the cash component of the wage structure based on which other elements of compensation may be structured. It is normally a fixed amount which is subject to changes based on annual increments or subject to periodical pay hikes.

Wages represent hourly rates of pay, and salary refers to the monthly rate of pay, irrespective of the number of hours put in by the employee. Wages and salaries are subject to the annual increments. They differ from employee to employee, and depend upon the nature of job, seniority, and merit

Dearness Allowance:

The payment of dearness allowance facilitates employees and workers to face the price increase or inflation of prices of goods and services consumed by him. The onslaught of price increase has a major bearing on the living conditions of the labour.

The increasing prices reduce the compensation to nothing and the money's worth is coming down based on the level of inflation. The payment of dearness allowance, which may be a fixed percentage on the basic wage, enables the employees to face the increasing prices

Incentives:

Incentives are paid in addition to wages and salaries and are also called 'payments by results'.
Incentives depend upon productivity, sales, profit, or cost reduction efforts. There are:

(a) Individual incentive schemes, and

(b) Group incentive programmes.

Individual incentives are applicable to specific employee performance. Where a given task demands group efforts for completion, incentives are paid to the group as a whole. The amount is later divided among group members on an equitable basis

Bonus:

The bonus can be paid in different ways. It can be fixed percentage on the basic wage paid annually or in proportion to the profitability. The Government also prescribes a minimum statutory bonus for all employees and workers. There is also a bonus plan which compensates the managers and employees based on the sales revenue or profit margin achieved. Bonus plans can also be based on piece wages but depends upon the productivity of labour

Non-Monetary Benefits:

These benefits give psychological satisfaction to employees even when financial benefit is not available. Such benefits are:

   (a) Recognition of merit through certificate, etc.

   (b) Offering challenging job responsibilities,

   (c) Promoting growth prospects,

   (d) Comfortable working conditions,

   (e) Competent supervision, and

   (f) Job sharing and flexi-time and others

Commissions:

Commission to managers and employees may be based on the sales revenue or profits of the company. It is always a fixed percentage on the target achieved. For taxation purposes, commission is again a taxable component of compensation.

The payment of commission as a component of commission is practiced heavily on target based sales. Depending upon the targets achieved, companies maLy pay a commission on a monthly or periodical basis

Mixed Plans:

Companies may also pay employees and others a combination of pay as well as commissions. This plan is called combination or mixed plan. Apart from the salaries paid, the employees may be eligible for a fixed percentage of commission upon achievement of fixed target of sales or profits or Performance objectives. Nowadays, most of the corporate sector is following this practice. This is also termed as variable component of compensation.

Piece Rate Wages:

Piece rate wages are prevalent in the manufacturing wages. The labourers are paid wages for each of the Quantity produced by them. The gross earnings of the labour would be equivalent to number of goods produced by them. Piece rate wages improves productivity and is an

absolute measurement of productivity to wage structure. The fairness of compensation is totally based on the productivity and not by other qualitative factors

Fringe Benefits:

Fringe benefits may be defined as wide range of benefits and services that employees receive as an integral part of their total compensation package. They are based on critical job factors and performance. Fringe

benefits constitute indirect compensation as they are usually extended as a condition of employment and not directly related to performance of concerned employee.

Profit Sharing:

Profit-sharing is regarded as a stepping stone to industrial democracy. Profit-sharing is an agreement by which employees receive a share, fixed in advance of the profits. Profit sharing usually involves the determination of an organization's profit at the end of the fiscal year and the distribution of a percentage of the profits to the workers qualified to share in the earnings.

TYPES OF COMPENSATION

1. Direct /Base Compensation:

Direct compensation refers to monetary benefits offered and provided to employees in return of the services they provide to the organization. The monetary benefits include basic 8 salary, house rent allowance, conveyance, leave travel allowance, medical reimbursements, special allowances, bonus, Pf/Gratuity, etc. They are given at a regular interval at a definite time.

a) Basic Salary : Salary is the amount received by the employee in lieu of the work done by him/her for a certain period say a day, a week, a month, etc. It is the money an employee receives from his/her employer by rendering his/her services

b) House Rent Allowance:Organizations either provide accommodations to its employees who are from different state or country or they provide house rent allowances to its employees. This is done to provide them social security and motivate them to work.

c) Conveyance: Organizations provide for cab facilities to their employees. Few organizations also provide vehicles and petrol allowances to their employees to motivate them

d) Leave Travel Allowance: These allowances are provided to retain the best talent in the organization. The employees are given allowances to visit any place they wish with their families. The allowances are scaled as per the position of employee in the organization.

e) Medical Reimbursement: Organizations also look after the health conditions of their employees. The employees are provided with medi-claims for them and their family members. These medi-claims include health-insurances and treatment bills reimbursements.

f) Bonus: Bonus is paid to the employees during festive seasons to motivate them and provide them the social security. The bonus amount usually amounts to one month's salary of the employee.

g) Special Allowance: Special allowance such as overtime, mobile allowances, meals, commissions, travel expenses, reduced interest loans; insurance, club memberships, etc are provided to
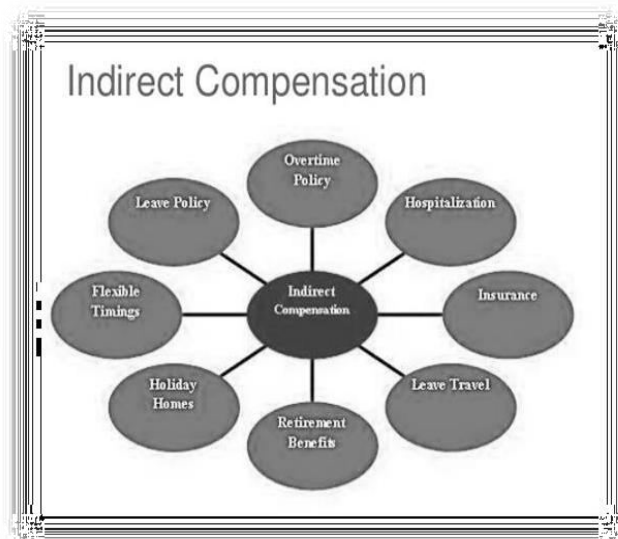

Direct Compensation
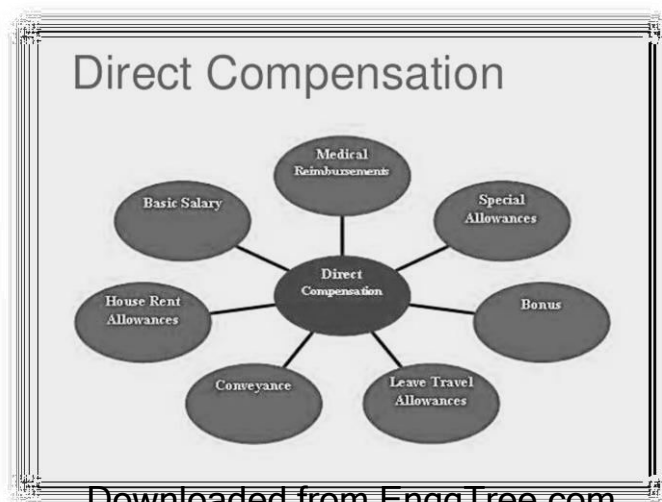
employees to provide them social security and motivate them which improve the organizational productivity

2. Indirect /Supplementary Compensation:

Indirect compensation refers to non-monetary benefits offered and provided to employees in lieu of the services provided by them to the organization. They include Leave Policy, Overtime Policy, Car policy, Hospitalization, Insurance, Leave travel Assistance Limits,
Retirement Benefits, Holiday Homes

a) <u>Leave Policy</u>: It is the right of employee to get adequate number of leave while working with the organization. The organizations provide for paid leaves such as, casual leaves, medical leaves (sick leave), and maternity leaves, statutory pay, etc.

b) <u>Overtime Policy</u>: Employees should be provided with the adequate allowances and facilities during their overtime, if they happened to do so, such as transport facilities, overtime pay, etc.

c) <u>Hospitalization</u>: The employees should be provided allowances to get their regular check-ups, say at an interval of one year. Even their dependents should be eligible for the medi-claims that provide them emotional and social security.

d) <u>Insurance</u>: Organizations also provide for accidental insurance and life insurance for employees. This gives them the emotional security and they feel themselves valued in the organization.

e) <u>Leave Travel</u>: The employees are provided with leaves and travel allowances to go for holiday with their families. Some organizations arrange for a tour for the employees of the organization. This is usually done to make the employees stress free.

f) <u>Retirement Benefits</u>: Organizations provide for pension plans and other benefits for their employees which benefits them after they retire from the organization at the prescribed age.

g) <u>Holiday Homes</u>: Organizations provide for holiday homes and guest house for their employees at different locations. These holiday homes are usually located in hill station and other most wanted holiday spots. The organizations make sure that the employees do not face any kind of difficulties during their stay in the guest house.

h) <u>Flexible Timings</u>: Organizations provide for flexible timings to the employees who cannot come to work during normal shifts due to their personal problems and valid reasons.

COMPETITIVE COMPENSATION DESIGN

Understanding how to design a compensation system that is appropriate is vital for an organisation, as it is an effective way to promote a positive work environment and boost employee morale. When determining compensation, the goals of an organisation are to attract people to work for it and to retain those people who have proven their value with their hard work.

A company can use compensation to motivate employees to work at their peak performance and to ensure they are content with their jobs and work environment. A fair and competitive compensation system can help an organisation retain talented employees and reduce employee turnover. Employee satisfaction and productivity may increase if employees believe the compensation they are receiving is more favourable than that of comparable jobs. Here are the steps for designing an effective compensation plan for a company:

1. Align the compensation system with the organisation's values

An effective compensation system is one that supports the goals and values of the organisation. When designing such a system, it is important that you consider it carefully because it ultimately reflects how an organisation values its employees. A good compensation strategy can provide a competitive advantage, and the key to designing it is to understand the structure, vision and direction of the organisation.

A well-designed compensation system is one tool a company can use to support the achievement of its strategic objectives. A fair compensation plan can motivate employees. Implementing a performance-based compensation system can offer many benefits. The effective use of incentive plans can inspire employees to perform better and boost productivity. Supporting the organisation's strategic goals and ensuring the system fits with its structure and strategy are two important objectives when you are designing a compensation system.

2. Analyse the job market

It is helpful to gather relevant data before you design a compensation plan to identify current market trends and position an organisation effectively. It is important that employees perceive their compensation to be fair when they compare it to what other employees are receiving for the same kind of work. An employer's objective is typically to attract and retain qualified and high-performing employees. Some market variables that may affect this are not within the control of an employer, so it is beneficial to target those elements that are within the scope.

While an organisation is free to determine the compensation levels for new hires and to advertise those salary ranges, it is important to consider other employers who are also looking to fill positions with applicants from the same target market group. Hence, it is a good idea to conduct a survey of the job market to find out what compensation packages other employers are offering their employees who work in similar positions.

3. Decide on the type of compensation

If an organisation bases its compensation system on standardised components, employees are more likely to view it as fair and equitable. Employers may compensate employees directly or indirectly. Direct compensation includes an employee's basic pay, dearness allowance, housing allowance, bonuses, incentives, commissions, travel reimbursements, medical reimbursements, special allowances and gratuities. Indirect compensation may include

benefits such as life insurance, health insurance, a pension, a provident fund, a company car, overtime pay, child care and annual leave. Non-financial compensation, such as gifts, extra paid leave, a new office or reimbursement for purchasing health and wellness equipment, are other possible provisions.

4. Understand the job requirements

When designing a compensation system, it is necessary to consider the job descriptions and compensation packages for similar positions in the same field. A job description specifies the contractual obligations, prerequisites, duties, responsibilities, settings, situational factors and other components of a job. Each position 1requires a detailed outline of the expectations andresponsibilities and an appropriate job title that   ali

5. Determine pay equity

Compensation impacts employee job satisfaction, performance and motivation. Finding an equitable balance between the amount of money that an organisation is willing to pay to its employees and the employee's perceptions of their own worth is necessary to create a viable structure. Limiting compensation to save money may negatively affect employee satisfaction and morale, while increasing it may improve retention and reduce employee turnover.

6. Design the salary structure

You can create a salary structure by ranking jobs based on a competitive compensation line and pay variants. A job ranking is a collection of different but comparable jobs. By establishing a job ranking system, it is possible to consider similar jobs equitably and determine fair compensation packages. Furthermore, a salary structure provides guidelines for promoting employees from one rank to the next. An organisation can determine compensation based on its employees' qualifications, experience and efficiency by establishing pay ranges within the job ranking. The organisational budget is another factor to consider when you are determining employee compensation

FACTORS CONSIDERED IN DECIDING THE COMPENSATION

Employers decide on what is the right compensation after taking into account the following points. The Job Description of the employee that specifies how much should be paid and the parts of the compensation package. The Job Description is further made up of responsibilities, functions, duties, location of the job and the other factors like environment etc. These elements of the job description are taken individually to arrive at the basic compensation along with the other components like benefits, variable pay and bonus. It needs to be remembered that the HRA or the House Rental Allowance is determined by a mix of factors that includes the location of the employee and governmental policies along with the grade of the employee. Hence, it is common to find a minimum level of HRA that is common to all the employees and which increases in proportion to the factors mentioned above.

The Job Evaluation that is a system for arriving at the net worth of employees based on comparison with appropriate compensation levels for comparable jobs across the industry as well as within the company. Factors like Experience, Qualifications, Expertise and Need of the company determine how much the employer is willing to pay for the employee. It is often the case that employers compare the jobs across the industry and arrive at a

particular compensation after taking into account the specific needs of their firm and in this respect, salary surveys and research results done by market research firms as to how much different companies in the same industry are paying for similar roles. The components of compensation that have been discussed above are the base requirements for any HR Manager who is in charge of fixing the compensation for potential employees. Hence, all HR professionals and managers must take this following aspect into account when they determine the compensation to be paid to employees

I. **External Factors:**

1) **Demand and Supply of Labour**: Wage is a price or compensation for the services rendered by a worker. The firm requires these services, and it must pay a price that will bring forth the supply which is controlled by the individual worker or by a group of workers acting together through their unions. The primary result of the operation of the law of supply and demand is the creation of the going wage rate. It is not practicable to draw demand and supply curves for each job in an organization even though, theoretically, a separate curve exists for each job.

2) **Cost of Living**: Another important factor affecting the wage is the cost-of- living adjustments of wages. This tends to vary money wage depending upon the variations in the cost-of-living index following rise or fall in the general price level and consumer price index. It is an essential ingredient of long-term labour contract unless provision is made to reopen the wage clause periodically.

3) **Labour Union**: Organized labour is able to ensure better wages than the unorganized one. Higher wages may have to be paid by the firm to its workers under the pressure or trade union. 13 If the trade union fails in their attempt to raise the wage and other allowances through collective bargaining, they resort to strike and other methods hereby the supply of labour is restricted. This exerts a kind of influence on the employer to concede at least partially the demands of the labour unions.

4) **Government:** To protect the working class from the exploitations of powerful employers, the government has enacted several laws. Laws on minimum wages, hours of work, equal pay for equal work, payment of dearness and other allowances, payment of bonus, etc., have been enacted and enforced to bring about a measure of fairness in compensating the working class. Thus, the laws enacted and the labour policies framed by the government have an important influence on wages and salaries paid by the employers. Wages and salaries can't be fixed below the level prescribed by the government.

5) **Prevailing Wage Rates**: Wages in a firm are influenced by the general wage level or the wages paid for similar occupations in the industry, region and the economy as a whole. External alignment of wages is essential because if wages paid by a firm are lower than those paid by other firms, the firm will not be able to attract and retain efficient employees. For instance, there is a wide difference between the pay packages offered by multinational and Indian companies. It is because of this difference that the multinational corporations are able to attract the most talented workforce.

II.

III. Internal Factors

1) Ability to Pay

Employer's ability to pay is an important factor affecting wages not only for the individual firm, but also for the entire industry. This depends upon the financial position and profitability of the firm. However, the fundamental determinants of the wage rate for the individual firm emanate from supply and demand of labour. If the firm is marginal and cannot afford to pay competitive rates, its employees will generally leave it for better paying jobs in other organizations. But, this adjustment is neither immediate nor perfect because of problems of labour immobility and lack of perfect knowledge of alternatives. If the firm is highly successful, there is little need to pay more than the competitive rates to obtain personnel. Ability to pay is an important factor affecting wages, not only for the individual firm but also for the entire industry.

2) Top Management Philosophy

Wage rates to be paid to the employees are also affected by the top management's philosophy, values and attitudes. As wage and salary payments constitute a major portion of costs and /or apportionment of profits to the employees, top management may like to keep it to the minimum. On the other hand, top management may like to pay higher pay to attract top talent.

3) Productivity of Workers

To achieve the best results from the workers and to motivate him to increase his efficiency, wages have to be productivity based. There has been a trend towards gearing wage increase to productivity increases. Productivity is the key factor in the operation of a company. High wages and low costs are possible only when productivity increases appreciably.

4) Job Requirements

Job requirements indicating measures of job difficulty provide a basis for determining the relative value of one job against another in an enterprise. Explicitly, job may be graded in terms of a relative degree of skill, effort and responsibility needed and the adversity of working conditions. The occupational wage differentials in terms of

a) Hardship,

b) Difficulty of learning the job

c) Stability of employment

d) Responsibility of learning the job and

e) Change for success or failure in the work.

This reforms a basis for job evaluation plans and thus, determines wage levels in an industry.

5) Employees Related Factors :

Several employees related factors interact to determine his remuneration. These include

1 .**Performance**: productivity is always rewarded with a pay increase. Rewarding performance motivates the employees to do better in future.

2.**Seniority:** Unions view seniority as the most objective criteria for pay increases whereas management prefer performance to effect pay increases.

3.**Experience:** Makes an employee gain valuable insights and is generally rewarded

4.**Potential**: organizations do pay some employees based on their potential. Young managers are paid more because of their potential to perform even if they are short of experience
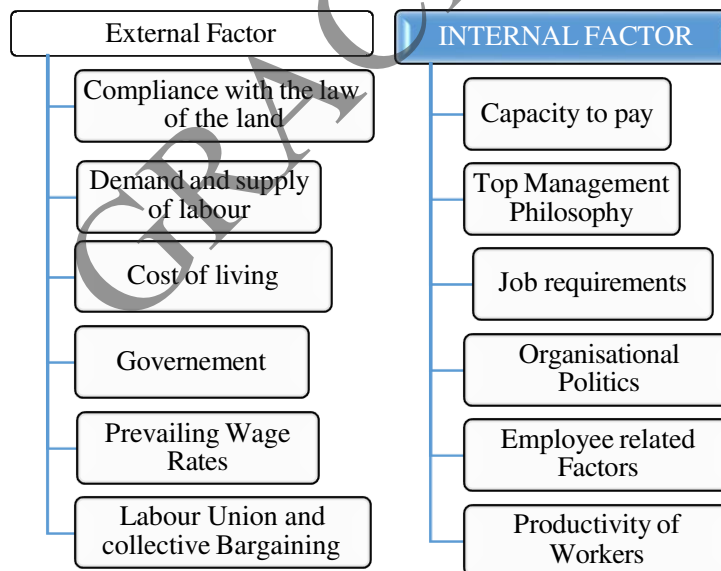
6) **Organizational Politics**

Compensation surveys, job analysis, job evaluation and employee performance are all involved in wage and salary decisions. Political considerations may enter into the equation in the following ways:

i) Determination of firms included in the compensation survey: managers could make their firm appear to be a wage leader by including in the survey those organizations that are pay followers.

ii) Choice of compensable factors for the job evaluation plan: Again, the job value determined by this process could be manipulated

iii) Emphasis placed on either internal or external equity and

iv) Results of employee performance appraisal may be intentionally disported by the supervisor Thus, a sound and objective compensation system may be destroyed by organizational politic

7)Evaluation of Compensation

Today's compensation systems have come from a long way. With the changing organizational structures workers' need and compensation systems have also been changing. From the bureaucratic organizations to the participative organizations, employees have started asking for their rights and appropriate compensations. The higher education standards and higher skills required for the jobs have made the organizations provide competitive compensations to their employees. Compensation strategy is derived from the business strategy. The business goals and objectives are aligned with the HR strategies. Then the compensation committee or the concerned authority formulates the compensation strategy. It depends on both internal and external factors as well as the life cycle of an organization

External Factor	INTERNAL FACTOR
Compliance with the law of the land	Capacity to pay
Demand and supply of labour	Top Management Philosophy
Cost of living	Job requirements
Governement	Organisational Politics
Prevailing Wage Rates	Employee related Factors
Labour Union and collective Bargaining	Productivity of Workers

COMPENSATION MANAGEMENT

A good compensation package is important to motivate the employees to increase the organizational productivity. Unless compensation is provided no one will come and work for the organization. Thus, compensation helps in running an organization effectively and accomplishing its goals. Salary is just a part of the compensation system;

the employees have other psychological and self-actualization needs to fulfil. Thus, compensation serves the purpose.

The most competitive compensation will help the organization to attract and sustain the best talent. The compensation package should be as per industry standards. Human Resource Management (HRM) has never been as significant as it is today. Companies want to attract, retain and motivate brains to meet objectives. Today humans are regarded as one of every company's asset, so they need to be efficiently and effectively managed. One of the tools companies use to attract, retain and motivate its people is Compensation Management.

OBJECTIVES OF COMPENSATION MANAGEMENT

1. To Establish a Fair and Equitable Remuneration

Effective compensation management objectives are to maintain internal and external equity in remuneration paid to employees. Internal equity means similar pay for similar 18 work. In other words, compensation differentials between jobs should be in proportion of differences in the worth of jobs. External equity implies pay for a job should be equal to pay for a similar job in other organizations. Payments based on jobs requirements, employee performance and industry levels minimize favoritism and inequities in pay.

2. To Attract Competent Personnel

A sound wage and salary administration help to attract qualified and hardworking people by ensuring an adequate payment for all jobs. For example, IT companies are competing each other and try their level best to attract best talents by offering better compensation packages.

3. To Retain the Present Employees

By paying competitive levels, the company can retain its personnel. It can minimize the incidence of quitting and increase employee loyalty. For example, employee's attrition is high in knowledge sectors (Ad-agency, KPO, BPO etc.,) which force the companies to offer better pay to retain their employees.

4. To Improve Productivity

Sound wage and salary administration helps to improve the motivation and morale of employees which in turn lead to higher productivity. Especially private sectors companies' offer production linked compensation packages to their employees which leads to higher productivity.

5. To Control Cost

Through sound compensation management, administration and labour costs can be kept in line with the ability of the company to pay. If facilitates administration and control of pay roll. The companies can systematically plan and control labour costs.

6. To Improve Union Management Relations

Compensation management based on jobs and prevailing pay levels are more acceptable to trade unions.

Therefore, sound wage and salary administration simplify collective bargaining and negotiations over pay. It reduces grievances arising out of wage inequities.

7. To Improve Public Image of the Company

Wage and salary programme also seeks to project the image of the progressive employer and to company with legal requirements relating to wages and salaries.

8. To Improve Job Satisfaction

If employees would be happy with their jobs and would love to work for the company if they get fair rewards in exchange of their services.

9. To Motivate Employees: Employees

All have different kinds of needs. Some of them want money so they work for the company which gives them higher pay. Some of them value achievement more than money, they would associate themselves with firms which offer greater chances of promotion, learning and development. A compensation plans that hits workers' needs is more likely to motivate them to act in the desired way.

10. Peace of Mind

Offering of several types of insurances to workers relieves them from certain fears, as a result workers now work with relaxed mind.

11. Increases Self-Confidence

Every human being wants his/her efforts to get acknowledgment. Employees gain more and more confidence in them and in their abilities if they receive just rewards. As a result, their performance level shoots up.

FRINGE BENEFITS

Meaning:- Fringe benefits is a benefit which supplements the employee's ordinary wages & which of value to them & their families is so far as it materially increases their retirement benefits.

Definition

Acc. to D. Belcher "F r i n g e benefits are any wage cost not directly connected with the employees productive effort, performance, service or sacrifice".

Kinds of Fringe Benefits

1. <u>Payment for time not worked</u>:- this category includes the following:

a) **Paid Holiday:-** According to factories act 1948 an adult worker shall have weekly paid holidays, preferably Sunday. When a worker is deprived of weekly holidays, he is eligible for compensatory holidays of the same number in the same month.

b) Shift premium:- Companies operating second & third shifts, pay a premium to the workers who are required to work during the night shift.

c) Holiday Pay:- Generally organisation offer double the normal rate of the salary to those workers who work during holidays.

d) Paid Vacation:- Worker in manufacturing mining & plantations who had worked for 240 days during a calendar year are eligible for paid vacation at the rate of one day for every 20 days worked in case of adult workers & one day for every 15 days worked in the case of child workers.

e)   Employee Security:- A minimum & continuous wage or salary gives a sense of security to the employees. The payment of wages act 1936, The Minimum Wages act 1948, the payment of Bonus act 1965, provide income security to the employees. In addition to this, the Industrial Disputes Act 1947, provides for the payment of compensation in case of lay off & retrenchment.

2.   Safety & Health:- Employee's safety & health should be taken care of in order to protect the employees against accidents, unhealthy working conditions & to protect the workers productive capacity.

3. Workmen's Compensation:- In addition to health & safety measures, provision for the payment of compensation has also been made under Workmen's Compensation Act, 1923. The act is intended to meet the contingency of invalidity & death of a worker due to an employment injury or an occupational disease specified under the act as the sole responsibility of the employer.

4. Health Benefits:- Organisations provide various medical services like hospital, clinical & dispensary facilities to employees & their family members. As per Employees State Insurance Act 1948 provides

- Sickness benefits

- Maternity benefit

- Disablement benefit

- Dependent benefit

- Medical benefit

1. **Voluntary Arrangement:-** Most of the large organisations provide health service over & above the legal requirements free of cost tot heri employees by setting up hospitals, clinics, dispensaries & homeopathic dispensaries.

2. **Welfare & Recreation Facilities:-** Welfare & recreational benefits include canteens, consumer societies, credit societies, Housing, Legal aid, Employee counselling, welfare organisation, holiday homes, Educational Facilities , Transportation parties & picnics, miscellaneous.

3. **Ole Age & Retirement Benefits:-** Employers provide some benefits to the employees, after retirement & during old age, with a view to create a feeling of security about the old age. These benefits are called old age & retirement benefits include Provident Fund, Pension, Deposit Linked scheme, Gratuity, Medical benefits.

INTERNAL MOBILITY PROMOTION

Meaning;- Promotion is a term which covers a change & calls for greater responsibilities & usually involves higher pay & better terms & conditions of service and therefore, a higher status or rank.

Acc. to Scott & Clothier: "A promotion is the transfer of an employee to a job which pays more money

or one that carries some preferred status".

Types of Promotion

1. **Vertical Promotion:-** Under this type of promotion, employee is moved to the next higher level in the organisational hierarchy with greater responsibility, authority pay & status.

2. **Upgradation:-** Under this type of promotion, the job is upgraded in the organisational hierarchy . Consequently, the employee gets more salary, higher authority & responsibility.

3. **Dry Promotion:-** Under this promotion, the employee is moved to the nest higher level in the organisational hierarchy with greater responsibility, authority & status without any increase in salary.

Bases of Promotion

1. **Merit as a basis of Promotion:-** merit is taken to denote an individual employee's skill, knowledge, ability, efficiency & aptitude as measure from educational, training & past employment record.

2. Seniority as a Basis of Promotion:-

Seniority refers to relative length of service in the same job & in the same organisation . & the amount of knowledge & the level of skill acquired by an employee in an organisation.

3. Seniority –cum-Merit:-

 A combination of both seniority & merit can be considered as the basis for promotion satisfying the management for organisational effectiveness & the employees & trade unions for respecting the length of service. A balance between seniority & merit should be struck & a new basis developed.

TRANSFER

Transfer is defined as "a lateral shit causing movement of individuals from one position to another usually without involving any marked change in duties, responsibilities, skills, needed or compensation".

Transfer also defined as the moving of an employee from one job to another. It may involve a promotion, demotion or no change in job status other than moving from one job to another.

Types of Transfer

1. Production Transfer:- Transfer caused due to changes in production.

2. Replacement Transfer:- Transfer caused due to initiation or replacement of a long standing employee in the same job

3. Rotation Transfer:- Transfer initiated to increase the versatility of employees.

4. Shift transfer:- T ransfer of an employee from one shift to another.

5. Remedial transfer:- Transfer initiated to correct the wrong placements.

6. Penal transfer:- Transfers initiated as a punishment for in disciplinary action of employees.

SEPERATION

 Separation of an employee exists when the service of an employee comes to an end because of one reason or other. Separation arises due to resignation; lay off, dismissal and retirement.

Types of separation:

i) **Resignation:** when the employee himself initiates the separation then it is termed as separation. There are some resignation which are avoidable and others which are unavoidable. It is the responsibility of the management to look out the real reason of the resignation. In such a cases the exit interview is better to conduct to find out the reason of resignation.

ii) **Lay off:** lay off is generally done to reduce the financial burden of the organization by temporary removing the surplus employees. This is done due to inability of the employee to recruit them due to shortage of sufficient resources. Lay off results in a great loss to the organization as they had to suffer all the expenses of selection, placement and training.

iii) **Dismissal:** dismissal or discharge means separating the employee from the payroll due to unsatisfactory performance where the employee fails to perform his duties well and he is not properly skilled to perform his job or due to violation of organizational rules it means indiscipline, dishonesty. Whatever is the cause of dismissal but it should be done at the last stage.

iv) **Retirement:** number of separation in the organization happen due to retirement. There must be clear rules of retirement there may be compulsory retirement where an employee has to retire after attaining a particular age. Forced retirement means when a person is found guilty in the court of law or breaks any service agreement then has to retire forcibly irrespective of his age. Premature retirement means that the employee becomes disable to perform the job in that case he may be given the option to take retirement before his retirement age.

REWARDS

The achievement and benefit received by employees for their job performance in an organization are known as reward. Employees join the organization within certain expectation of reward. Some may be expecting for better salary and wages i.e., economic rewards while other may be seeking for facilities like accommodation, transportation, health, safety and other benefits as reward. Thus, economic and non-economic benefits provided by organization to employees for their job performance regardless of their expectation is known as reward. Employees must be communicated about the reward provision in an advance.

The basic types of rewards mentioned are extrinsic rewards, which satisfy basic needs like pay and benefits, and intrinsic rewards, which satisfy higher needs like esteem and development through pride in one's work and sense of accomplishment.

Intrinsic Rewards can be defined as a particular monetary return, object or event that an employee receives in exchange for his/her work or for having done something well.

Extrinsic Rewards that relates to the subjective feelings of liking, pleasure or satisfaction.

Intrinsic rewards are self-initiated satisfactions from the job itself like pride in work and accomplishment, while extrinsic rewards are benefits provided externally in the form of pay and fringe benefits.

Exploring Different Forms of Reward

Effective rewards extend beyond financial compensation, encompassing a range of tangible and intangible offerings that recognize employee dedication and excellence.

Monetary Rewards

1. **Bonuses:** One-time cash rewards linked to achieving specific goals or exceptional performance.
2. **Salary Increases:** Periodic raises that reflect employee skills, experience, and contribution.
3. **Profit Sharing:** Sharing a portion of company profits with employees as an incentive.

Non-Monetary Rewards

1. **Flexible Work Arrangements:** Providing options for remote work, flexible hours, or compressed workweeks.
2. **Professional Development:** Investing in training, workshops, and courses to enhance employees' skills.
3. **Wellness Programs:** Offering gym memberships, health incentives, and mental health support.
4. **Work-Life Balance Initiatives:** Supporting employees' personal lives with parental leave, sabbaticals, or paid time off.

Recognition-Based Rewards

1. **Employee of the Month:** Highlighting outstanding performance with public recognition.
2. **Peer Recognition:** Allowing colleagues to nominate and appreciate each other's efforts.
3. **Certificates and Awards:** Presenting physical or digital certificates for accomplishments.

Career Advancement Rewards

1. **Promotions:** Recognizing exceptional performance with upward career mobility.
2. **New Opportunities:** Assigning challenging projects or cross-functional roles to promote growth.

Social and Team-Based Rewards

1. **Team Celebrations:** Recognizing team achievements with parties, outings, or team-building activities.
2. **Thank-You Notes and Shoutouts:** Sending personalized messages of gratitude.

Creative and Custom Rewards

1. **Personalized Gifts:** Tailoring rewards to individual preferences, such as books, gadgets, or experiences.
2. **Customized Perks:** Offering unique benefits based on employee interests.

Balancing and Tailoring Rewards

1. **Individual Preferences:** Understand what forms of reward resonate most with each employee.

2. **Hybrid Approaches:** Combine monetary and non-monetary rewards for a comprehensive package.
3. **Frequency:** Establish regular intervals for rewarding employees to maintain motivation.

A well-structured reward system acknowledges employees' multifaceted needs and preferences. By offering a mix of monetary, non-monetary, recognition-based, and career advancement rewards, organizations can cultivate a motivated and engaged workforce that feels appreciated and valued.

MOTIVATION

What is Motivation?

Motivation is defined as the **process that initiates, guides, and maintains goal-oriented behaviors.** Motivation is what causes us to act, whether it is getting a glass of water to reduce thirst or reading a book to gain knowledge. **For example,** if Ram keeps on studying then the reason might be because Ram is motivated to become a doctor.

The formal definition of motivation is that motivation is willingness of person to make intense and persistent efforts to achieve desired goals. There are **3 components** in definition of motivation.

1. **Willingness** refers to state of readiness for a person to act.
2. **Intense Effort** refers to how hard a person tries.
3. **Persistence effort** refers to continuity of the effort.

If degree of willingness is high to make intense or persistent effort, motivation would be high.

Motive, Motivators and Motivating

Motive: Motive (also known as need) is the inner state of a person that he is lacking something which moves him to engage in goal-directed behavior. **For example**, if you are thirsty (inner state), you will drink water (goal directed behavior)

Motivators: A motivator is anything which satisfy your need. **For example**, for a thirsty person, the motivator would be availability of water.

Motivating: Motivating is the process of inducing others to engage in goal−directed behavior by presenting motivators. **In organizational context,** managers use a variety of motivators (incentives) as part of motivating the employees.

Motivation Process

Motivation is a goal directed behavior. Feeling of need by an individual generates a feeling that he lacks something.
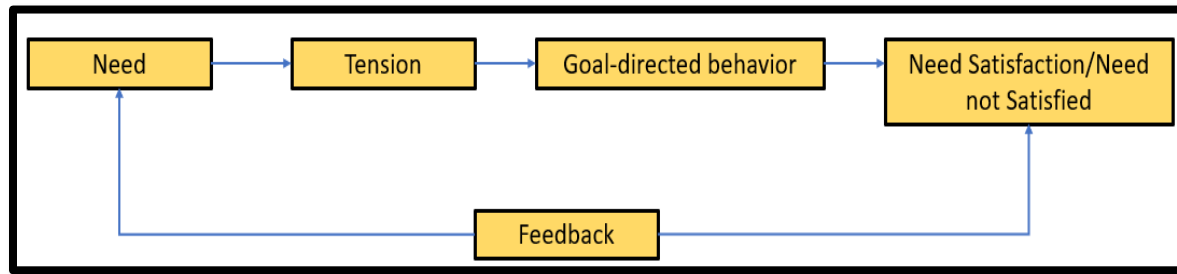
1. **Need**: Arousal of need is starting step of motivation process. Need is inner state of a person that he is lacking something. **For example,** if a person is thirsty then he needs water.
2. **Tension**: Tension is a feeling of being worried which makes it difficult for a person to relax. **For example**, a thirsty person will get tense if he is not able to get water.
3. **Goal-Directed behavior**: In order to overcome this tension, the person engages in goal− directed behavior through which tension is overcome. **For example**, if a person is thirsty then he may drink water.
4. **Need Satisfaction**: Goal−directed behavior may lead to satisfaction (goal fulfillment). **For example**, drinking of water by thirsty person would lead to need satisfaction. Sometimes goal−directed behavior may not lead to need satisfaction.
5. **Feedback**: Feedback involves the analysis whether need satisfaction is proper or not. **For example**, if a very thirsty person is given only one glass of water, then his need satisfaction may not be proper.

Consequences of Non-Satisfaction of Need:

If a need is not satisfied even after goal−directed behavior, the person will try to modify the behavior. He may produce following behaviors

1. **Flight**: One way is to leave the field. For example, employee quits the job that becomes frustrating
2. **Apathy**: He will become indifferent towards the situation. For example, if a person does not leave the frustrating job then he may not be serious anymore about the job
3. **Aggression**: He may become aggressive due to frustration. An employee frustrated with the job may become aggressive towards his superior, family etc.
4. **Rationalization**: Rationalization involves justifying the outcome of goal−directed behavior. For example, a person frustrated with his job might find fault in himself or his superior who has not given them their due.

Types of Motivation

1. **Positive vs. Negative**: Motivating forces can be positive, as in impelling one to reach a certain goal. They can also be negative, as in driving one away from an unwanted situation. You can be positively

motivated about going to work because you like your colleagues and some parts of the work, and negatively motivated because you have bills to pay.

2. **Basic vs. Learned**: Motivation leans on motives. Motives are often categorized into basic motives and learned motives. Basic or primary motives are unlearned and common to both animals and humans. We're talking hunger, thirst, sex, avoidance of pain, and perhaps aggression and fear. The learned or secondary motives include achievement, power, recognition, love.

3. **Extrinsic motivation and Intrinsic Motivation:**

   <u>**Extrinsic motivation**</u> occurs when we are motivated to perform a behavior or engage in an activity to

   - Studying because you want to get a good grade.
   - Cleaning your room to avoid being reprimanded by your parents.
   - Participating in a sport to win awards.
   - Competing in a contest to win a scholarship.
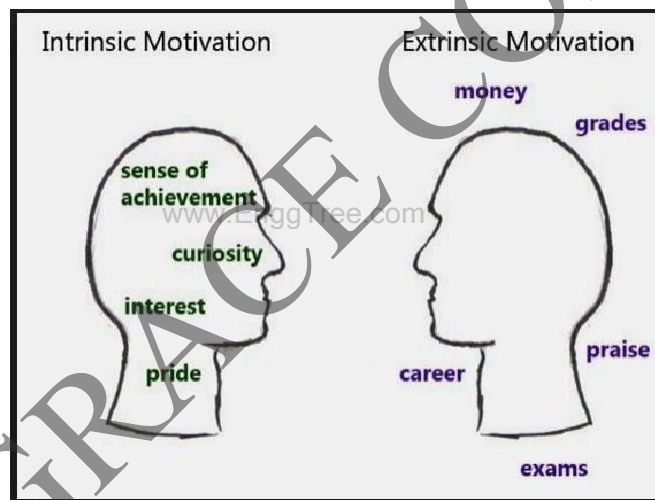
earn a reward or avoid punishment. **The motivation comes from outside. Examples of behaviors** that are the result of extrinsic motivation include:

   <u>**Intrinsic motivation**</u> involves engaging in behavior because it is personally rewarding; essentially, performing an activity for its own sake rather than the desire for some external reward. It comes from inside the individual and is not done for external rewards. **Examples are.**

   - Participating in a sport because you find the activity enjoyable.
   - Solving a word puzzle because you find the challenge fun and exciting.
   - Playing a game because you find it exciting.
   -

MOTIVATIONAL THEORIES

The motivational theories are basically categorized into the following
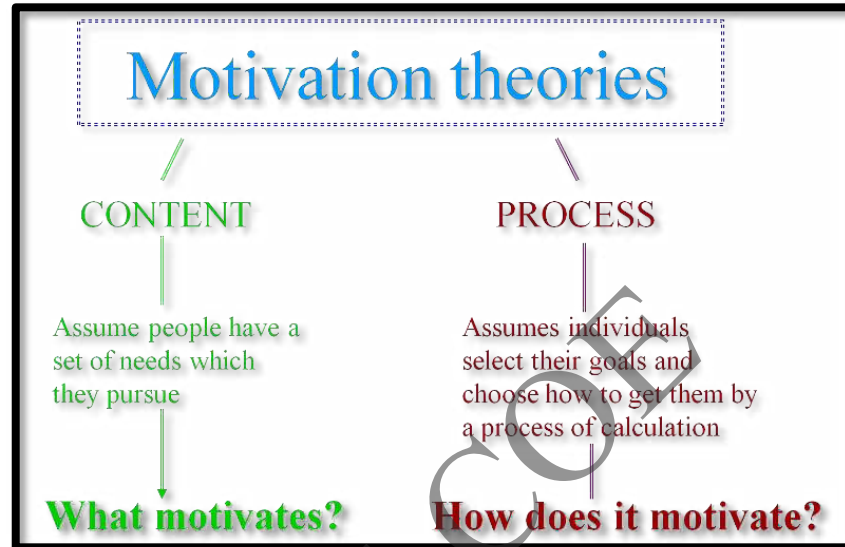
1. **Content Theories:** Content Theories look at specific needs that motivate people. The need can be intrinsic or extrinsic needs and hence managers should know the needs of everyone. This set basically concentrates on what motivates an individual. These are also known as traditional theories.

2. **Process Theories**: Process theories attempt to explain how the process of motivation works in an individual. Individuals make choices based on preferences, rewards, and accomplishments and therefore managers need to understand the process of motivation. **These are also known as contemporary theories.**

Content Based Theories

These are also called **Need based theories or Humanistic approach to motivation**. The basis behind these theories is that individuals have certain needs which if not met create tension in the mind of people. The individuals will then try to satisfy the need to reduce the tension. The managers should try to understand the needs of people and try to satisfy them. This will motivate them

For example, an employee wants to buy a car and is feeling frustrated without a car. For such an employee, a salary raise might be the biggest motivation. On the other hand, an employee is feeling dissatisfied because the employee is not finding the work challenging. For such an employee salary rise might not be a good motivator, only a challenging project can motivate the employee.
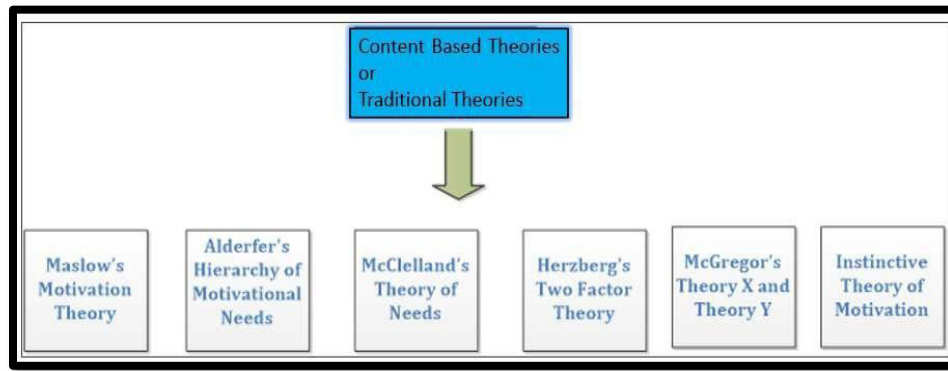
Among the above theories – All falls under Traditional Theories but if we categorize them as Content theories which are need based theories then Theory X and Theory Y will not come under Content Theories as they are not need based

Maslow's Motivation Theory

Maslow has proposed that motivation of people depends on their needs and these needs may be arranged in a hierarchy shown below.

Need hierarchy is based on following assumptions.

1. **Needs are to be fulfilled from bottom to top**. Individuals must satisfy lower−level needs before they can satisfy higher order needs. This concept of lower−level needs being satisfied first before moving higher is called **satisfaction progression**. Motivating a person depends on knowing at what level that a person is on the hierarchy.

2. A satisfied need does not motivate a person, only a next higher order needs motivates him.

There are five needs in Maslow need hierarchy – **Physiological needs, safety needs, Social needs, Self-Esteem needs, Self-Actualization needs**. Let us discuss these needs one by one

1. **Physiological needs**: These primary needs are created in an individual by nature. Needs of air, water, food, defecation etc. are such needs. These are the things without which we cannot live. Unless these needs of the individual are fulfilled, he cannot even think of higher−level needs. Example: If a child is hungry or thirsty, the teacher cannot motivate him for learning in the class.

2. **Safety needs (Security needs)**: After fulfilling physiological needs an individual wants physical safety and well−being (emotional security, financial security). He wants to be protected in the environment from his enemies whether they are his fellow being or the fury of the environment in the form of heat, cold, rain etc. Example: A child must feel that the classroom is a fair, orderly and safe place for learning at all the times. It must be a place free from physical bullying

3. **Needs of belongingness**: Having the above two needs been fulfilled an individual wants a sense of belonging to someone or a group. He wants love, affection, and friendship from his fellow beings. To satisfy these very needs child participates in diverse types of programmes in school. To draw the attention and love of his teachers, he fulfills the work given to him. Example: Students need to feel emotionally and physically safe and accepted within the classroom to progress and reach their full potential. Children who are not accepted in the groups in the class would not develop well.

4. **Esteem needs**: All humans have a need to feel respected; this includes the need to have self−esteem and self−respect. Esteem presents the typical human desire to be accepted and valued by others. People often engage in a profession or hobby to gain recognition. These activities give the person a sense of contribution or value. Low self− esteem or an inferiority complex may result from imbalances during this level in the hierarchy. People with low self−esteem often need respect from others; they may feel the need to seek fame or glory.

However, fame or glory will not help the person to build their self−esteem until they accept who they are internally. Psychological imbalances such as depression can hinder the person from obtaining a higher level of self-esteem or self-respect.

Most people have a need for stable **self-respect and self-esteem**. Maslow noted two versions of esteem needs: a "**lower**" version and a "**higher**" version. The "lower" version of esteem is the need for respect from others. This may include a need for status, recognition, fame, prestige, and

attention. The "higher" version manifests itself as the need for self−respect. For example, the person may have a need for strength, competence, mastery, self−confidence, independence, and freedom. This "higher" version takes precedence over the "lower" version because it relies on an inner competence established through experience. Deprivation of these needs may lead to an inferiority complex, weakness, and helplessness.

5. **Needs of self-actualization**: An individual comes to recognize his strengths and weaknesses fully before coming to this last level of needs. Based on potentialities, hewants to do such an extra-ordinary work so that he may acquire the top place in the eyes of the people. It can be achieved only when each of the other levels have been mastered, not just understood. Example: Talented students after a period come to know that they can achieve much more. A child can realize that he has the potential to become the best scientist or a film actor. To achieve this target, they try their best. If a teacher fails to recognize the abilities of these students and does not respond properly at their achievement, these students lag their actual level of performance.

Implication at Workplace:

1. Maslow's hierarchy of needs applied to work situations implies that managers have the responsibility, firstly, to make sure their people's deficiency needs are met. Only once the deficiency needs are met, one can go for self−actualization.

2. Secondly, it implies creating a proper climate in which employees can develop their fullest potential. Failures to do so would theoretically increase employee frustration and could result in inferior performance, lower job satisfaction, and increased withdrawal from the organization. For example, in this theory job insecurity and the threat of layoffs will block the person from their higher growth needs.

Criticism of Maslow's theory

1. **Wrong Order of Needs**:
   a. The order in which the hierarchy is arranged has been criticized as being ethnocentric by **Geert Hofstede.** Maslow's hierarchy of needs fails to illustrate and expand upon the difference between the social and Self−esteem/self−actualization needs of those raised in individualistic societies and those raised in collectivist societies. The needs and drives of those in individualistic societies tend to be more self−centered focusing on improvement of the self, with self−actualization whereas in collectivist societies, the social needs of acceptance and community will outweigh other needs.
   b. Some people may be deprived of lower order needs but still try for self−actualization. Mahatma Gandhi is an example of the same.
   c. For some people self−esteem need is more important than social needs and they may try to assert themselves on others even at the cost of social needs.

2. The position and value of sex on the pyramid has also been a source of criticism regarding Maslow's

hierarchy. Maslow's hierarchy places sex in the physiological needs category along with food and breathing; it lists sex solely from an individualistic perspective. For example, sex is placed with other physiological needs which must be satisfied before a person considers "higher" levels of motivation. Some critics feel this placement of sex neglects the

emotional, **familial**, and **evolutionary** implications of sex within the community. The critics feel sex should be placed in the social belonging category.

3. It is wrong to assume that only one motive is present at any point of time. Some people may be aspiring to fulfill multiple needs at one point in time.

4. Maslow's theory has primary application to lower−level workers in a country like India where the basic need of workers is not satisfied fully. In countries like US where basic needs are fulfilled for all, the people may have different order of needs and there it might be necessary, and needs be fulfilled in this order only.

5. Needs other than those identified by Maslow also motivate people – e.g., spiritual needs.

6. People can also operate on more than one need level simultaneously or may move to a lower level of needs if their life circumstances change. For e.g., during the recession, when many jobs were cut, suddenly lower−order needs became dominant over higher−order needs.

Maslow's Extended Motivation Theory

Since at least the 1970s there have been debates and discussions on whether Maslow identified all the motivating stages that drive humans. Some have argued that there should be more levels to the Hierarchy of Needs. Most seem to agree that there should be three new additions to the Hierarchy of Needs. As a result, the extended version of Maslow Theory was introduced which **has 3 new levels** as shown below.

The three new additions to Maslow's original Hierarchy of Needs model are:

* Knowledge and Understanding (Cognitive Needs)
* Need for Aesthetics
* Transcendence

1. **Knowledge and Understanding (Cognitive Needs):** People have a desire to explore and learn new things or
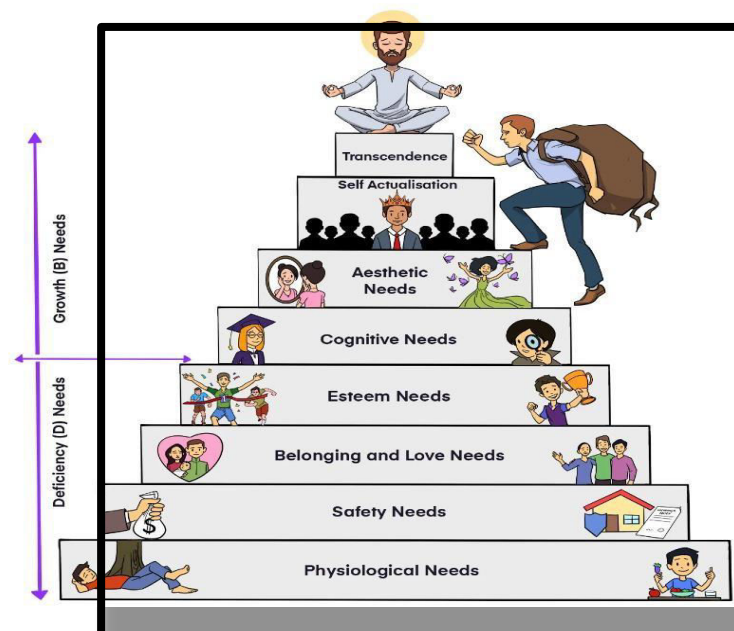
understand the world.

The inability to meet the cognitive needs may make it difficult to reach Self-Actualization. Self−Actualization is about personally growing and is a more complex form of gaining knowledge and understanding.

2. **Need for Aesthetics:** This is about the desire for beauty and pleasing surroundings in our life. Through the chaos, we seek order and balance. We want to appreciate the things we find beautiful**. For example, Tiya wants to arrange her wardrobe in a way that looks balanced and pretty.**

3. **Transcendence (helping others find fulfillment):** Transcendence is the desire to move beyond ourselves. In the expanded hierarchy it is placed after Self−Actualization, making it the highest level in the hierarchy. People seeking to fulfill their Transcendent needs may be motivated by helping others or becoming wholly driven by factors that do not personally impact them. They are so confident in their lower−level needs being met satisfactorily that they worry about the needs of others.

Herzberg's Two Factor Theory

Herzberg's Two Factor Theory is also known as the **Motivation Hygiene** Theory. It states two different facets of motivation, the first being **'hygiene'** factors or job context. The second factor is **'satisfiers'** or job content, i.e. the intrinsic qualities of the job. According to Herzberg, there are some job factors that result in satisfaction while there are other job factors that prevent dissatisfaction. **According to Herzberg, the opposite of "Satisfaction" is "No satisfaction" and the opposite of "Dissatisfaction" is "No Dissatisfaction".**

FIGURE: Herzberg's view of satisfaction and dissatisfaction
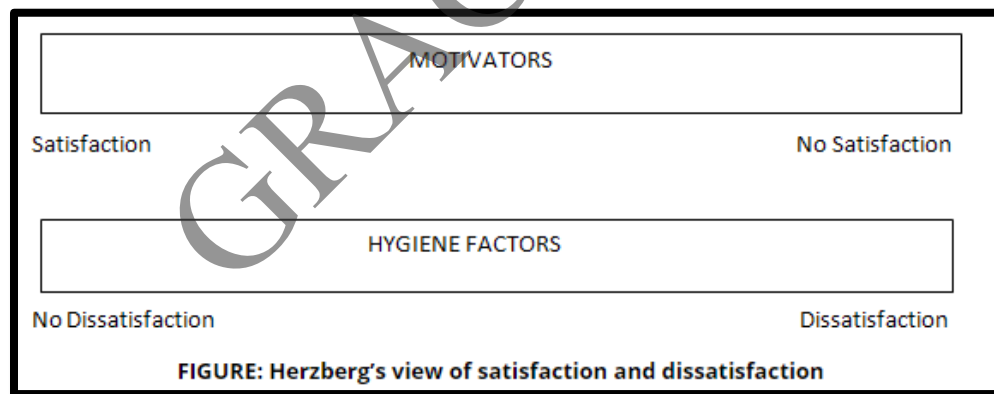
So the **satisfiers/motivators** provides satisfaction or motivation. **Hygiene factors** just decides employee being dissatisfied or not dissatisfied

1. **SATISFACTION (MOTIVATION**): According to Herzberg, the hygiene factors cannot be regarded as motivators. The motivational factors yield positive satisfaction. These factors are inherent to work. These factors motivate the employees for a superior performance. **These factors are called satisfiers**. These are factors involved in performing the job. Employees find these factors intrinsically rewarding. **The motivators symbolized the psychological needs that were perceived as an additional benefit.**

   Motivational factors include:
   - Achievement
   - Recognition
   - Work itself
   - Responsibility
   - Advancement
   - Growth and Promotion

2. **DISSATISFACTION (HYGIENE)**: Hygiene factors also known as maintenance factors are not intrinsic part of the job but are related to conditions under which job is performed. Hygiene factors are those factors which when adequate/reasonable in a job, pacify the employees and do not make them dissatisfied but do not motivate them. But if these factors are absent / if these factors are non−existent at workplace, then they lead to dissatisfaction. These factors are extrinsic to work. Hygiene factors are also called as dissatisfiers or maintenance factors as they are required to avoid dissatisfaction. These factors describe the job environment/scenario. The hygiene factors symbolized the physiological needs which the individuals wanted and expected to be fulfilled. Hygiene factors include:
   - Company policy
   - Administrative policies
   - Supervision
   - Salary
   - Interpersonal relations

- Working conditions
- Job Security

Herzberg also says that it is not only these factors but the personality of the individual also an important factor. Based on personality there are 2 types of individuals – motivation seekers and maintenance seekers. The motivation seekers generally are individuals who are primarily motivated by the satisfiers. On the other hand, maintenance seekers are more concerned about dissatisfies.

Another point mentioned by Herzberg is that today's motivators would be tomorrow's hygiene because once they get any particular thing it does not motivate them any longer.

Four Situations as per Herzberg

According to the Two−Factor Theory there are four possible combinations:

1. **High Hygiene + High Motivation**: The ideal situation where employees are highly motivated and have few complaints.
2. **High Hygiene + Low Motivation**: Employees have few complaints but are not highly motivated. The job is viewed as a paycheck.
3. **Low Hygiene + High Motivation**: Employees are motivated but have a lot of complaints. A situation where the job is exciting and challenging but salaries and work conditions are not up to par.
4. **Low Hygiene + Low Motivation**: This is the worst situation where employees are not motivated and have many complaints.

Job enrichment according to Herzberg's two factor theory

Job enrichment attempts to give employees greater responsibility by increasing the range and complexity of tasks, as employees are called upon to complete and for job enrichment necessary authority should also be granted. **Herzberg argued that job enrichment (through motivators) should be a central element in any policy of motivation**. Herzberg suggests that work be enriched (or 'vertically loaded') for true motivation to spark up. This is different from horizontal job loading, which reduces the personal contribution rather than giving opportunities for growth. Some examples of horizontal loading are:

- Challenging the employee by increasing the amount of production expected.
- Adding another meaningless task to the existing one.
- Rotating the assignments of several jobs that need to be enriched.
- Removing the most difficult parts of the assignment.

Criticism of Herzberg's theory

1. Herzberg drew conclusions from a limited experiment covering engineers and accountants. Engineers, accountants, and other professionals like them may like responsibility and challenging jobs. But the general body of workers are motivated by pay and other benefits (Hygiene factors)
2. The two−factor theory is an over−simplification of the true relationship between motivation and

dissatisfaction. Several studies showed that one factor can cause job satisfaction for one person and job dissatisfaction for another.

3. Herzberg's inference regarding differences between satisfiers and hygiene factors cannot be completely accepted. People generally attribute the causes of satisfaction to their achievements. But more likely they attribute their dissatisfaction to obstacles presented by the company's policies or superiors than to their deficiencies.

McGregor's Theory X and Theory Y

Douglas McGregor developed the theory that there are two basic management behavior types, Theory X managers and Theory Y managers, each of which has a quite different set of assumptions about others.

Theory X managers

Theory X managers are authoritarian and controlling, using threat and punishment to coerce people into working hard. The **carrot and stick approach** to motivation is followed. People are shown carrot (rewards) to get the work done and if they are not able to meet the targets then they are punished. They tend not to produce elevated levels of performance from their teams.

Theory X Assumptions:

1. People have an inherent dislike of work and will try to avoid it at all costs.
2. People need to be coerced, controlled, and threatened to work hard.
3. People are not ambitious and dislike responsibility, preferring to be directed.
4. Above all else, people want security.

Theory Y managers

Theory Y managers are democratic, consultative and empowering, helping people to develop and encouraging them to take the initiative. These enlightened managers tend to achieve the best results from their teams.

Theory "Y" managers gravitate towards relating to the worker on a more personal level, as opposed to a more conductive and teaching based relationship. As a result, Theory Y followers may have a better relationship with their higher ups, as well as potentially having a healthier atmosphere in the workplace.

Theory Y Assumptions:

1. People naturally put as much effort into their work as they do into play or rest
2. People will exercise self–direction and self–control if they are committed to a goal
3. People will be committed to an organization if they are satisfied in their job
4. People relish and seek responsibility
5. People are good at creative problem–solving

6. People's talents and skills are normally underused

Interpretation/Difference between Theory X and Theory Y

1. **Level of Needs**: Theory of X assumes Maslow's lower−level needs dominate in employees. Whereas Theory of Y, assumes Maslow's higher−level needs dominate in employees

2. **Type of Leadership**: Theory X focusses on autocratic leadership whereas theory Y focusses on democratic leadership. Although an authoritarian style of leadership is occasionally necessary in crisis situations, but the positive and participative Theory Y style is generally accepted as more effective for motivating people. People will contribute more to their job and organization if they are treated as emotionally mature, responsible, and valued employees and are given challenging work.

3. **Situations:** Theory X is more applicable to handle unskilled and uneducated low−level employees whereas theory Y is more applicable for skilled and educated employees

4. **Locus of Control:** Theory X people lacks self−motivation and has external locus of control; they require close supervision to get maximum output from them. In theory Y, people are self−directed, creative and prefer self−control

5. **Centralization or Decentralization:** Theory X emphasizes scalar chain system and centralization of authority in the organization while Theory Y emphasizes decentralization of authority and greater participation in decision making

Management Implications of Theory X and Theory Y

❖ Quite a few organizations use Theory X today. Theory X encourages use of tight control and supervision. It is useful in organizations where repetitive tasks are to be done in tight schedule. It implies that employees are reluctant to organizational changes. Thus, it does not encourage innovation.

❖ If Theory Y is embraced, the organization can accurately perform several elements to attach the motivational dynamism of its employees: Theory Y gives employees freedom and encourages self−control and participation in decision making. Employees are able to take higher responsibility.
If accurately applied, such an atmosphere would end result in a boundless level of motivation as employees work to gratify their higher−level personal needs through their work.

Expectancy theory

The expectancy model of motivation was propounded by Victor H. Vroom. This theory is classified as process theory because the theory attempts to identify the relationship between the variables which affect individual behaviour. Vroom's expectancy model established that motivation of an individual depends upon the strength of his expectation that a certain act will lead to a desirable outcome and the degree to which that outcome is preferred by that individual. Major contribution of this theory in the concept of motivation can be described in terms of identification of various forces that motivate an individual to perform on the job. There are three variables which are explained by the expectancy model: Valence, Expectancy and Instrumentality. This model postulates that motivation is multiplier of all of these three variables. Therefore, in order to motivate an individual, all of these three variables must have positive value. If any one of these three variables becomes zero, motivation will also be zero.

The three variables are explained as follows:

a) **Valence:** It refers to attraction of the outcome to an individual. Valence is the strength of an individual's preference for a particular outcome or reward. Valence is a subjective phenomenon and therefore it varies from person to person. Value of valence ranges between -1 to +1. If an individual prefer to achieve some outcome, valence in that case will be positive. If an individual does not prefer to achieve certain outcome, in that case valence will be negative and valence will be zero if an individual expresses indifferent attitude towards achieving the outcome. Therefore, it can be said that in order to motivate an individual for certain outcome, valence of the reward associated with the outcome must be positive for that individual.

b) **Expectancy:** Expectancy is also called effort-performance probability. It refers to the extent an individual believes that certain level of efforts made by him will lead to the achievement of desired level of outcome or completion of the task. Expectancy is the probability that a particular amount of effort will lead to desired level of performance (first level outcome). Since it is a probability, its value will vary from 0 to 1. If an individual believes that probability of achieving the desired level of performance is zero i.e if an individual feels that he will not be able to achieve certain level of performance no matter how hard he works, he will not even try to put efforts. On the other hand, if a person believes that probability of achieving the desired level of performance is positive, he will try harder to achieve the desired outcome.

For example, a sales agent who has been assigned a task of selling 100 units of cell phones in a month will put more efforts to achieve desired level of performance if he believes that he will be able to sell 100 cell phones in a month. But, if he believes that it is impossible to sell 100 mobile phones in a month irrespective of the level of efforts he put in the desired direction, he will not try to complete the task.

c) **Instrumentality:** It is also called performance-reward probability. Instrumentality is the expectation of an individual that his performance will lead to desired reward associated with the performance. It is probability that first level outcome (performance) will lead to the second level outcome (reward). The instrumentality also varies from 0 to 1. Instrumentality will be positive, if an individual believes that after achieving desired level of performance, he will get rewards associated with it. Whereas, instrumentality will be zero if a person believes that desired level of performance will not lead to desired rewards.

As per the Vroom's expectancy model:

Motivation=Valence*Expectancy*Instrumentality

This relationship explains that motivation level of an individual will be higher if all of these three elements are higher and motivation level will be decreased if any of these elements will be lower. This model can help the management to determine the behaviour of employees and take necessary steps to modify the same.

Vroom's expectancy model is described in the following figure:
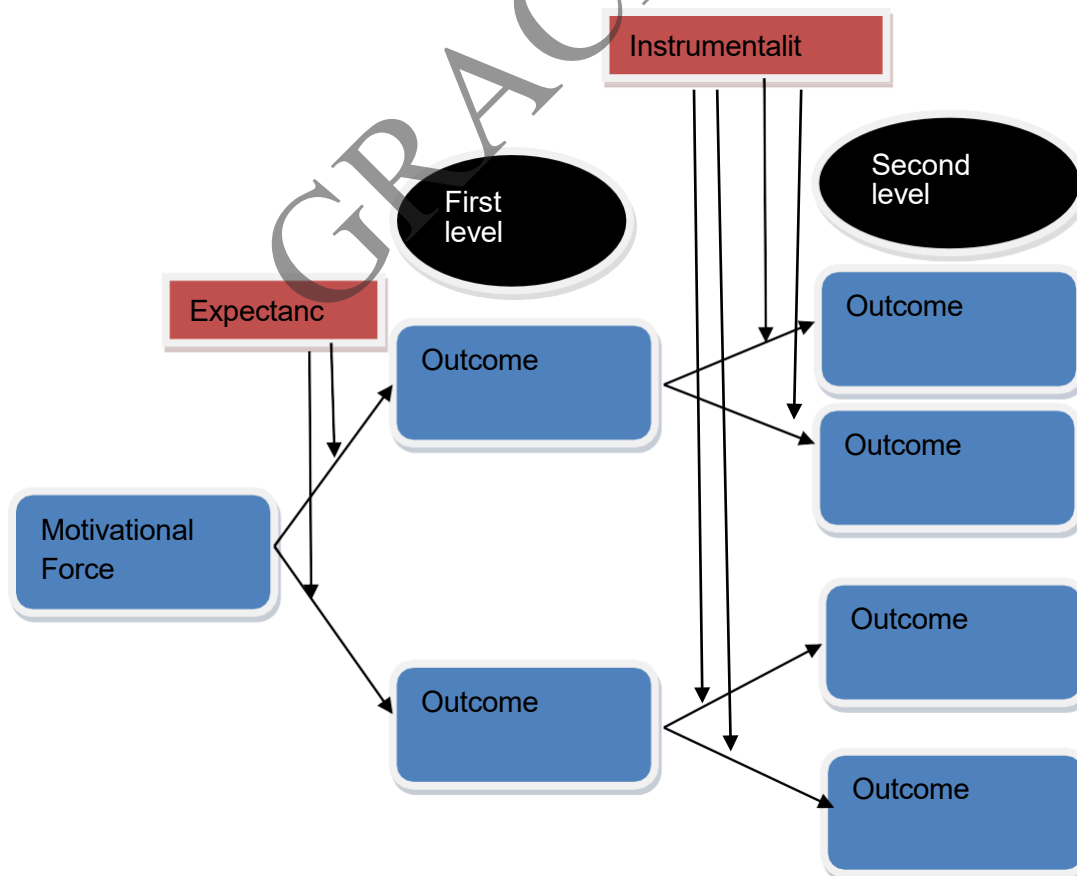
Critical analysis of Vroom's Expectancy Model:

Vroom's expectancy model was appreciated on the following grounds:

a) This model is very useful in understanding organisational behaviour. The model explains how individual's behaviour is influenced by his goals.

b) This is a cognitive theory which assumes that human beings are rational. They can anticipate their goal achievement and amount of efforts required to achieve the goals.

c) This theory says that motivation is not just about the satisfied and unsatisfied needs of individuals. Efforts made by an individual can result in achievement of desirable rewards which in turn will improve the motivation.

Despite of the above mentioned advantages, the model was criticised because:

a) This theory is very complex and hence difficult to practice.

b) The theory assumes the human being to be rational who makes all decisions consciously. But, in reality so many decisions are taken without conscious thoughts.

c) Managers don't have enough time implement such a complex model on the job.

1. **Equity theory of Motivation**

Equity theory proposed by J. Stacey Adam is the most popular and developed version of equity. It is based on the simple assumption that all individuals expect to be treated fairly. According to this theory, equity is the perception of employees that we are treated equally as compared to others and inequity is the perception of employees that we are treated unfairly as compared to others. Employees assess what they get from the job (salary) against the inputs (experience, education) they put into the job. They compare their outcome-input ratio with outcome-input ratio of other relevant individuals. If individuals perceive their ratio to be equal to the ratio of others i.e. if they feel that they are getting salary equal to others, state of equity exists. But, if an individual perceives his ratio to be unequal i.e. if they feel that they are overpaid or underpaid, state of inequity prevails. See the following equations to understand such comparisons:

(i) *Individual's outcome/Input = other's outcome/Inpu* ; State of equity

(ii) *Individual's outcome /Input > other's outcome/ Inpu* ; State of inequity due to overpaid

(iii) *Individual's outcome Input < other's outcome Inpu* ; State of inequity due to underpaid

Porter and Lawler's Performance-Satisfaction Model of Motivation

Porter and Lawler gave an inclusive theory of motivation. The theory explained that an individual's motivation, performance and satisfaction are separate variables but are related to each other in different ways. Porter and Lawler's model of motivation matches with Vroom's expectancy model to large extent.

The model is explained in the following figure:
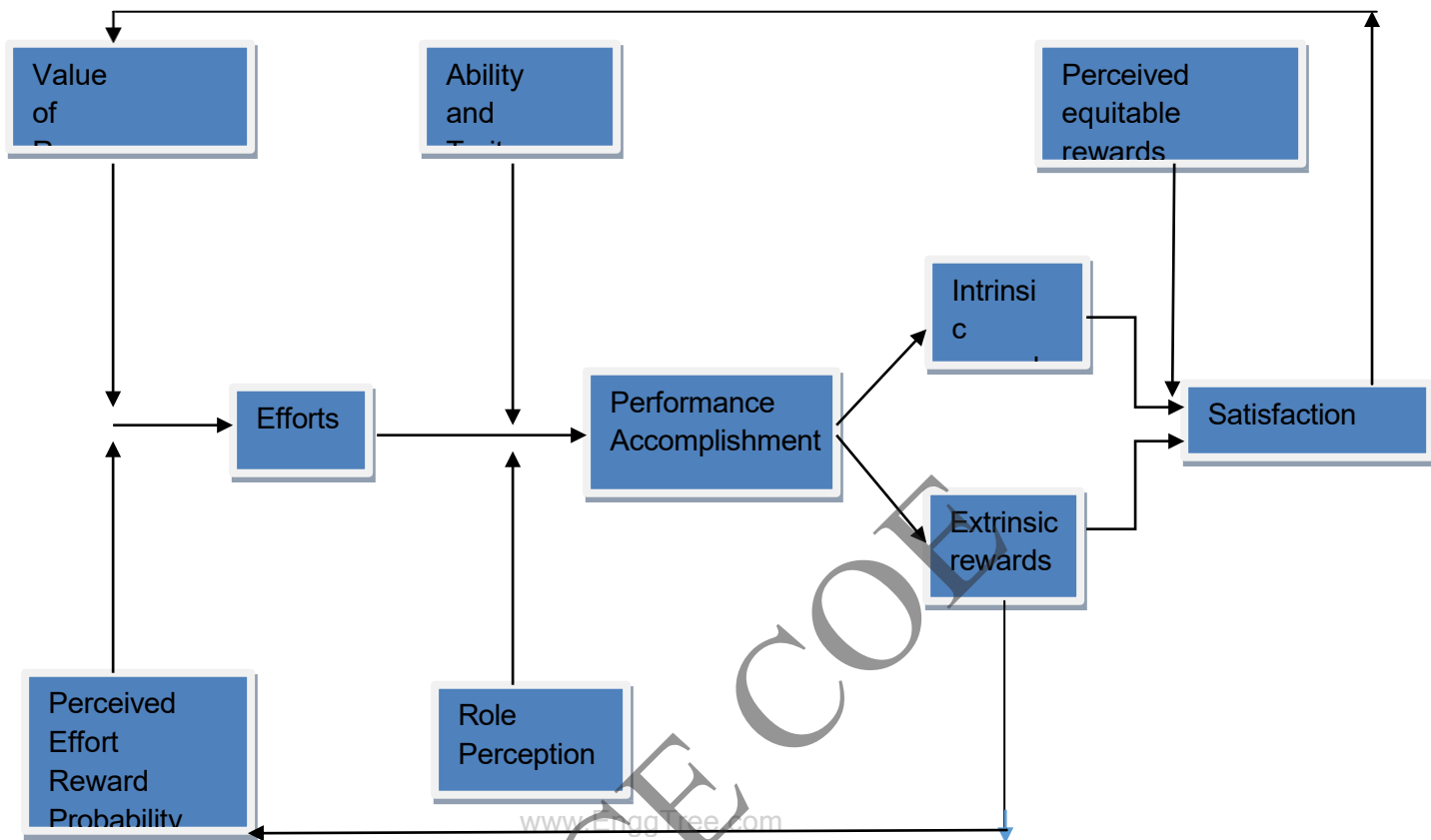
The figure given above clearly shows that this multivariate model of motivation explains the relationship between effort, performance and satisfaction. It is important to point out here that effort leads to performance but this relationship is not direct. The relationship between effort and performance is influenced by individual's abilities, traits and his perception about the role he is performing. Further, the desired level of performance results in the intrinsic and extrinsic rewards associated with the performance. But perceived equitable rewards determine the level of satisfaction of an individual. This model is based on the following assumptions:

a) The model assumes employees to be rational who take conscious decisions about their behaviour in the organisations.

b) All employees have different needs, desires and goals.

c) Individual behaviour is determined by combination of situational factors, environment and employees' traits and perception about the role.

The variables explained by this model are discussed as follows:

1) **Effort**: Effort refers to the energy which an individual put to perform his job.

2) **Value of reward**: This is what was explained by Vroom's expectancy model as Valence. It refers to the degree of attractiveness of reward associated with the performance.

3) **Perceived Effort Reward probability**: This refers to the probability that certain level of effort will lead to desired level of performance and further probability that the performance will lead to certain kinds of rewards. If the probability is positive only then individuals will decide to put certain level of efforts.

4) **Performance:** Performance is the outcome of efforts made by an individual. The level of performance is influenced by abilities, traits and individual's perception about his role. Abilities of an individual include knowledge, skills and intellect to perform the job.

5) **Rewards**: Performance leads to two types of rewards: intrinsic rewards and extrinsic rewards. Intrinsic reward is inner feeling of achievement and accomplishment associated with the performance. Extrinsic rewards are given by the organisation in the form of incentives, recognition, promotion etc.

6) **Satisfaction**: Satisfaction will result from both intrinsic as well as extrinsic rewards. But the level of satisfaction will be determined by perception of an individual that he is getting the rewards which he actually values or needs.

CAREER DEVELOPMENT

Career development is a function of human resource management which aims at providing opportunities for people to develop their careers. This will help them to achieve their career aspirations at the same time enable to talent development in the organisations. Career planning and succession planning are two major parts of career development.

Career is viewed as a sequence of position occupied by a person during the course of his lifetime. Career may also be viewed as amalgam of changes in value, attitude and motivation that occur, as a person grows older. The implicit assumption is that an individual can make a different in his career over time and can adjust in ways that would help him to enhance and optimize the potential for his own career development. Career development is important because it would help the individual to explore, choose and strive to derive satisfaction with one's career object.

Through career development, a person evaluates his or her own abilities and interests, considers alternative career opportunities, establishes career goals, and plans practical developmental activities.

Career development seeks to achieve the following objectives:

a) It attracts and retains the right persons in the organisation

b) It maps out careers of employees suitable to their ability, and their willingness to be trained and developed for higher positions

c) It ensures better use of human resources through more satisfied and productive employees

CAREER PLANNING

Meaning

Career planning is the self-evaluation & planning done by a person to have a strong career path. Career planning process in the continuous reiterative process of understanding oneself, setting career goals, revising skills and searching for the right career options.

Importance of Career Planning

1. To attract competent person & to retain them in the organisation.

2. To provide suitable promotional opportunity.

3. To enable the employees to develop & take them ready to meet the future challenges.

4. To increase the utilization of managerial reserves within an organisation.

5. To attract employment placement.

6. To reduce employee dissatisfaction & turnover.

7. To improve motivation & morale.

STEPS IN THE CAREER PLANNING PROCESS

Career planning process is an important aspect for an individual's **career development**. Some of the basic steps in a career planning process are:

1. **Self-Assessment:** The first step in the career planning process is self-assessment to be done by the individual to understand his or her skills, areas of interest etc.

2. **Research on Careers:** The second step in the career planning process is to understand the career options, companies available, growth options in career etc.

3. **Set Career Objectives:** The next step in the career planning is to set short-term as well as long-term career goals for oneself, and to have a clear career path.

4. **Learn & Improve Skills:** The fourth step in the career planning process is to keep acquiring new skills and knowledge to be in line with career objectives and with industry requirements.

5. **Preparation of CV:** The next step in the career planning is to be fully prepared in terms of CV, cover letter, recommendations etc.

6. **Job Search:** The sixth step in the career planning process is to short-list the companies where an individual is seeking a job & start applying.

7. **Revise Career Goals:** The last step in the career planning process is to continuously evaluate the career goals and again do a self-assessment to build a strong career path.

SUCCESSION PLANNINNG

Meaning

- Succession Planning is the process of identifying and tracking high-potential employees who will be able to fill top management positions when they become vacant.

- Succession planning is an ongoing process that identifies necessary competencies, then works to assess, develop, and retain a talent pool of employees, in order to ensure a continuity of leadership for all critical positions. Succession planning is a specific strategy, which spells out the particular steps to be followed to achieve the mission, goals, and initiatives identified in workforce planning. It is a plan that managers can follow, implement, and customize to meet the needs of their organisation, division, and/or department.

- **Succession planning** establishes a process to recruit employees, develop their skills, and prepare them for advancement, all while retaining them to ensure a return on the organization's training investment. Succession planning involves understanding the organization's long-term goals and objectives, identifying employee development needs, and determining trends.

DIFFERENCE BETWEEN CAREER PLANNING & SUCCESSION PLANNING

BASIS FOR COMPARISON	CAREER PLANNING	SUCCESSION PLANNING
Meaning	Career Planning is the process through which an individual selects the goals of his work life and finds ways to reach the goals.	Succession Planning is a process who tends to spot and develop the employees that can occupy the key positions in the organization, when they become vacant.
Subset of	Career Management	Succession Management
What is it?	Individual Planning	Organizational Strategy
Position	One employee holds different positions, in his/her work life.	One position is held by different employees, over a period of time.
Ensures	Success in one's career.	Continuity in leadership for all key positions.

PROCESS OF CAREER DEVELOPMENT

There are two components of career planning and development. They are

1) **CAREER DEVELOPMENT PROGRAMME**

2) Assisting employees in assessing their own internal career needs.

3) Developing and publicising available career opportunities in the organisation.

4) Aligning employee needs and abilities with career opportunities.

   a) **Internal Career Assessment:** Since a person's career is extremely important element of life, each person is to make his or her decision in this regard. However, the HR manager may assist an employee's decision-making process by providing as much information as possible to the employee showing what type of work would suit him or her most, considering his or her other interest, skill, aptitude, and performance in the work that he or she is already doing. For rendering such help some big organisations provide formal assessment centre/workshops where small groups of employees are subjected to psychological testing,

   b) **Career Opportunities**: Knowing that employees have definite career needs, there naturally follows the obligation of specifically charting career paths through the organisation and informing the employees. For identifying the career paths the technique of job analysis may help in discovering multiple lines of advancement to several jobs in different areas.

   c) **Employee's Needs and Opportunities**: When employees have assessed their needs and have

become aware of organisational career opportunities the remaining problem is one of alignment. For aligning or matching the career needs of employees to opportunities offered by the organisation, special training and development techniques such as special assignment, planned position rotation, and supervisory coaching, are used. The HR department of some organisations have also some system of recording and tracking moves through the organisation, and maintain an organisation chart that highlights age, seniority and promotion status.

B) Career Planning Process and Activities

The process of career planning involves a number of activities or steps to be undertaken as mentioned below:

a) Preparation of HR inventory of the organisation,

b) Building career paths or ladders for various categories of employees,

c) Locating or identifying employees with necessary potential for career planning,

d) Formulation and implementation of suitable plans for training and development of persons for different steps of the career ladder or paths, and

e) Maintaining age balance while taking employees up the career path and review of career development plan in action, etc.

a) **Organisation's HR Inventory**: Such an inventory is an essential prerequisite for any successful career planning within the organisation. This inventory should be so prepared as to provide the following information:

- Organisational set up and its different levels.

- The existing number of persons employed in the organisation. For this, manning tables are prepared showing the nature of positions at different levels of the organisation and the number of persons manning those jobs. Sometimes the age of persons holding the jobs are also mentioned in the table to show when they are likely to retire and when the vacancy thus caused may be required to be filled.

- Types of existing employees, their status, duties, qualifications, age, aptitude, ability to shoulder added responsibility and their acceptability to their colleagues.

- Whether the existing manpower is short or in surplus to requirements. If there is a shortage, how many more persons are required, and for what positions.

Number of persons required in the near future, say in the next one to five years, to meet the needs arising from expansion or diversification of work or natural wastage of manpower. The latter includes death, permanent disability, superannuation and retirement, discharge, dismissal, voluntary resignation, or abandonment of the jobs.

Collection of all the above information may amount to manpower planning, and involve preparation of manpower budget showing present and immediate future needs.

b) **Employee's Potential for Career Planning**: After determining the career path, the next logical step is to find out the suitable employees who may have the necessary ability and potential for climbing up the ladder and are willing to be promoted and to take up higher responsibilities. For this the management control technique of Performance Appraisal and Merit Rating is utilised. Periodical evaluation and merit rating of employees is also necessary for proper planning of manpower and career of employees in the organisation. This can be possible only by knowing how much and what types of human resources are available, and the potential of employees whose career is to be planned.

c) **Formulation and Implementation of Training and Development Plans and Programmes**: For making the career planning a success it is essential that the training and development programmes should be so planned and designed that they meet the needs of both the management and employees. The participants of these programmes should be the employees who are willing to be trained and developed further to make their career in the organisation. Methods of training and nature of skill and knowledge to be imparted may be different for different types of employees. The emphasis may be on improving technical skills of skilled workers and on acquiring and improving leadership qualities, human and conceptual skills for senior supervisors, executives and managers.

d) **Age Balance and Career Paths**: One widespread difficulty in career planning may arise from the need to accommodate people in the same level of supervisory and managerial hierarchy, some of whom are young direct recruits and others are promotees who are almost always considerably older. The latter, because of their limited education or formal profession qualification, cannot expect to be move up high: the former as they are better educated and trained have aspirations for rapid vertical mobility. Promotion and direct recruitment at every level must, therefore, be so planned as to ensure a fair share to either group. Intense jealousies, rivalries or groupism may develop if this aspect of personnel administration is neglected. Very quick promotions which create promotion blocks should

also be avoided if the employees are not to feel stagnated or demotivated at early stages of their careers, and think of leaving the organisation for better prospects. Such a situation can be avoided if promotions are properly spaced.

e) **Review of Career Development Plans in Action**: Career planning is a continuous activity. In fact it is a process. For effective career planning, a periodical review process should be followed so that the employee may know in which direction the organisation is moving, what changes are likely to take place and what resources and skills he or she needs to adapt to the changing organisational requirements. Even for the organisation, annual evaluation is desirable to know an employee's performance, limitations, goals and aspirations, and to know whether the career plan in action is serving the corporate objective i.e. effective utilisation of human resources by matching employee abilities to the demands of the job and his or her needs to the rewards of the job. Some of the questions that could be asked while evaluating the career plan might be:

- Was the classification of the existing employees correct?

- Are the job descriptions proper?

- Is there any employee unsuited to his or her job?

- Are the future manpower projections still valid?

- Is the team pulling on well as a whole?

- Are the training and development programmes adequately devised to enable the employee to climb up the career ladder and fit into higher positions?

Answers to all these and other questions can be found either by holding brainstorming sessions or by undertaking a survey of career planning activities and their impact on the working of the organisation.

f) **Career Counselling**: Career planning may also involve counselling individuals on their possible career paths, and what they must do to achieve promotions. The need for such counselling arises when employees plan their own careers, and develop or train themselves for career progression in the organisation. This does not mean revealing the number of determined steps in a long range plan of the organisation.

Even if it were possible, it would be inappropriate to raise expectations which might not be fulfilled or induce complacency about the future. In counselling, the wisest approach is to

provide a scenario of the opportunities that might become available. The main aim should be to help the individual concerned to develop oneself by giving him or her some idea of the direction in which he or she ought to be heading. Some other objectives of career counselling are as follows

- Providing a normal mature person with guidelines to help him or her understand oneself more clearly and develop his or her thinking and outlook.

- Achieving and enjoying greater personal satisfaction, pleasure and happiness.

STAGES OF CAREER DEVELPOMENT

1.   Exploration:

➢ The exploratory stage is the period of transition from college to work, thatis, the period immediately prior to employment.

➢ It is usually the period of one's early 20 s and ends by mid-20 s. It is a stageof self-exploration and making preliminary choices.

2.   Establishment:

➢ This career stage begins when one starts seeking for work. It includesgetting one's first job.

➢ Hence, during this stage, one is likely to commit mistakes; one has also the opportunities to learn from such mistakes and may also assume greater responsibilities.

3.   Mid-Career:

➢ During this stage, the performance may increase or decrease or may remain constant.

➢ While some employees may reach their goals at the early stage and may achieve greater heights, some may be able just to maintain their performance.

➢ While the former may be called 'climbers', the later ones are not very ambitious though competent otherwise.

4.   Late Career:

➢ This stage is usually a pleasant one because during this stage, the employee neither tries to learn new things nor tries to improve his/her performance over that of previous years.

> He/she takes advantage of and depends on his/her reputation and enjoys playing the role of an elderly statesperson.

5. Decline:

Since it is the final stage of one's career, it ends in the retirement of the employee after putting up decades of service full of continuous achievements and success stories. As such, it is viewed as a hard stage.

DEVELOPMENT OF MENTOR-PROTÉGÉ RELATIONSHIP

DEFINITION:

The relationship between an experienced employer and a junior employee in which the experienced person helps the junior person with effective socialization by sharing information gained through experience with the organization.

Requirements for effective mentor-protégé relationship:

1. **The status & characteristics of the mentor:**

Mentors should be seniors in status, experience, age, skills, knowledge.

2. **Protégé:** Junior employees should have the zeal to learn from their senior employees regarding their career, social and psychological aspect.

3. **The relationship:** It is based on mutual dependence & mutual trust.

4. **The activities:**

> Developing the potentials of the protégé. Improving protégés performance
> Interlinking formal learning & practices Guide, support, providing feedback

5. **Developing higher skills:**

It should encourage their juniors towards high task performance by reducing weakness & strength of the protégés.

6. **Response of the protégé:**

Protégés should learn carefully regarding career opportunities, personal goals.

Phases of Mentor-Protégé Relationship:

According to Kram, there are four phases of mentor-protégé relationship namely, initiation, cultivation, separation and redefinition.

1. Initiation:

A period of six months to a year during which time the relationship gets started and begins to have importance for both.

2. Cultivation:

A period of two to five years during which time career and psychological functions provided expand to a maximum.

3. Separation:

A period of six months to two years after a significant change in the structural role relationship and/or in the emotional experience of the relationship.

4. Redefinition:

An indefinite period after the separation phase, during which time the relationship is ended or taken on significantly different characteristics, making it more peer like relationship.

MENTORING

Mentoring is **a relationship between two people with the goal of professional and personal development**. The "mentor" is usually an experienced individual who shares knowledge, experience, and advice with a less experienced person, or "mentee."

TYPES OF MENTORING

1. One-on-One Mentoring

- ➢ In one-on-one mentoring programs, participants are matched via a formal program or they self-select who they want to be paired with over the course of a certain time period.

- ➢ This type of mentoring is more focused on relationship-building and individual skill-building.

2. Situational Mentoring

If you want your mentees to learn a specific skill or trade, you may want to pair them with a mentor to coach them as they learn

3. Developmental and Career Mentoring

This type of mentoring is long term and typically entails managers and directors

whomentor their employees as they progress in their careers over the course of a few years.

4. Reverse Mentoring

➢ When new hires possess skills and knowledge, they can also mentortheir bosses and co-workers.

➢ This type of mentoring encourages knowledge sharing across your organization.

5. Group-Based Mentoring

➢ It is possible to pair more than one mentee to a mentor, especiallyfor situational mentoring scenarios.

➢ With group-based mentoring, group members can help keep one another ontrack and are also able to meet with their mentors one-on-one when needed.

6. Peer-Based Mentoring

➢ Sometimes with group-based mentoring, a mentor may not even be needed atall.

➢ To build and maintain effective mentorship programs at your organization,consider implementing one or more of the types of programs listed above.

Benefits of being a Mentee

- Gain practical advice, encouragement and support
- Learn from the experiences of others
- Increase your social and academic confidence
- Become more empowered to make decisions
- Develop your communication, study and personal skills
- Develop strategies for dealing with both personal and academic issues
- Identify goals and establish a sense of direction
- Gain valuable insight into the next stage of your university career
- Make new friends across year groups

Benefits of being a Mentor

- Improve communication and personal skills
- Develop leadership and management qualities
- Reinforce your own study skills and knowledge of your subject(s)
- Increase your confidence and motivation
- Engage in a volunteering opportunity, valued by employers

- Enhance your CV
- Increase your circle of friends
- Gain recognition for your skills and experience
- Benefit from a sense of fulfilment and personal growth

Mentor Barriers

1. Competing demands

2. Time restraints

3. Power differential

4. Competency of conflicting roles

5. Lack of understanding of mentor role

6. Personality

7. Boundaries

Mentee Barriers

1) Concern about underachieving

2) Unrealistic expectations of mentors

3) Power differential

4) Availability/scheduling

5) Personality

Institutional Barriers

1) Training

2) Lack of acknowledgement / recognition

3) Lack of incentive for participants

4) Time

5) Lack of formal training

6) Poor planning

7) Self-identified vs. assigned mentors

UNIT V

PERFORMANCE EVALUATION AND CONTROL

Performance Evaluation

As we already know that organization spent huge amount in recruiting, selecting, hiring and then finally training the employee so they want to know how far the process has been useful; for this they evaluate the entire process. Evaluation involves analyzing and comparing the actual progress of the employee after training against the actual plans made by the organisation, and even oriented toward improving plans for future implementation. Thus by evaluating, the organisation identify whether they have been successful in training the employee or what other corrective actions can be taken. This is the last stage during the training and development process.

Need for Evaluation

The purpose or need of evaluation is:

1. To identify whether the training objectives laid by the organisation are accomplished or not.

2. To identify or recognize trainees who get benefited most or less from the organization.

3. To identify the cost incurred and financial benefits derive from the training programme.

4. It helps in identifying that whether the actual outcomes are aligned with the expected outcomes 5. Credibility of training and development program becomes more; when it is proved that the organization has been benefited with the process.

6. It helps in giving feedback to the candidates by defining the objectives and linking it to learning outcomes.

7. It helps in determining the relationship between acquired knowledge, transfer of knowledge at the work place, and training Evaluation Criteria

According to Hamilan evaluation of training can take place through five criteria they are;

• Reaction

• Learning

- Job Behavior

- Organization

- Ultimate Result

- Reactions:

It refers to evaluating the trainee's reaction towards the training program ie his reaction towards objectives, contents and methods of training and in case trainees like the program and consider it worthwhile, the training can be considered effective.

Performance Appraisal

Meaning

Performance appraisal is the process of measuring quantitative &qualitatively an employee's past or present performance against thebackground of his expected role performance and about his future potential
of an organisation.

Definition

Acc. to Edward flippo " performance appraisl is a systematic, periodic &an impartial rating of an employee's excellence in matters pertaining to hispresent job & his potential for a better job".

Acc. to Wayne Cascio as "the systematic description of employee's job relevant, strength, weakness. Performance appraisal may be conducted once in every 6 months or once in a year. The basic idea of the appraisal is to evaluate the performance of the employee, giving him a feed back. Identify areas where improvement is required so that training can be provided. Give incentives and bonus to encourage employees etc.

Advantages/Needs/Importance/Use/Purpose Of Performance Appraisal Performance Appraisal

1. **Feedback to the employee :-** Performance appraisal is beneficial because it provides feedback to the employee about his performance. It identifies the areas for improvement so that employee can improve itself.

2. **Training and development :-** Due to performance appraisal it is easy to understand what type of training is required for each employee to improve himself accordingly training programs can be arranged.

3. **Helps to decide promotion :-** Performance appraisal provides a report about the employee. Based on this report future promotions are decided,

incentives, salary increase is decided.

4. **Validation of selection process :-** Through performance appraisal the HR department can identify whether any changes are required in the selection process of the company normally a sound selection process results in better performance and positive appraisal.

5. **Deciding transfers and lay off of the worker :-** Employee with specific talent can be transferred to places where their talents are utilized properly; similarly decisions regarding termination of employees depend upon performance appraisal reports.

6. **Human resource planning and career development:-** Companies can plan for future vacancies at higher levels based on performance appraisal reports. Similarly career planning can be done for the employee on the performance appraisal report.

Process Of Performance Appraisal

1. Setting performance standards :- In this very first step in performance appraisal the HR department decides the standards of performance i.e. they decide what exactly is expected from the employee for each and every job.

Sometimes certain marking scheme may be adopted eg. A score 90/100 = excellent performance, a score of 80/100 = good. And so on.

2. Communication standard set to the employee :- Standards of performance appraisal decided in 1st step are now conveyed to the employee so that the employee will know what is expected from him and will be able to improve his performance.

3. Measuring performance :- The performance of the employee is now measure by the HR department, different methods can be used to measure performance i.e. traditional and modern method. The method used depends upon the company's convenience.

4. Comparing performance with standard :- The performance of the employee is now judged against the standard. To understand the score achieved by him. Accordingly we come to know which category of performance the employee falls into i.e. excellent, very good, good, satisfactory etc.

5. Discussing result :- The results obtained by the employee after performance appraisal are informed or conveyed to him by the HR department. A feedback is given to the employee asking him to change certain aspects of his performance and improve them.

6. Collective action :- The employee is given a chance or opportunity to improve himself in the areas specified by the HR department. The HR department constantly receives or keeps a check on the employee's performance and notes down improvements in performance.

7. Implementation and review :- The performance appraisal policy is to be implemented on a regular basis. A review must be done from time to time to check whether any change in policy is required. Necessary changes are made from time to time.

Methods Of Performance Appraisal

I. Traditional method

Traditional approach is also known as traits approach . it is based on the evaluation of traits in a person. This system may list ten to fifteen personal characteristics such as ability to get in along with people, competence, judgement, inititative & leadership etc.

1. Check list method :-

In this method the senior, the boss is given a list of questions about the junior. These questions are followed by check boxes. The superior has to put a tick mark in any one of the boxes This method can be explained with the following eg. * Y N Does the employee have leadership qualities?

*Y N Is the employee capable of group efforts?

* Y N Has the employee shown analytical skills?

2. **Confidential report :-**

This method is very popular in government departments to appraise IAS officers and other high level officials. In this method the senior or the boss writes a report about the junior giving him details about the performance about the employee. The +ve and – ve traits, responsibilities handled on the job and recommendations for future incentives or promotions. The report is kept highly confidential and access to the report is limited.

3. Critical incident method :-

In this method critical or important incidents which have taken place on this job are noted down along with employee's behavior and reaction in all these situations. Both +ve and –ve incidents are mentioned. This is followed by an analysis of the person, his abilities and talent, recommendations for the future incentives and promotions.

4.Ranking method :-

In this method ranks are given to employees based on their performance. There are different methods of ranking employees. Simple ranking method Alternate ranking method Paired comparison method

i. Simple ranking method :- Simple ranking method refers to ranks in serial order from the best employee eg. If we have to rank 10 best employeeswe start with the first best employee and give him the first rank this is followed by the 2nd best and so on until all 10 have been given ranks.

ii. Alternate ranking :- In this method the serial alternates between the best and the worst employee. The best employee is given rank 1 and then we move to the worst employee and give him rank 10 again to 2nd best employee and give him rank 2 and so on.

iii. Paired comparison :- In this method each and every person is the group, department or team is compared with every other person in the team/group/department. The comparison is made on certain criteria and finally ranks are given. This method is superior because it compares each and every person on certain qualities and provides a ranking on that basis.

5.Graphic rating scale :-

Graphic rating scale refers to using specific factors to appraise people. The entire appraisal is presented in the form of a chart. The chart contains certain columns which indicate qualities which are being appraised and other columns which specify the rank to be given.

Eg. Employee A Quality of work Quantity of work Intelligence Excellent Very good good satisfactory poor The senior has to put a tick mark for a particular quality along with the ranking. Such charts are prepared for every employee. According to the department in which they work. Sometimes the qualities which are judged may change depending upon the department.

6.**Narrated essay :**-

In this method the senior or the boss is supposed to write a narrative essay describing the qualities of his junior. He may describe the employees strength and weakness, analytical abilities etc. the narrative essay ends with a recommendation for future promotion or for future incentives. Modern methods Modern methods of appraisal are being increasingly used by companies. Now days one of the striving feature that appraisal involves is, the opinion of many people about the employee and in some cases psychological test are used to analyze the ability of employee.

7.Paired Comparisons Method:-

In this method every person is comared traits-wise, with other person, one at a time, the number of times one person is compared with other is tallied on a piece o paper. Theses number help in yielding rank order of employees. Example:- if there are five perspn to be compared A' s performance is first compared with that N to find out who has better performance, then A is compared with C,D & E in turn & performance is recorded.

8. Grading System:-

Under this system certain features like analytical ability, co-operativeness, dependability, job-knowledge etc are selected for evaluation the employees are given grades according to the judgement of the rater. The grades may be such as

A-Outstanding

B-very Good

C-Satisfactory

D-Average

E-Below average etc.

9. Forced Distribution method:-

Some raters suffer from a constant error i.e. they rate of employees as only good, average or poor. They thus do not evaluate the employees properly.

This system minimises rater's bias so that all employees are not similarly rated. This system is based on presumption that all employees can be divided into five categories i.e. Outstanding, Above average, Average, Below average & poor.

10. Nominations:-

Under the nominations method, appraisers are asked to identify the exceptionally good & exceptionally poor performers, who are then singled out for special treatment.

11. **Work Sample Tests:-**

In this method, employees are given from time to time, work related tests which are then evaluated.

II. Modern method

1. Assessment centers :-

Assessment centers (AC) are places where the employees are assessed on certain qualities talents and skills which they possess. This method is used for selection as well as for appraisal. The people who attend assessment are given management games, psychological test, puzzles, and questioners about different management related situations etc. based on their performance in these test an games appraisal is done.

2. Management by objectives:-

This method was given by Petter Druckard in 1974. It was intended to be a method of group decision making. It can be use for performance appraisal also. In this method all members of the of the department starting from the lowest level employee to the highest level employee together discus, fix target goals to be achieved, plan for achieving these goals and work together to achieve them. The seniors in the department get an opportunity to observe their junior- group efforts, communication skills, knowledge levels, interest levels etc. based on this appraisal is done.

3. Behavioral anchored rating scale :- (BARS)

In this method the appraisal is done to test the attitude of the employee towards his job. Normally people with +ve approach or attitude view and perform their job differently as compared to people with a –ve approach.

4. Human resource audit/accounting:-

In this method the expenditure on the employee is compared with the income received due to the efforts of the employee. A comparison is made to find out the utility of the employee to the organization. The appraisal informs the employee about his contribution to the company and what is expected in future.

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5. 360 Degree Performance appraisal :-

In this method of appraisal and all round approach is adopted. Feedback about the employee is taken from the employee himself, his superiors, his juniors, his colleagues, customers he deals with, financial institutions and other people he deals with etc. Based on all these observations an appraisal is made and feedback is given. This is one of the most popular methods.

Limitations Of Performance Appraisal

1. Halo effect: - In this case the superior appraises the person on certain positive qualities only. The negative traits are not considered. Such an appraisal will no give a true picture about the employee. And in some cases employees who do not deserve promotions may get it.

2. Horn effect: - In this case only the negative qualities of the employee are considered and based on this appraisal is done. This again will not help the organization because such appraisal may not present a true picture about

the employee.

3. Central tendency: - In this case the superior gives an appraisal by giving central values. This prevents a really talented employee from getting promotions he deserves and some employees who do not deserve anything may get promotion.

4. Leniency and strictness :- Some bosses are lenient in grading their employees while some are very strict. Employee who really deserves promotions may loose the opportunity due to strict bosses while those who may not deserve may get benefits due to lenient boss.

5. Spill over effect :- In this case the employee is judged +vely or –vely by the boss depending upon the past performance. Therefore although the employee may have improved performance, he may still not get the benefit.

6. Fear of loosing subordinates and spoiling relations :- Many bosses do not wish to spoil their relations with their subordinates. Therefore when they appraise the employee they may end up giving higher grades which are not required. This is a n injustice to really deserving employees.

7. Goodwill and techniques to be used :- Sometimes a very strict appraisal may affect the goodwill between senior and junior. Similarly when different departments in the same company use different methods of appraisal it becomes very difficult to compare employees.

8. **Paper work and personal**

biased :- Appraisal involves a lot of paper work. Due to this the work load of HR department increases. Personal bias and prejudice result in bosses favoring certain people and not favoring others.

CONTROL PROCESS

Definition of Control Process

Controlling is the process of assessing and modifying performance to ensure that the company's objectives and plans for achieving them are met.

Control is the final role of management. The controlling function will become obsolete if other management functions are properly carried out. If there are any problems in the planning or actual performance, control will be required.

Controlling ensures that the proper actions are taken at the appropriate times. Control can be thought of as a process through which management ensures that the actual operations follow the plans.

The company's managers check the progress and compare it to the intended system through managing. If the planned and real processes do not follow the same path, the necessary corrective action can be implemented.

The control process is the careful collection of information about a system, process, person, or group of people which is required to make necessary decisions about each of the departments in the process. Managers in the company set up the control systems which consist of the four prior key steps which we will discuss in the later section.

The performance of the management control function is important for the success of an organization. Management is required to execute a series of steps to ensure that the plans are carried out accordingly. The steps that are executed in the control process can be followed for almost any application, also for improving the product quality, reduction of wastage, and increasing sales.

What is Controlling?

The Controlling process assures the management that the performance rate does not deviate from its standards.

The controlling Process consists of five steps:

1. Setting the standards.

2. Measuring the performance.

3. Comparing the performance to the set standards

4. Determining the reasons for any such deviations which is required to be paid heed to.

5. Take corrective action as required. Correction can be made in regards to changing the standards by setting them higher or lower or identifying new or additional standards in the department.

Elements and Steps / Methods of Control Process

1. **Establishing Performance Measuring Standards and Methods**

   Standards are, by definition, nothing more than performance criteria. They are the predetermined moments in a planning program where performance is measured so that managers may receive indications about how things are doing and so avoid having to monitor every stage of the plan's execution.

   This simply means setting up the target which needs to be achieved to meet the organizational goals. These standards set the criteria for checking performance. The control standards are required in this case.

   Standard elements are especially useful for control since they help develop properly defined, measurable objectives.

2. **Measuring the Performance**

   Performance against standards should be measured on a forward-looking basis so that deviations can be discovered and avoided before they happen. Appraising actual or predicted performance is relatively simple if criteria are properly drawn and methods for determining exactly what subordinates are doing are available.

   The actual performance of the employee is then measured against the set standards. With the increase in levels of management, the measurement of performance becomes quite difficult.

3. **Determining if the Performance is up to par with the Standard**

   In the control process, determining if performance meets the standard is a simple but crucial step. It entails comparing the measured results to previously established norms. Managers may assume that "all is under control" if performance meets the benchmark.

   Comparing the degree of difference between the actual performance and the set standard.

4. **Developing and Implementing a Corrective Action Plan**

   This phase becomes essential if performance falls short of expectations and the analysis reveals that corrective action is required. The remedial measure could include a change in one or more of the organization's functions.

   This is being initiated by the manager who corrects any sorts of defects in the actual performance.

Types of Control

There are five different types of control:

1. **Feedback Control:** This process involves collecting the information on which the task is being finished, then assessing that information and improvising the same tasks in the future.

2. **Concurrent control** (also known as real-time control): It investigates and corrects any problems before any losses arising. An example is a control chart.

This is the real-time control, which checks any problem and examines the same to take action before any loss has been caused.

3. **Predictive/ feed forward control:** This type of control assists in the early detection of problems. As a result, proactive efforts can be done to avoid a situation like this in the future. Predictive control foresees the problem ahead of its occurrence.

4. **Behavioral control:** This is a direct assessment of managerial and staff decision-making rather than the consequences of those decisions. Behavioral control, for example, sets incentives for a wide range of criteria in a balanced scorecard.

5. **Financial and non-financial controls:** Financial controls refer to how a firm manages its costs and spending to stay within budgetary limits. Non-financial controls refer to how a company manages its costs and expenses to stay within budgetary constraints.

Features of Controlling

The features of controlling are discussed point-wise to give a clear insight into the concept. The features are as follows:

- Controlling helps in achieving organizational goals.

- The process facilitates optimum use of resources.

- Controlling judges, the accuracy of the standard.

- The process also sets discipline and order.

- The controlling process motivates the employees and boosts the employee morale, eventually, they strive and work hard in the organization.

- Controlling ensures future planning by revising the set standards.

- This improves the overall performance of an organization.

- Controlling minimizes the commission of errors.

Advantages of Controlling

The organization inculcates the process of controlling due to its undying advantages. The advantages of control are as follows:

- The Controlling Process saves time and energy.

- This allows the managers to concentrate on important tasks, and also allows better utilization of the managerial resource.

- Assures timely and corrective action to be taken by the manager.

In contrast to this, controlling suffers from the disadvantage that the organization has no control over the external factors that also affect the organization. The controlling Process becomes a costly affair, especially for small companies.

GRIEVANCES

An employee is dissatisfied and harbours a grievance when he feels there has been an infringement of his rights that his interests have been jeopardized. This sense of grievance generally arises out of misinterpretation or misapplication of company policies and practices. Grievances mostly arise out of following reasons:

1. Concerning wages Demand for individual adjustment; the worker feels that he is not paid fully. Complaints about incentives; piece rates are too low or too complicated. Mistakes in calculating the wages of the workers;

2. Concerning supervision Complaints against discipline; inadequate instructions given for job performance. Objections of having a particular foreman; the foreman playing favourite; the foreman ignore complaints. Objections to the manner in which the general methods of supervision are used; there are too many rules; regulations are not clearly posted.

3. General working conditions Unhygienic working conditions Poor production standards Non availability of tools, materials and equipments.

4. Collective bargaining The company is attempting to undermine the trade union and the workers who belong to that union; the contract with labor force has been violated; the company does not deal effectively with union grievances. The company does not allow the supervisors to deal with and settle the grievances of the employees. The company disregards the agreements already arrived at with the workers or their trade union.

Methods of Understanding employee grievances

Exit interview

Interviewing employees who have decided to quit the company could reveal a lot about what is not visible to the naked eye. These are very useful as the company can come to know what problems are been faced by the employees.

Opinion surveys

A survey could be undertaken to find out how employees feel about the company about the work, their colleagues.

Gripe boxes

Gripe boxes may be kept at prominent locations in the factory for. lodging anonymous complaints pertaining to any aspect relating to work. Since the person lodging the

complaint need not reveal his identity he can reveal his feelings of injustice or discontent fairly and without any fear of victimization.

Open door policy

This is a kind of walk in interview or meeting with the manager when the employees can express his feelings about any work related grievance. The manager can cross check the details of the complaint through various means at his disposal.

Observation

In this grievance identification technique grievances are not heard from the aggrieved employee directly, rather the manager or the immediate supervisor constantly tracks the behavior of the employees working under him. If he comes across an employee who exhibits an indifferent attitude, experiences difficulties in getting along with people, mishandles or damages tools, equipment or materials due to carelessness or

he/she is quite often absent then they infer such an employee has some serious grievances which needs immediate action and remedy.

Grievance redressal machinery A grievance procedure is a formal process which is preliminary to an arbritration, which enables the parties involved to attempt to resolve their differences in a peaceful manner. It enables the company and the trade union to investigate and discuss the problem at issues without in any way interrupting the peaceful and orderly conduct of business. When the grievance redressal machinery works effectively, it satisfactorily resolves most of the disputes between labour and management. The grievance procedure may be of an open door type or of step ladder type. In an open door policy the management asserts that no employee is prevented from going to it directly with his grievance and even meets the head of the firm in an effort to have his grievance properly attended to it. This type of policy is useful in case of small units.

Grievance Redressal

Grievance redressal in human resource management (HRM) is a process for resolving employee complaints about their employment. Here are some steps in the grievance redressal process:

- **Reporting**: The employee files a formal complaint through a grievance form, email, or meeting with HR.

- **Acknowledgment**: HR acknowledges the complaint and may assess its severity and validity.

- **Investigation**: HR gathers information through interviews, evidence collection, and policy review.

- **Evaluation**: HR evaluates the findings and decides on a course of action.

- **Resolution**: HR takes action to resolve the grievance, which may include disciplinary measures or policy changes.

- **Feedback**: HR informs the employee about the outcome and resolution steps.

- **Documentation**: HR documents all steps for future reference and legal compliance.

- **Follow-up**: HR may follow up to ensure the implemented measures are effective.

- **Appeal**: If the employee is not satisfied with the resolution, they can appeal the decision.

Grievances can include complaints about disciplinary actions, promotions, and occupational issues. Proper grievance procedures are important for maintaining good employee morale and avoiding costly legal claims.

Importance and benefits of grievance handling

Effective grievance handling is crucial in any organization for a variety of reasons. It impacts not just the individual employee raising the grievance, but also the broader work environment, the reputation of the company, and the overall success of the organization. Here are some of the key importance and benefits of grievance handling:

Employee satisfaction and retention

- **Employee morale:** Addressing grievances promptly and fairly boosts employee morale. When employees feel heard and valued, they are more likely to be engaged in their work.

- **Reduced turnover:** Employees are more likely to stay with a company that effectively addresses and resolves their concerns.

Productivity and performance

- **Increased productivity:** Resolving issues that impede employee performance can lead to increased productivity.

- **Quality of work:** Employees who are content in their work environment are likely to produce higher-quality work.

Legal compliance and risk mitigation

- **Legal safeguards:** Proper grievance handling processes help to protect the company against potential lawsuits related to harassment, discrimination, and unfair treatment.

- **Due diligence:** Documented grievance procedures provide evidence that the company took steps to address issues, which could be crucial in legal disputes.

Organizational culture and reputation

- **Trust and openness:** A transparent grievance process fosters a culture of trust between employees and management.

- **Employer reputation:** Companies that handle grievances effectively are more likely to be seen as desirable places to work, attracting high-quality talent.

Management and decision making

- **Feedback loop:** Employee grievances can provide valuable insights into areas of the organization that need improvement.

- **Data-driven decisions:** Patterns in grievances can provide data points for HR and management to make informed decisions.

Relationships and communication

- **Improved relationships:** Addressing grievances often leads to the resolution of interpersonal conflicts, improving relationships within the team.

- **Clear communication:** A formal process for grievance handling ensures that there is a clear channel for communication between employees and management.

Cost savings

- **Lower HR costs:** Efficient grievance handling processes reduce the time and resources required by HR teams to resolve issues.

- **Reduced absenteeism:** Addressing grievances related to the workplace environment can reduce stress-related absences and improve overall well-being.

Ethical and social responsibility

- **Ethical standard:** Demonstrates a commitment to fair and ethical treatment of employees, reinforcing the company's social responsibility.

- **Diversity and inclusion:** An effective grievance system promotes a diverse and inclusive environment by taking quick action against discrimination and harassment.

A well-structured grievance redressal system within HRM is critical for fostering a positive work environment by providing a structured channel for employees to voice concerns, promoting transparency, and enabling prompt resolution of issues, ultimately enhancing employee morale, productivity, and overall organizational health; it is essential to ensure the process is fair, accessible, and confidential, with clear communication throughout to prevent escalation and maintain trust between management and employees.