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## **UNIT 21 HUMAN RESOURCE AUDIT**

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### **Structure**

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### **21.0 LEARNING OUTCOME**

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After reading this Unit, you should be able to:

- Understand the nature, importance and scope of HR audit;
- Describe the approaches to HR audit; and
- Design information systems for HR auditing.

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### **21.1 INTRODUCTION**

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Human Resource (HR) audit is an important aspect of the human resource management. It is now receiving a great deal of attention from HR practitioners. HR audit is used as a tool for review of the effectiveness of human resource practices. It is a tool for evaluating the personnel activities of an organisation. It gives feedback about HR functions not only to operating managers but also to HR department about how well operating managers are meeting their HR duties. In brief, audit is an overall quality control check on HR activities in a public organisation and an evaluation of how these activities support overall organisational strategy. HR audit also helps clarify organisational and management goals. Since the appropriateness of organisational goals and objectives set to be achieved can be questioned in relation to the problems being addressed, HR audit provides procedures for evaluating goals and objectives. Audit may result in efforts to restructure management practices and goals. It may also contribute to the craft of new policies emergence of and potential solutions. HR audit concerns the consideration whether a previously adopted policy alternative should be replaced with another or persisted with given the imperatives of efficiency and economy.

Thus, HR audit is an effort to analyse organisational goals and practices and improve upon personnel performance. K. Aswathappa (2002) has mentioned ten benefits resulting from HR audit:

1. Identification of the contributions of the HR department to the organisation;
2. Improvement of the professional image of the HR department;
3. Encouragement of greater responsibility and professionalism among members of the HR department;
4. Clarification of the HR department's duties and responsibilities;
5. Stimulation of uniformity of HR policies and practices;
6. Finding solution of critical personnel problems;
7. Ensuring timely compliance with legal requirements,;
8. Reduction of HR costs through more effective personnel procedures;
9. Creation of increased acceptance of the necessary changes in the HR department, and;
10. A thorough review of the department's information system.

Systematic audit can help build strong rapport between the department and operating managers, and can reveal outdated assumptions that should be changed to meet the department's objectives and future challenges. Further, planned assessment creates discipline in personnel staff and encourages them to move away from intuitive techniques to a more rigorous assessment of the likely benefits to be achieved.

According to Gray (1965), “the primary purpose of personnel audit is to assess how various units are functioning and how they have been able to meet the policies and guidelines which were agreed upon and to assist the rest of the organisation by identifying the gap between objectives lay out and results achieved. The end product of an evaluation should be to formulate plans for corrections or adjustments.” Thus, audit helps the management evaluate how well its policies as a whole are pursued and identifies trouble areas that require particular attention.

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## **21.2 AREAS OF HR AUDIT**

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The scope and subject areas of HR audit are very wide. It represents a ‘whole man approach,’ in that it assumes that the management of human resources involves much more than the practice of selecting, training and firing employees. The field of human resource audit includes : (a) Recruitment and selection, (b) Training and development, (c) Promotion, transfer, and career development, (d)Performance appraisal and job evaluation, (e) Morale and discipline, (f) Salary, rewards and benefits, (g) Personnel policies, procedures and programmes, (h) Employer – employee relations, and (i) Research.

The HR management audit allows rating the extent to which an organisation has basic HR activities in place and how well they are being performed. In deciding upon rating, there is need to consider how other managers and employees would rate the activities. The total scope provides a guide for actions that will improve HR activities in the organisation. Robert Mathis and John Jackson (2000) give the following chart for HR audit.

The following figure contains a checklist of HR audit which can be of great help to HR management.

### **Figure: Sample HR Audit Checklist**

Instructions: For each of the items listed below, an organisation can be rated using the following scale:

VERY GOOD (complete, current, and done well)	3 points
ADEQUATE (needs only some updating)	2 points
WEAK (needs major improvements/changes)	1 point
BASICALLY NONEXISTENT	0 points

### **Chart for HR Audit**

#### **I. Legal Compliance**

1. Equal employment opportunity requirements
2. Immigration reform
3. Health and safety
4. Wage and hour laws
5. Employment-at-will statements
6. Privacy protection
7. ERISA reporting/compliance
8. Family/medical leave

#### **III. Maintaining Human Resources**

- 14 Formal wage/salary system
- 15 Current benefits programs/options
- 16 Employee recognition programs
- 17 Employee handbook/personnel Policy manual
- 18 Absenteeism and turnover control
- 19 Grievance resolution process
- 20 HR record-keeping/information system

#### **II. Obtaining Human Resources**

9. Current job descriptions and specifications
10. HR supply-and-demand estimates (for 3 years)
11. Recruiting process and procedures
12. Job-related selection interviews
13. Physical exam procedures

#### **IV. Developing Human Resources**

21. New employee orientation program
22. Job skills training programs
23. Employee development programs
24. Job related performance appraisal
25. Appraisal feedback training of managers

- Total Points

### **HR AUDIT SCORING**

Evaluate the score on the HR audit as follows:

- 60-70 HR activities are complete, effective, and probably meeting most legal compliance requirements.
- 45-59 HR activities are being performed adequately, but they are not as complete or effective as they should be. Also, it is likely that some potential legal risks exist.
- 30-44 Major HR problems exist, and significant attention needs to be devoted to adding and changing the HR activities in the organisation.

Below 30 Serious potential legal liabilities exist, and it is likely that significant HR problems are not being addressed.

It is easy to announce policies but difficult to ensure their compliance. Promulgation of progressive policies such as promotion, on the basis of merit and nondiscriminatory hiring, may not be enough. Such policies are rarely self-enforcing, and some sort of auditing is required to ensure that they are implemented on a uniform basis.

It may be mentioned here that it is the top management's function to make regular check-ups. But top management is often too busy handling immediate problems and hardly has the time to carry out the function unaided. Consequently, standards decline gradually, causing long-term damage. Often the fall and deterioration of standards is so gradual that it might be difficult to adequately monitor them.

In the public sector, the policy states that all promotions are to be based on capability, irrespective of length of service. But a strong union frequently puts pressure on the management to promote senior employees. The tendency is felt in public organisations and all promotions go to the most senior employees. Apparently, merit and capability appear to be no longer significant factors.

Further it is observed that line management often defers action until a serious crisis erupts. A staff group like personnel, who have the technical resources and the perspective to ask potentially embarrassing questions on a regular basis, performs an important function. Regular audit identifies specific areas that require attention. This makes it possible to detect significant trends before they take the shape of crises. In addition, regular audits keep subordinates regularly alert as to what is expected of them.

### **Auditing Organisational Health**

Auditing is equally important to assess the 'organisational health'. Increasingly, HRD departments are being asked to audit overall effectiveness of an organisation's human resource utilisation. A healthy organisation is one which is able to develop the hidden talents and capacities of its personnel and provide career and promotional opportunities to them to fulfill their ambitions for attaining rewarding positions. Relevant here, as measures include the amount of human resource development practices being undertaken, the percentage of personnel who avail themselves for voluntary educational programmes and changes in the skill levels of the personnel.

### **Standards of Accountability**

In most public sector undertakings, a system of Memorandum of Understanding (MoU) has been introduced for the purpose of improving organisational performance. The emphasis in this instrument is on achieving the negotiated and agreed objectives (P.E. survey, 2002-03). Managers expect to be held to the memorandum of understanding for enforcement of standards of accountability. In effect, the MoU establishes a target and at the end of the target period, both management of the public enterprise and the government compare the expected standard of performance with the actual level of achievement. Shortfalls, if any, are indicators that further investigations and remedial actions are required. In the human resources arena, managers may have standards for

such objectives as hiring of employees, training, labour productivity and overtime utilisation. Actual achievements have to be assessed against such set standards.

### **Policy Implementation Audit**

A policy pronouncement has little meaning if it is not implemented in true spirit. Personnel also get involved in auditing some aspects of the manager's job particularly those which have been the subject of top management policy pronouncements. To meet the management's objective of paying its employees, salary and other benefits, the HRD department must regularly compare its pay scales with wages paid by other companies.

Similarly, when top management decides that women are to receive equal considerations for promotions in administration, implementation of such policies will depend on continued audit and surveillance. To take another example, universities provide sabbatical leave to teachers for engaging in meaningful research. If not properly audited, such sabbatical leave by teachers may come to be used simply to take up teaching assignments to earn extra money. Similarly, government undertakings may encourage managers to provide employees, reasonable time off with salary to participate in community service activities such as family planning drive or literacy drive. It is easy to understand why this policy needs to be monitored and audited. Ethical standards may need to be enforced as a matter of organisational policy. Time and cost pressures may compel the manager to reject requests from subordinates for time off with pay to participate in community activities that seem to interfere with the employee's immediate job. If granted, the same would need to be monitored.

### **Cost - Benefit Comparisons**

Audit is also undertaken to assess whether the management's policies are sensible and effective and whether the policies are really achieving the results consistent with costs. Budget is a good example of such comparison. Often budgets are made without a study of the actual needs given for various activities. They are often incremental in nature and substance, that is, the executive agencies who draw them up assume that the next year's allocations will most likely be a percentage above the previous year's figure. Increasingly, however, management has begun asking whether the unit performance is comparable with costs and where funds can be shifted to obtain better performance.

In case of human resource, there is need for continuous scrutiny to ascertain: (i) whether the resources going into any given programme are producing results of greater value than cost involved; and (ii) whether the resources used in one programme could produce more for the organisation, if all parts were redirected to other programmes. Clearly, if more money is spent on selection, better candidates can be considered by the organisation. Therefore, budgets must be regularly audited to find if possible reallocations of funds might produce greater returns to the organisation. Ideally, no expenditure should be made unless it increases the value of human assets. The human resource department can perform the critical function of alerting the top management to the broad range of human resource implications of the policy in question.

### **Absenteeism Record**

Absenteeism can be regarded as an indicator of organisational health. The Department of Human Resources watches absenteeism to analyse the employee's dislike for the job or

the bosses in question. It has been observed that absenteeism is generally higher in industries where the work is long and where workgroups are large.

### **Turnover Rate**

Turnover rate (quit rate) is another measure for direct observation of how well things are progressing. It is a measure of changes in the work force overtime. The figure in turnover can be affected by the selection of new employees, lay offs and voluntary resignations. Resignation factor is obviously the most critical to a management concerned with auditing organisational health.

It is observed that turnover tends to be higher in organisations that are larger, have longer workweeks and higher absenteeism rates. Similarly, turnover tends to be lower if there is relatively high unemployment, workers are more experienced, and also older, also, When business is booming and the labour market is tight (when there are lots of jobs and relatively few unemployed), capable human resource is hard to recruit. Large organisations may pay handsome salaries and have lower quit rates and high-paid employees may also have lower quit rates. Quit rates have been seen to be relatively high in private sector and low in public sector.

### **Attitude Surveys**

Attitude surveys are techniques employed to determine how personnel feel about their jobs, bosses, management programmes, organisational climate and organisational change policies, personnel policies, etc. Surveys attempt to elicit more detailed answers through ‘open-ended’ questions.

These attitude or morale surveys reveal ‘illnesses’ if any, afflicting organisational health though not the exact source or nature of the problem. (Likert, 1965)

Monappa and Saiyadain (1978) provide a number of yardsticks and indices for the purpose of evaluation, viz. “... averages in the levels of employee turnover or absenteeism; cost figures of each major activity or function; accident frequencies; grievances; suggestions; internal data indicators wage and salary surveys employees’ state insurance scheme statistics, productivity indications for certain jobs and or machines, staffing and manning tables, job analyses and descriptions; evaluation data regarding selection instruments”.

### **Company Records Measures**

Even without the use of surveys, the organisation produces information that can be reassessed by staff experts with a view to obtaining measures of personnel effectiveness relating to scrap records, number of accidents, strikes and grievances, and suggestions from employees, customers and shareholders.

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## **21.3 AUDIT RELATIONSHIPS**

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In many organisations often, staff managers are also placed in the position of appraising the work of line managers and reporting their findings to the upper management. Personnel may audit how well line managers keep payroll costs in line or how well they

utilising training resources. Personnel auditing thus discloses excessive and costly turnover that may be afflicting organisational practice.

There are four more elements that could be considered prerequisites in HR auditing.

First, successful personnel managers learn that they are more effective in bringing about improved performance if they discuss the results of their evaluations with the manager before sending them to the higher management. This affords the manager the opportunity to improve his performance before the boss learns of performance ‘lag’. Instead of pressure technique, the staff report becomes a device to help the manager remove or reduce defects in operations and meet the standards established as desirable by the top management. To that purpose, HR audit creates healthy relationships between the staff and line groups.

Second, personnel are asked to associate line managers in data collection and interpretation processes from the beginning. It is important that line is afforded a voice in deciding what data should be gathered and how it should be disseminated. Often, personnel distribute the data to the managers concerned without commenting. Here itself, supervisors themselves are encouraged to interpret and give meaning to data collected.

Third, line managers will be ready to accept a staff controls report if they can see how its contents will help them achieve their objectives, and if it is timely, personnel’s chief job is to help the line management detect and handle its own problems. Here, the line’s motivation to learn rises as it acknowledges there is a problem to be tackled.

And finally, the extent to which personnel develop impersonal, quantitative measures reduces the staff line conflict that usually afflicts the auditing process.

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## **21.4 DESIGNING INFORMATION SYSTEM FOR HR AUDIT**

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Human resource audit is a difficult exercise. It requires the designing of an effective human resource information system to be effective. The most important issues related to the HR information system may be:

### **(a) Collecting data**

In collecting data, often there is the problem of bias if the same is done by managers or individual supervisors on their own performance. For example, if supervisors who report their own department accident records may be tempted to suppress or hide potentially embarrassing incidents. Generally, it is observed that data collected by outsiders, consultants and university based researchers appear more credible than insider reports.

### **(b) Asking questions of the data**

Data, which is to be collected, should provide useful information to enhance organisational effectiveness. Often the data is found to be misleading. Therefore, for most purposes, trend comparisons may be preferable.

### **(c) Interpreting the data**

Looking at the quantity and quality of data, it is the responsibility of the HR department to assist the management in analysing and data interpreting the data.

#### **(d) Stimulating remedial action**

Most organisations in the public sector are seen generating more than the adequate quantity of data. But the main purpose is to stimulate remedial action. In some cases, the action may require consultation between the supervisor and the higher management. In some other cases, it might be useful to have the staff responsible for data collection with the line management in jointly arriving at an agreement regarding the implications drawn from data. Without such participation, there can be serious misinterpretations of data.

Here, it may be mentioned, that generating data is costly even with computers. Its quality can overwhelm, line managers who may be deluged with more data than they can profitably use. Therefore, considering the cost of data collection, only the data relevant to human resource audit should be collected. Further if the organisation practices a policy of decentralisation, the central office staff will be limited primarily to an advisory function, although it may also perform occasional auditing tasks to assure the top management of largely harmonious industrial relations. Line managers will be more willing to accept an audit report if its expert contents to help them achieve their objectives better.

It is critical for the HR department to develop a working relationship with the line particularly the top management that balances any constraining forces with timely participation and sharing. As auditors, personnel managers should consider difficulties each manager faces in meeting the standards set for his unit by the line management.

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## **21.5 APPROACHES TO HR AUDIT**

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Auditors may adopt any of the five approaches for the evaluation purpose:

- (i) The comparative approach, (ii) The outside consultant approach, (iii) The statistical approach, (iv) The compliance approach, and (v) The management by Objectives - MBO approach, (Werther and Davis, 1996)

### **I. Comparative Approach**

In the comparative approach, the auditors attempt to identify another firm or company as the model. They collect and analyse data of their own company and compare it (data) with those of the model company.

### **II. Consultant Approach**

One way to improve the organisation's performance is to use certain effective standards developed by an outside consultant. These standards are used by the auditors as benchmarks for comparative purposes.

### **III. Statistical Approach**

In the statistical approach, certain statistical measures of performance are developed based on the company's existing data. Examples of such measures are absenteeism and accident rates. These data aid auditors in assessing the positive and negative experts of company's performance.

### **IV. Compliance Approach**

Under the compliance approach, auditors review past results and actions to determine if those activities comply with the legal norms and the company's policies and procedures.

## **V. Management by Objectives (MBO) Approach**

The 'management by objectives' (MBO) approach entails specification of goals against which performance is assessed. By this approach, managers set objectives in their specific areas of responsibility and auditors assess the actual performance by comparing it with the objectives.

The methods for evaluating and disseminating data take the form of:

- (i) Comparison between time periods;
- (ii) Comparison of organisations (even among and between public and private organisations);
- (iii) Trend lines, frequency distributions and statistical correlations;
- (iv) Ratio analysis (labour cost variances); voluntary turnover rate;
- (v) Classification of data (amount of absenteeism, scrap records, time lost in accidents); and;
- (vi) Graphical or pictorial displays.

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## **21.6 COMPONENTS OF THE AUDIT REPORT**

After auditing the policies, practices and required areas of the human resource management, a report has to be prepared for consideration of the line or the top management. The report may be presented in the following order:

- i. Table of contents;
- ii. Preface or introduction giving a statement of objectives, scope, research methodology and techniques of the HR audit;
- iii. A summary of the conclusions and recommendations of the HR audit;
- iv. The main report with analysis of data of each section or department concerned;
- v. A Summary which is general comprehensive in nature and more in comparison to the brief prepared at the beginning of the HR audit report;
- vi. An appendix containing supporting data, which might be too voluminous to appear in the body of the audit report.

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## **21.7 CONCLUSION**

The preceding pages analyse the meaning, importance and role of the human resource audit. Auditing helps the top and line management evaluate how well its policies on a whole are working. It appraises the overall effectiveness of an organisation's human resource utilisation. It stimulates the subordinates to pay particular attention to the areas assigned highest priority by top management. Regular human resource audits make it possible to detect significant trends before they generate crises. Besides, regular audits make the whole personnel control process less threatening. Thus, human resource audit helps identify policies and practices that need to be modified or changed in response to the changing circumstances.

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## **21.8 KEY CONCEPTS**

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**Absenteeism:** Absenteeism is the number of days a worker does not report for work. The rules of the organisation specify and determine absenteeism. Sanctioned leave does not count for absenteeism.

**Attitude Surveys:** Attitude surveys involve research techniques which are used to determine the feelings of employees about their jobs and organisations. Such surveys are vital for better craft of management policy based on policy inputs articulated and also gain insight into employee grievances, expectations and general organisational culture outlook.

**Turnover:** Turnover is a measure of change in the work force over time. Surveys are needed to find out the reasons why employees chose to leave the organisation or prefer employment in some other organisation. High turnover rates indicate lack of success on the part of an organisation.

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## **21.9 REFERENCES AND FURTHER READING**

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## **21.10 ACTIVITIES**

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1. Define “human resource audit” and discuss its role in human resource management.
2. Discuss the objectives of the human resource audit. Identify the data to be collected for purpose of human resource audit.
3. Explain the components of HR Audit Report.

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## **UNIT-22 MANAGING CHANGE AT THE WORKPLACE**

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### **Structure**

- 22.0 Learning Outcome
- 22.1 Introduction
- 22.2 Causes or Forces of Change
- 22.3 Effects of Change on Employees
- 22.4 Sources of Resistance to Change
- 22.5 Dealing with Resistance to Change
- 22.6 Approaches to Change
  - 22.6.1 Lewin's 3 Step Model
  - 22.6.2 Action Research
  - 22.6.3. Organisational Development
- 22.7 Management Goals and Actions for Introducing Change
- 22.8 Conclusion
- 22.9 Key Concepts
- 22.10 References and Further Reading
- 22.11 Activities

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### **22.0 LEARNING OUTCOME**

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After reading this Unit, you should be able to:

- Understand change and its effect on organisations and people;
- Explain the major causes for resistance to change and it can be avoided; and
- Discuss managerial actions for change management.

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### **22.1 INTRODUCTION**

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All organisations whether public or private, face a dynamic and changing environment today. This is necessitating organisations to adapt to change. Change within an organisation calls for a modification of the relationships, responsibilities, and behaviour of individuals in the organisation. While not every change may require significant adjustment, change is the rallying cry among today's managers worldwide, and is a daily event in most work environments. To illustrate the variety of change, technology is changing jobs and organisations. The substitution of computer control for direct supervision, for example, is resulting in wider spans of control for managers. Indeed every member of the organisation is affected by changes in all the human resource management as well as by innovations introduced by the manager. It is the function of the manager to work with each subordinate to obtain acceptance of new directions and commitment to change.

People want change at the workplace for:

- (i) better methods of work;
- (ii) improved job;
- (iii) less control;
- (iv) higher outputs and profit;
- (v) change in the attitude of higher management;
- (vi) securing stability in the organisation; and
- (vii) increased individual satisfaction and social well-being.

For Stephens Robbins, (2001) ‘change’ refers to making things different. What distinguishes ‘planned change’ from ‘routine change’ is its scope and magnitude. Planned change is “the deliberate design and implementation of a structural innovation, a new policy or goal, or a change in operating philosophy, climate or style.

## **22.2 CAUSES OR FORCES FOR CHANGE**

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Stephen Robbins summarises six specific forces that are acting as stimulants for change:

### **FORCES FOR CHANGE**

S.No.	Force	Examples
1.	Nature of the workforce	<ul style="list-style-type: none"><li>• More cultural diversity</li><li>• Increase in professionals</li><li>• Many new entrants with inadequate skills</li></ul>
2.	Technology	<ul style="list-style-type: none"><li>• Faster and cheaper computers</li><li>• TQM programs</li><li>• Reengineering programs</li></ul>
3.	Economic shocks	<ul style="list-style-type: none"><li>• Asian real estate collapse</li><li>• Russian devaluation of the ruble</li><li>• Changes in oil prices</li></ul>
4.	Competition	<ul style="list-style-type: none"><li>• Global competitors</li><li>• Mergers and consolidations</li><li>• Growth of e-commerce</li></ul>
5.	Social trends	<ul style="list-style-type: none"><li>• Attitude toward smokers</li><li>• Delayed marriages by young people</li><li>• Popularity of sport-utility vehicles</li></ul>
6.	World politics	<ul style="list-style-type: none"><li>• Collapse of Soviet Union</li><li>• Opening of markets in China</li><li>• Black rule of South Africa</li></ul>

This is not a definitive list but it should give the idea of the diversity of pressures that can cause change.

1. Economic conditions have continued to factors imposing changes on organisations. Developments in India between 1999 and 2003 made organisations realise how vulnerable markets can be to inflow and outflow of

- capital. This pressure forced organisations to examine closely what they were doing in order to be able to compete in export markets.
2. Whether at home or abroad, all organisations face some competition. Heightened competition means that established organisations need to defend themselves against both traditional competitors that develop new products and services, and small entrepreneurial firms with innovative offerings.
  3. Further, it should also be realised that government policy can be impacted on a local, national and international basis. The impact that politics has on organisations by way of local or European legislation is well known.
  4. Technological change has greatly affected the way organisations operate and communicate. Sophisticated information technology is also making organisations more responsive.
  5. Resource availability also affects organisations. As resources become scarce, organisations have to change and adapt to business without them.
  6. People who are the customers or consumers are also putting pressure on organisations to meet their changing and growing needs. As people are improving upon their education and becoming more aware of their power, they are influencing governments to introduce more legislation to protect them at work.

Klatt, Murdick and Schuster (1978) opine that each manager must be concerned with introducing four types of changes in the human resource system:

1. Innovations by subordinates;
2. Changes which the manager originates;
3. Changes imposed by higher management;
4. Changes imposed by the environment.

The effect of any change caused by the above factors is, generally, a change in the individual manager's responsibility of the total human resource system. Such changes, affect the formal organisation, the informal organisation, roles, the attitudes of individuals, and possibly, physical factors, such as, equipment, the processing of work, the plant or office layout.

### **Innovations by Subordinates**

As young people become employed, they bring with them new sets of values that affect organisational goals and objectives. This poses new issues for managers who are tied to past values and attitudes. One such issue is *corporate social responsibility*. In progressive companies, managers are strongly urged to stimulate productive and creative thinking by subordinates.

New ideas and innovation by the subordinate is the arena in which the manager may exercise the most positive influence in furthering both organisational and individual goals. This opportunity to make the maximum contribution they can is what workers frequently want most from their jobs (Weaver, 1976)

### **Changes the Manager Originates**

The manager may introduce such changes gradually, vary the timing, modify them, or even withdraw them if this seems appropriate. The manager also has the

advantage of being able to obtain ready acceptance by evolving required changes with the cooperation of subordinates.

### **Changes imposed by the Higher Management**

The manager is required to introduce changes at the workplace for the subordinates, which are imposed by the higher management.

Klatt and his associates mention examples of internally imposed changes as:

- (i) Changes in the requirements for transfers or promotions;
- (ii) Changes in work rules or work hours;
- (iii) The introduction of a female or black manager;
- (iv) A new procedure for reporting or preparing reports;
- (v) Speedup in the production line or change in the product mix;
- (vi) The transfer of some employees to a new work station or location;
- (vii) Change from a manual procedure to an automatic process;
- (viii) Change to a new incentive system or compensation plan;

### **Changes Induced by the Environment.**

Klatt and his associates point out some inputs from the environment which require change within a particular manager's organisation and operations:

- (i) New laws or government regulations. ;
- (ii) Technological advances;
- (iii) Personal turnover;
- (iv) Changes in the environment. ,
- (v) Computerisation of operations;
- (vi) Competition;
- (vii) Materials shortages;
- (viii) Changing values and aspirations;
- (ix) Business cycles.

As noted earlier, technological innovations, such as, introduction of a large-scale computer, produces a new organisation structure, new positions and new interpersonal relationships. New conflicts over responsibilities consequently arise, and produce shifts in organisational patterns and roles.

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## **22.3 EFFECTS OF CHANGE UPON EMPLOYEES**

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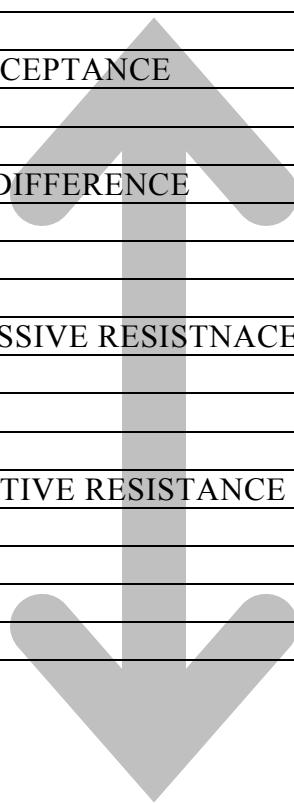
We should recognise that most changes that begin internally within the organisation has positive and progressive intentions and, in fact, may be necessary for the survival of the organisation. Further, the external forces may pressure for changes at the workplace.

The question is, on introduction of changes at workplace, what is their impact upon the employees of the organisation? Change demands that modifications and stability must occur. Judson (1966) suggests that these adjustments must be made in three

different ways for every employee in behavioural patterns, in psychological outlook and in social adaptation (Judson, 1966). Behavioural patterns must be adapted to fit new regulations, procedures and methods of operation. New patterns of communication, cooperation and interaction may also be modified.

The psychological effect or change is the attitude developed by an employee toward change on the basis of his own ability to cope with its demands. Judson further suggests that there is a range of attitudes usually representative of employees reacting to change that runs from open, complete acceptance of change to active resistance to it (see Figure I) These attitudes, of course, result in behavioural patterns that may attempt to enhance the outcome of change, try to impede the progress of change, or take a neutral, more passive position toward it.

**Figure 1: Range of attitudes toward change and resulting behaviour**



	Enthusiastic cooperation and support
	Cooperation
ACCEPTANCE	Cooperation under pressure from management
	Acceptance
	Passive resignation
INDIFFERENCE	Indifference
	Apathy; loss of interest in the job
	Doing only what is ordered
	Regressive behaviour
PASSIVE RESISTNACE	No learning
	Protests
	Working to rule
	Doing as little as possible
ACTIVE RESISTANCE	Slowing down
	Personal withdrawal
	Committing ‘errors’
	Spoilage
	Deliberate sabotage

The social adaptations change calls for alterations in the relationships between employees, their superiors, their colleagues, their subordinates and the informal groups to which they belong. Change often affects the degree of social interaction between individuals and may also have an impact upon roles, status, cohesiveness, and patterns of identification and acceptance between people.

In addition to Judson's suggestions described above, change may also have an impact upon employees' job freedoms and constraints and new environment at the workplace.

It has been found that changes, even relatively minor and limited ones, tend to produce stress and tensions in employees. Gardner and Moore (1964) long ago found that “the cost in employee feelings of anxiety and insecurity and the loss of productive energies and efficiency, engendered by changes affecting the well-being and status of employees, are significant items of human and economic expense.” It

is surprising therefore, that many managers still view adaptation to a work change as an individual problem which the employee must sort out himself.

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## 22.4 SOURCES OF RESISTANCE TO CHANGE

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Robbins identifies five reasons why individuals resist change: *habit, security, economic factors, and fear of the unknown* and *selective information processing*. In addition, he identifies six major sources of organisational resistance: *structural inertia, limited focus of change, group inertia, threat to expertise, threat to established power relationships* and *threat to established resource allocations*. The individual and organisations, which after all are collections of individuals, both resist change. Of course, there is little resistance to change in a company in which the previous outcomes of changes have been positive. Second, the fact that an individual is well educated or highly intelligent does not mean that he or she will be less resistant to a necessary, logical change introduced by the manager. In fact, a highly educated employee is likely to come up with more rationalisations for not making a change (Davis, 1967).

A number of explanations have been advanced for the development of attitudes and behaviour patterns of resistance to change.

### Economic Reasons

Large part of employees' resistance to organisational change lies in the element of fear because employees are afraid that change will result in the loss of something important to them. All changes, promotion, transfer, demotion, reorganisation, merger, retirement and most other managerial actions, produce loss. Despite the fact that change is necessary and is often for the better, at some level of consciousness, individuals experience the threat of this displacement of loss.

### Personal Reasons

When change takes place, employees face a potentially uncomfortable period of adjustment as they settle into a new organisational structure or a redesigned job. Many employees, who possess years of experience in their area of work, do not wish to learn new skills. New techniques pose the threat of personal obsolescence.

Change may undermine the fulfillment of any or all human needs, physical maintenance, security, affiliation, social esteem (recognition and reputation), competence, power, achievement and hope. When a new superior comes on the scene, for example, an employee may immediately become concerned about the protection of his needs for security, competence and power and social esteem. Similarly employees may resent the fact that they did not have a part in the change decision.

### Social Reasons

Organisational changes which break long time social relationships may be feared by the employees. An employee who does not participate in the changes affecting relationships with others may resent change. Similarly, employees are likely to oppose change which threatens their group status.

### Political Reasons

Political considerations may also act as the sources of resistance to change. At the political executive level, change may mean shifts in power and the realignment of

power cliques. The unions representing organised production, clerical and some professional employees may fear that changes will reduce and affect the informally developed power of these groups in some offices or workplaces.

Tensions may occur as a result of the pressures from uncertainty, insecurity, or from other concerns. But there will be no problem of concern to the manager involving the development of a strategy for change. However, change often results in resistance, and negative employee reactions may doom the success of programmes of change if not handled properly.

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## **22.5 DEALING WITH RESISTANCE TO CHANGE**

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Kotter and Schlesinger suggest a number of tactics for use by change agents in dealing with resistance to change: education and communication, participation and involvement, facilitation and support, negotiation and agreement, manipulation and co-optation and explicit and implicit coercion. The following is a brief description of each:

### **Education and Communication**

Resistance to change can be reduced through adequate communication to those affected by intended changes. Lack of clear communication leaves room for distorted interpretation of facts and intentions. If employees receive the full facts and information and get any misunderstanding cleared up, resistance will be minimised.

### **Participation and Involvement**

Employees are less likely to offer resistance to decisions for change which they have participated in making. Assuming that the participants have the experience and knowledge to contribute, their involvement can reduce resistance, obtain commitment, and increase the quality of the change decision.

### **Facilitation and Support**

By offering counseling, guidance and training during the change process, the management can deal with the fear and anxiety that employees may have about not being able to cope with change.

### **Negotiation and Agreement**

Another way for the change agent to deal with potential resistance to change is to use negotiation as a tactic. For example change needs can be overcome by offering lucrative redundancy packages to key workers or golden handshakes to departing chief executives.

### **Manipulation and Co-optation**

Distorting facts to make them appear more attractive, withholding undesirable information, and creating false rumours to get employees to accept a change are all explanations of ‘manipulation’. On the other hand, ‘co-optation’ is a form of both manipulation and participation. It seeks to buy off the potential workers and leaders who resist change by giving them a key role in the change decision.

## **Coercion**

Coercion tactic is used by managers to force people to accept a change decision. Some examples of coercion are threats of transfer, loss of promotions, negative performance evaluations, and poor letters of recommendation.

In brief, it is suggested that management should use a range of these approaches to introduce change successfully, often by combining them and recognising their strengths and constraints.

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## **22.6 APPROACHES TO CHANGE**

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There are mainly three popular approaches to managing change, (1) Lewin's Classic Three-step Model of the Change Process,(2) Action Research, and (3)Organisational Development.

### **22.6.1. Lewin's Three-Step Model**

Lewin (1951) made an effort in the process of bringing about effective change. According to him most efforts at change fail for the reason that people are unwilling to alter long-established attitudes and behaviour. To overcome this obstacle, Lewin developed a three-step sequential model of the change process. It involves (1) “unfreezing” the present behaviour pattern, (2) “changing” (movement) or developing a new behaviour pattern, and then (3) “refreezing” or reinforcing the new behaviour (See, Figure 2)

- (i) Unfreezing, involves making the need for change so obvious, that the individual, group, or organisation can readily see and accept it.
- (ii) Changing, involves discovering and adopting new attitudes, values and behaviours. A trained change agent leads individuals, groups or the entire organisation through the process. During this process, the change agent will foster new values, attitudes, and behaviour through the processes of *identification* and *internalisation*. Organisation members will identify with the change agent's values, attitudes, and behaviour, internalising them, once they perceive their effectiveness in performance.
- (iii). Refreezing, means locking the new behaviour pattern by means of supporting or reinforcing mechanisms, so that it becomes the new norm.

Lewin's three-step change model depicts three stages, namely unfreezing, movement and refreezing. When the driving forces are equal and opposite, we are in a state of ‘equilibrium’. The restraining forces which hinder movement from the existing equilibrium can be decreased. But when the driving forces result in movement toward our required situation, we encourage communication, participation and education to help change behaviour. In the final stage driving forces, move to a consolidation change, that is, a new behaviour. At this stage, it is important for the management to stabilise the new situation by balancing the driving and restraining forces. The formal rules and regulations governing behaviour of those affected by the change should also be revised to reinforce the new situation.

### **22.6.2 Action Research**

By Action Research is meant, a change process based on the systematic collection of data and then selection of a change action based on what the analysed data

indicates (Stoner, Freeman, Gilbert, 1996). The importance lies in providing a scientific methodology for managing planned change. The Action Research process consists of five steps: diagnosis, analysis, feed back, action, and evaluation.

The *diagnosis* is analogous to the physician search to find what specifically ails a patient. In action research, the change agent asks questions, interviews employees, reviews records, and listens to the concern of employees after this analysis of data is done. The third step—feedback requires sharing with employees, what has been found from steps one and two. The employees, with the help of the change agent, develop action plans for bringing about any needed change. In the fourth step, the employees and the change agent carry out the specific actions to correct the problems that have been identified. The final step of action research is *evaluation* of the action plan's effectiveness. Using the initial data gathered as a benchmark, any subsequent changes can be compared and evaluated.

Two specific benefits are seen from the action research. First, it is problem-centered. The change agent objectively looks for problems and the type of problem determines the type of change action. Second, because action research involves largely employees in the process, resistance to change is reduced.

### **22.6.3 Organisational Development**

Organisational development (OD) is concerned with the process of change rather than used to encompass a collection of change itself. Although OD frequently includes structural and technological changes, its primary focus is on changing people and the nature and quality of their working relationships. Formally, OD has been defined "as a top management-supported, long range effort to improve an organisation's problem solving and renewal process, particularly through a more effective and collaborative diagnosis and management of organisation culture, with special emphasis on formal work team, temporary team, and inter-group culture with the assistance of a consultant or facilitator and the use of the theory and technology of applied behavioural science, including action research".(French and Bell, 1981)

Robbins (2001) briefly identifies the following underlying values in most OD efforts:

- I. *Respect for people:* Individuals are perceived as being responsible, conscientious, and caring. They should be treated with dignity and respect.
- II. *Trust and support:* The effective and healthy organisation is characterised by trust, authenticity, openness, and a supportive climate.
- III. *Power equalisation:* Effective organisations deemphasize hierarchical authority and control.
- IV. *Confrontation:* Problems shouldn't be swept under the rug. They should be openly confronted.
- V. *Participation:* The more that people who are likely to be affected by change are involved in the decisions surrounding that change, the more will they be committed to implementing those decisions”.

### **OD Techniques for Change**

Following are some of the OD techniques for bringing about change:

### **(i) Sensitivity Training**

Sensitivity training or T-groups (training groups) refers to a method of changing behaviour through unstructured group interaction. Members are brought together in a free and open environment in which participants discuss issues and study their interactive processes, loosely directed by a professional behavioural scientist.

The objectives of the T-groups sought to be achieved, include increased ability to emphasise with others, improved listening skills, greater openness, increased tolerance of individual differences, and improved conflict resolution skills.

### **(ii) Survey Feedback**

Survey feedback is a tool for assessing attitudes held by organisational members; identify discrepancies among member perceptions, and solving these differences. Under the survey feedback approach (Edwards Thomas), a questionnaire is usually completed by all members on relevant issues in the organisation and workplaces.

### **(iii) Process Consultation**

In process consultation, a consultant works with organisation members to help them understand the dynamics of their working relationships in group or team situations. The consultant helps the group members to change the ways they work together and to develop the diagnostic and problem-solving skills they need for more effective problem solving (Schein, 1969)

### **(iv) Team Building**

Organisations are increasingly relying on teams to accomplish work tasks. Team building utilises high-interaction group activities to increase trust and openness among team members (Dyer, 1994). This approach analyses the activities, resource allocations, and relationships of a group or team to improve its effectiveness. The team building can also address itself to clarifying each member's role on the team.

### **(v) Inter-group Development**

Inter-group development seeks to change the attitudes, stereotypes, and perceptions that groups have to each other. This approach seeks to improve inter-group relations through a method which emphasises problem-solving. In this approach, each group meets independently to develop lists of its perception of itself, the other group, and how it believes the other group perceives it. The groups later share their lists, after which strengths and weaknesses are discussed.

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## **22.7 MANAGEMENT GOALS AND ACTIONS FOR INTRODUCING CHANGE**

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Klatt and his associates say that the manager involved in any type of change goes through four steps:

- (i) “Recognises that a change is necessary or desirable;
- (ii) Determines the ideal change;
- (iii) Decides how to implement the change;
- (iv) Introduces the most practical form of the ideal change”.

Further, they suggest that each of these steps can produce an undesirable reaction or a particular resistance from the employee:

- (i) "To the very idea of a change
- (ii) To the intended change.
- (iii) To the method of implementing the change.
- (iv) To the changed state itself".

The effective manager will keep these four areas of possible resistance in mind in trying to avoid resistance, before it develops any further. When the change is under consideration, it is appropriate for the management to determine what its goals and objectives are, in bringing about change.

In the *first* place, it would seem important to define organisational objectives that support the philosophy of providing positive benefits for the organisation, the management and the community in general. Unless organisational objectives specify the pursuit of mutually beneficial results, changes may fall short of providing fulfillment for everyone.

Changes can be considered on the basis of whether or not they will contribute effectively to the reasonable fulfillment of responsibilities for the organisation, the owners, employees, customers, and citizens of the community at large. However, when external factors make change necessary, care can be observed to try to share the reasons for the change with those affected, and to channel the modifications, so that they have the interests of everyone. It may be mentioned here that changes that offer minimal opportunities for success and desirable results normally should not be given serious consideration because the adverse effects of adaptation to change will often overshadow the attainable merits.

*Second*, it would seem desirable and essential to allow and encourage employee participation in deciding whether or not the change should be made and how it should be made. Participation helps in the disclosure of the causes of change, its consequences, and its implications so that uncertainties concerning it are avoided. Participation in the change process is one of the most useful tools of management for the successful introduction and implementation of alterations and innovations at the workplaces.

*Third*, when an official decision to change is reached a modification of those affected by change usually is helpful. A public enterprise that is informed or knows a year in advance that it will be necessary to transfer several employees to new jobs can take the necessary steps to provide the reorientation, training, equipment realignment, social adjustment, and other actions necessary to be ready for the transfer when it finally happens. Employees appreciate advance communication of changes that affect them personally so that they can begin to make physical, psychological, and social readjustments.

*Fourth*, it would be of mutually beneficial results if such managerial policies are adopted as provide protection and support for employees when faced with change. A wage policy that guarantees that employees cannot be forced by any changing events to accept jobs with lower pay scales within the organisation removes some of the economic threat of change. Likewise, a policy of retraining employees whose skills have become obsolete lends encouragement when technology forces change. Most policies that provide protection from fears of loss and threats will improve attitudes toward impending changes.

*Fifth*, there may be an apprehension of fears and personal losses because of change at the workplaces. Judson suggests the use of ‘tentative approach’ for overcoming fears (Judson, 1986). This technique is basically the establishment of a trial period of change in which employees are asked to work under the new requirements or conditions without actually accepting the change and committing themselves to abide by its new demands. By this technique, those involved with strong preconceptions are in a better position to regard the change with greater objectivity. Moreover, the management is better able to evaluate the method of change and make any necessary modifications before carrying it out more fully. The tentative approach has a way of defusing potentially explosive rejection of change.

*Sixth*, it is equally important to give attention to the change agents selected to introduce change. Selection of individuals as change agents who are respected and who have the confidence of other workers, improves the probabilities of successful reactions and adjustments to change.

*Seventh*, certain fruitful efforts can be made to provide for compensation or substitution for personal losses. When the employees lose something as a result of change that cannot be prevented (loss of wages, loss of desirable social climate, loss of freedom, and so forth), an effort can be made to substitute something else for the loss.

And, *finally*, implementing change and getting its acceptance is an important managerial function. This requires support from the labour unions, informal work groups, influential individuals and government agencies. For example, employee’s unions and informal work groups within the formal organisation may encourage members to give favourable responses to change when the benefits of change are communicated and understood. Influential individuals both within and outside organisations may be persuasive in leading individuals to respond favourably to change. Government agencies sometimes provide financial and advisory assistance in the implementation of changes.

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## 22.8 CONCLUSION

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We live in a world of change. Change is a continuous process. Continuity is as important for the success of an organisation, as, change. Change frequently results from internal plans to improve the performance of the organisation and to benefit organisational members and others. Change also may be a result of external influences, including economic, technological and social factors.

The discussion in this Unit provides explanations for the resistance and rejection of change that frequently occur. Fear often prevails in employees when change is introduced. The individuals who serve as change agents also play a part in eliciting acceptance or rejection of change.

It should be the purpose of the management to maximise the effects of change at workplaces and to minimise the negative consequences upon the organisation and its owners, employees, customers and citizens of the community at large. If the managerial actions suggested in this Unit are implemented, the results of change will be beneficial to employees at the workplaces and to the management as a whole.

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## 22.9 KEY CONCEPTS

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<b>Action Research:</b>	The method through which change agents learn what improvements are needed and how the organisation can best be aided in making those improvements.
<b>Change Agent:</b>	The individual leading or guiding the process of change in an organisational situation.
<b>Refreezing:</b>	Transforming a new behavioural pattern into the norm through reinforcement and support mechanisms.
<b>Sensitive Training:</b>	An early personal growth technique that emphasises increased sensitivity in interpersonal relationships.
<b>Team Limiting:</b>	A method of improving organisational effectiveness at the team level by diagnosing barriers to team performance and improving interteam relationships and task accomplishment.
<b>Unfreezing:</b>	Making the need for change so obvious that the individual, group or organisation can readily see and accept that change must occur.

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## **22.11 ACTIVITIES**

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- 1) Discuss managerial actions to enhance the positive side of change and to minimise the negative consequences of change at workplaces.
- 2) Describe principal approaches to bringing about change.
- 3) Discuss the concept of organisational development (OD).

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## **UNIT-23 STRESS MANAGEMENT**

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### **Structure**

- 23.0 Learning Outcome
- 23.1 Introduction
- 23.2 Meaning of Stress
  - 23.2.1. Negative Implications of Stress.
- 23.3 Sources of Stress
  - 23.3.1 Environmental factors
  - 23.3.2 Organisational Factors
  - 23.3.3 Individual Factors
  - 23.3.4 Individual differences
- 23.4 Consequences of Stress
  - 23.4.1 Physiological symptoms
  - 23.4.2 Psychological Symptoms
  - 23.4.3 Behavioural Symptoms
- 23.5 Practice of Stress Management
- 23.6 Strategies to Manage Stress
- 23.7 Managing Stress: Ancient Indian Approaches
- 23.8 Conclusion
- 23.9 Key Concepts
- 23.10 References and Further Reading
- 23.11 Activities

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## **23.0 LEARNING OUTCOME**

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After reading this Unit, you should be able to:

- Explain the meaning of stress and its consequences;
- Illustrate the potential sources of stress; and
- Describe the different approaches toward managing stress.

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### **23.1 INTRODUCTION**

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Stress is a product of busyness of modern life. Tim Newton (1995) refers to stress as "an epidemic plaguing modernity". It has assumed grave dimensions ever since the emergence of industrialism. From being a subject, which was barely a reference a century ago, it has become so prevalent that for most people in the capitalist world, it is unavoidable. Our concern in this Unit is with how this has come about, and with the ways in which employees are said to feel and cope with stress. It is important to monitor stress levels, analyse coping strategies and learn how to become stress-fit through a range of stress management techniques. Stress is an additive phenomenon. It builds up overtime. Stress is quintessentially a problem that must be borne by management and those in senior positions, whether captains of industry or leaders of government.

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## **23.2 MEANING OF STRESS**

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Stress is a "dynamic condition in which an individual is confronted with an opportunity, constraint or demand related to what he or she desires and for which the outcome is perceived to be both uncertain and important" (Robbins, 2001).

Beehr and Newman (1978) define stress "as a condition arising from the interaction of people and their jobs and characterised by changes within people that force them to deviate from their normal functioning". According to Winfield, Bishop and Poter "stress is essentially a psychological condition induced by external conditions that release or restrict certain chemicals in the brain; this in turn can lead to psychological change in the individual resulting in change of behaviour. It is associated with the psychological perception of an individual about the pressure of contingencies. A pioneer of research on stress has seen it as a response, not, as the environmental stimulus, or as a situation where the demand exceeds the individual's abilities to cope. For Seyle (1945), there are three stages in the experience of stress:

- (i) Alarm: The individual has lowered resistance when he or she is in a state of psychological disequilibrium, which does not permit the individual to co-exist conformably within the environment.
- (ii) Resistance: The individual adapts to the stimulus, which permits him or her to eventually return to a state of psychological equilibrium.
- (iii) Exhaustion: It results when the willingness and ability to adapt to the stimulus collapses. This will result in 'giving up' or resigning oneself to the inevitable and lead to damage psychological and physical health.

It may be mentioned here that stress is not necessarily bad in itself; it has positive value. It offers an opportunity for potential gain. Stress in a positive context induces employees to rise to the occasion and perform at their best. For example, when an employee undergoes annual performance review at work, he often feels stressed because he faces opportunities, constraints and demands. A good performance review may reward him a promotion and reaching a higher salary. On the contrary a poor review may prevent him from achieving the promotion and higher station in life. An event that causes constant worry to one can be a very useful challenge to another. When we are under stress, our awareness, our senses and our mind are sharpened. We know many people who work best under stress because they do not permit stress to create anxiety in them.

### **23.2.1 Negative Implications of Stress**

Tim Newton observes ‘Stress appears almost as a necessary kind of comfort discourse, a tranquillizer to cope with the diversity of competing messages about the truth of this world, and the dreadful uncertainty of our times. The stress discourse reassures us by explaining how it is normal to feel stressed in these conditions, and it provides strategies to help us cope with them by being vigilant and stress-fit’ (Newton, 1995). Stress at work and job stress are a chronic disease caused by conditions in the workplace that negatively affect an employee’s performance and his health. Work related stress in the life of organised workers, consequently affects the health of the organisation. Negative implications of stress for the organisation may be identified as under:

- (a) Physical: (i) Poor performance resulting in fall in the quality and quantity of work, (ii) Absenteeism at work, (iii) Negative fallout of business.

- (b) Social: (i) Increase in social tensions, (ii) Resistance to social change, (iii) Withdrawal from normal social networks
  - (c) Psychological (i) Deterioration in morale, (ii) Hurdles in effective communications (iii) Irrational judgements about others (iv) Sense of distrust and alienation.
  - (d) Behavioural : (i) Poor decision making and its implementation (ii) Accidents in workplaces (ii) Loss of potential human resources
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### **23.3 SOURCES OF STRESS**

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One source of rise in stress is related to rapid pace of change. Stress, anxiety, depression, phobias, all are part of the accepted fallout of the' business' of modern life, in which technology, far from freeing time for leisure, only seems to accelerate the pace. To Giddens, stress could be seen as in part a consequence of the increasing uncertainty of modern life. As Giddens (1991) points out, we no longer have clear sources of authority, such as those traditionally provided by religious authorities. Instead there is an" indefinite pluralism of expertise" which "some individuals find it psychologically difficult or impossible to accept." By Giddens' account, the problem of stress is likely to appear as fundamentally social, moral and institutional.

For Cooper, stress is seen as the product of an interaction between individual needs and resources and the various demands, constraints and facilitators within the individual's immediate environment. Cooper (1986) presents comprehensive overview of both the causes of work stress and the organisational and individual problems, which may arise when the individual worker experiences those stressors. The medical terminology adopted by Cooper facilitates the task of sanitising organisation life by implying that both

the individual and the organisational outcomes of stress are self-evidently pathological and thus in need of treatment rather than illumination.

Robbins's model (this model adopts the transactional perspective found in many 1980s models of stress) identifies three sets of factors: Environmental, organisational and individual that act as stressors. These are briefly discussed as follows:

### **23.3.1 Environmental factors**

Economic uncertainty does influence the stress levels among the personnel in the organisation. For example, when the economy is contracting, people become increasingly anxious about their security. Likewise political uncertainty, such as, political threats and changes, can be stress inducing. Technological uncertainty can also cause stress because innovations, such as, computers, robotics, automation are a threat to many people.

### **23.3.2 Organisational Factors**

Pressures to avoid mistakes or complete tasks in time, work overload, unpleasant co-workers and an insensitive boss in the organisation can cause stress among the employees.

Lack of social support from colleagues and poor interpersonal relationships can cause much stress. Similarly excessive rules and lack of participation in decisions that affect an employee are instances of structural variables that might cause stress. Some chief executive officers establish unrealistic pressures to perform in the shot run, impose excessively tight controls, and routinely fire employees who do not come up to their expectations.

### **23.3.3 Individual Factors**

Individual factors, such as family issues, personal economic problems, marital difficulties and discipline troubles with children are examples that create stress for employees. Some people have wants that always seem to exceed their earning capacity.

### **23.3.4 Individual differences**

It is already stated that some personnel thrive on stressful situations while they overwhelm others. At least five variables – perception, job experience, social support, belief in locus of control, and hostility have been found to be relevant moderators (Robbins, 2001).

There is ample evidence to suggest that stress can be either a positive or a negative influence on employee performance. For many people, low to moderate amounts of stress enables them to perform their jobs better, by increasing their work intensity, alertness, and ability to react. However, a high level of stress, or even a moderate amount sustained over a long period, eventually takes its toll, and, performance declines. The impact of stress on satisfaction is far more straightforward. Job-related tension tends to decrease in general job satisfaction.

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## **23.4 CONSEQUENCES OF STRESS**

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A manager or an employee in an organisation who is experiencing a high level of stress may develop high blood pressure, ulcers, irritability, difficulty in making routine decisions, loss of appetite, accident proneness, and the like. These can be subsumed under three general categories, physiological, psychological, and behavioural symptoms.

#### **23.4.1 Physiological symptoms**

The early research led to the conclusion that stress could create changes in metabolism, increase heart and breathing rates, increase blood pressure, bring on headaches, and induce heart attacks. However, the link between stress and particular physiological symptoms is not clear.

#### **23.4.2 Psychological Symptoms**

Job-related stress can cause job-related dissatisfaction. Job dissatisfaction, in fact, is “the simplest and most obvious psychological effect” of stress. But stress shows itself in other psychological states – for instance, tension, anxiety, irritability, boredom, and procrastination. The research suggests that when people are placed in jobs in which there is lack of clarity as to the incumbent’s duties, authority, and responsibilities, both stress and dissatisfaction are caused.

#### **23.4.3 Behavioural symptoms**

Behaviourally related stress symptoms include, changes in productivity, absence, and turnover, as well as changes in eating habits, increased smoking or consumption of alcohol, rapid speech, fidgeting, and sleep disorders.

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### **23.5 PRACTICE OF STRESS MANAGEMENT**

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Evidence of the medically damaging symptoms of work stress necessitates applying the treatment of stress management. Stress management is increasingly drawing attention of the management experts not only as a remedial measure but also as a way to resource management. If the work place can be made a little more lovable the increase in the achievement of the organisation may be many times more. If group stress can be removed

by introducing group discussions and recreational facilities a long lasting team spirit may get developed.

There are mainly three forms of stress management practice: employee assistance programmes (EAPs); stress management training (SMT); and stress reduction or intervention (SI). (Murphy, 1986).

### **23.5.1 Employee Assistance Programmes**

The first of forms of stress management practice is employee assistance programmes (EAPs) which refers to the provision of employee counselling services by an organisation. The forerunner of EAPs was the counselling programme undertaken at the Hawthorne works of the Western Electric Company in Chicago in 1936 with a single counsellor and ended in 1956 with five counsellors.

Weiss has provided a detailed critical analysis of counselling and argues that EAPs enshrine a convenient managerial ideology (Weigg, 1986). EAPs take holistic view of the employee so that he or she can seek advice on almost any issue. It can enable employees to have an easy access to trained counsellors getting personal insight and practical solutions.

### **23.5.2 Stress Management Training**

Stress management training (SMT) refers to training courses designed to provide employees with improved coping skills, including training in techniques such as meditation, bio-feedback, muscle relaxation and stress inoculation (Newton, 1992). This method which has grown in popularity in recent years is designed to relieve tensions and reduce frustrations. By helping their employees to learn Stress Management skills, organisations promote workforces who are committed to being effective copers, the

definition of which is directly related to their job performance. Through an introduction to stress concepts, the employee is taught to be wary of getting stressed.

### **23.5.3 Stress Intervention**

The third form of SM practice is stress reduction or intervention (SI). This SI form, however, appears only as a prescription by a small number of researchers, and has received little application as an SM practice (Murphy, 1982). More or less explicit feeling rules are made and generally they are already part of some professionals, especially helpers. For example, police officials are taught and trained to curb their anger when under provocation, and doctors are supposed to react coolly and dispassionately to whatever ailments their patients bring. Indeed, the fact of being professional has come to imply a set of rules about doing a job at an emotional distance from the customer or customer with heavy sanctions against getting "too personally involved." That is theory. However, some feeling rules are likely to be highly resistance to change.

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## **23.6 STRATEGIES TO MANAGE STRESS**

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It is already stated that high levels of stress or even low levels of stress sustained over long period of time can impair employee performance, and thus requires action by management. What management considers as "a positive stimulus that keeps the adrenalin running" may be seen as "excessive pressure" by the employee. The following discussion has been influenced by J.E. Newman and T.A. Beehr (1978) and J.M. Ivancevich and others.

### **23.6.1 Individual Strategies**

Individual approaches or strategies that have been found quite effective in reducing stress include: (i) implementing time management and delegation techniques, (ii) increasing physical exercise and practicing deep breathing and relaxation skills, and (iii) expanding the social support network.

Studies have revealed that Yoga has cured or helped control several stress related diseases – reducing blood pressure, controlling asthma and neuroticism (Ivanicavich, Matteson Friedman, 1990).

A proper understanding and use of basic time management principles can help personnel better cope with job tensions. Some well-known time management principles are: (i) making a daily list of activities to be accomplished; (ii) prioritising activities in order of importance and urgency; (iii) scheduling activities according to the priorities thus set, and; (iv) knowing one's daily cycle and handling the most demanding parts of the job during the high part of the cycle when one is most alert and productive (Haynes, 1985).

Physical exercise including practice of deep breathing and relaxation skills increase heart capacity, lower at-rest heart rate, provide a mental diversion from work pressures, and offer a means to "let off steam" (Keily, Hodgson, 1990). Research also supports that having friends, family, or work colleagues to hear problems can help better cope with tension.

### **23.6.2 Organisational Strategies**

A few contributors to stress arise from organisational structure and management. Organisational strategies that have proved effective include: improved personnel selection and job placement, use of realistic goal setting, redesigning of jobs, increased

employee involvement, improved organisational communication, and establishment of wellness programmes.

It is seen that individuals with little experience tend to be more liable to stress. While management should not restrict hiring only experienced individuals with an internal locus, such individuals may adapt better to high-stress jobs and perform those jobs more effectively. Similarly individuals perform better when they have specific and challenging goals and receive feedback on how well they are progressing toward these goals. The use of goals can reduce stress as well as provide motivation.

Management should also consider redesigning of jobs. This gives employees more responsibility, more meaningful work, more autonomy, and increased feedback and can reduce stress because these factors give the employee greater control over work activities and lessen dependence on others.

Therefore an organisation should establish a strategy for managing stress as part of an employee health and performance improvement policy.

Management should also consider increasing employee involvement in decision making. By giving these employees voice in those decisions that directly affect their job performances, management can increase employee control and reduce this role stress. Given the importance that perceptions play in moderating the stress-response relationship, management can also use effective communications as a means to shape employee perceptions and outlook.

Besides these, organisationally supported programmes, that focus on the employee's total physical and mental condition can reduce largely employee's stress and achieve higher employee performance. For example, these programmes may provide workshops to help

employees quit smoking, control alcohol use, lose weight, balanced diet, and develop a regular exercise programme.

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## 23.7 MANAGING STRESS: ANCIENT INDIAN APPROACHES

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Psychologists have shown keen interest in the age-old techniques prescribed in the ancient Indian scriptures. Hindu psychology lays stress on the development of will, and on the individual's potential power of bringing out his inner strength. The Hindu psychological technique essentially has two aspects: one is the *realisation* of the supreme goal of life, and the other, is the cultivation of *detachment*.

According to the Bhagavadgita “the mind is restless and difficult to control”; but through practising ‘Karmayoga’ one can cleanse the mind of its accumulated stress. When the Karmayog relinquishes attachment both to action and its fruit, he ceases to have likes, dislikes, and is therefore no longer swayed by the feelings of stress and frustration. It is through the constant practice of maintaining evenness of mind with reference to action one may perform, every moment of life, and under every circumstance are becomes a Karmayogi (Radhakrishna, 1990). Tensions result when the mind suffers from indecisiveness in relation to varying and conflicting emotions. Therefore one should work with a perfect serenity indifferent to the results.

Some important stress management techniques, which have been emphasised in the ancient Indian scriptures, are discussed below.

### 23.7.1 ‘Yoganidra’ (Meditation)

In most cases, standard management prescriptions cannot bring about mental relaxation, primarily because individuals have worries at the back of their minds even when they

attempt to relax, physically. An employee may lie down on bed or take rest apparently quite for couple of hours but he may have a racing heart. Even during sleep, his mind may remain in an unconscious state. It is the three-fourth of the mind that remains in the unconscious form. The unconscious mind is the storehouse of many contradictions. Therefore, it is important to find a solution to this problem. Indian yogis have recommended a few dynamic and strategic techniques for reducing stress.

Yoganidra or ‘meditation’ is a yogic tool for mind management; it takes care of both internal and external relaxations because it aims to reach the inner self by going beyond the physical and mental planes. Yoganidra is an approach that links up an individual’s conscious awareness with the transcendental body. In fact, Yoga means unison and ‘nidra’ means the purest form of relaxation. Yoganidra is, in this sense, a total relaxation with complete awareness about one’s spiritual origin. This complete self-awareness empowers the mind to joyfully face the odds of any work environment and reduces tensions and stresses of the employees.

In yoganidra, the posture is Shavasana, i.e., the posture of sense withdrawal. In this posture one lies on his back with arms little away from the body and with legs slightly apart. The whole body has to be in a relaxed state but one must not sleep. Once the body becomes steady and relaxed the practitioner goes for breath awareness, i.e., the practitioner continuously watches the cyclical movement of the breath between the throat and naval. Next step is to make a "sankalpa", a target to be attained at the end. One should repeat this sankalpa with unchanged words each time one practices Yoganidra. Once sankalpa is made practitioner visualises different parts of his body in a systematic fashion- from fingers to toes, from right hand side to left hand side. By doing, so one slowly becomes aware of the life force moving within so that the physical relaxation

becomes a completely harmonised one. The practice ends with a mental repetition of the words of the starting sankalpa. The practitioner sits up and breathes deeply. The best time for doing Yoganidra is just before going to bed or in the morning.

Thus the strength of Yoganidra lies in its unification of physical relaxation with mental relaxation. The posture of 'shavasana' is to help physical relaxation. When the mind is directed to feel different parts of the body and to watch the normal breathing from navel to nostril, it helps the body to relax without disturbing the awareness. During Yoganidra, the heart rate slows down a little, the breathing rate goes down, the muscle tension is reduced and the blood levels of lactate and cortisol which are associated with anxiety and stress decrease.

### **23.7.2 Practice of 'Rajyoga'**

'Rajyoga' is another technique for reducing mental stress. It is an eight-tier system of practice developed by Indian yogis. In the first part of Rajayoga, the purification of mind is stressed. This is to be achieved by abstaining from forceful possession and pleasure, by following the path of truth and nonviolence and by solemnly rejecting any gift. For example, if we do not accept any gift and follow the path of honesty, business ethics will get intermingled with work culture in a spontaneous and natural way. Thus, the first step of Rajyoga, if practiced with sincerity and zeal, cannot only purify the minds of individuals but also clean the collective mind of an organisation.

The second part of Rajyoga is the regular practice of internal and external cleanliness, mental happiness and worship (niyama). In fact, external cleanliness can also help in cleaning the internal dirt. For example, if we can keep the workplace neat and clean we are sure to get a positive response from all the individuals. These positive interactions can be beneficial for both organisation and its employees.

Yogic posture and controlled breathing ‘asana’ ‘pranayama’ are the third and fourth parts of Rajyoga. Importance of these two is clear from the fact that our body is the store house of energy and the purpose of breathing is to intake this energy from the environment. A controlled and systematic breathing can help us in generating more energy and vitality which can be channeled in multiple directions for more creative works. These also help in reducing mental stresses.

The practice of withdrawal of mind from external stimulators (pratyabhara) is the fifth part of Rajyoga. It equips the mind to be delinked from the stressor so that the very cause of stress can be removed.

The sixth part of Rajyoga is the practice of conceptualisation. By this is meant the act of concentrating waves of thought on a particular issue. In conceptualisation, basic objective is to concentrate on a single idea disallowing multitudes of waves that break up on the shore of the mind. If this objective is achieved, the mind works with complete awareness, perfection and unattachment. Continuation of this act of conceptualisation for at least one hundred and forty four seconds is known as concentration or meditation (dhyan).

When one realises this stage, this becomes the seventh part of Rajayoga. At this state the mind becomes free from stresses and strains, free from mental dirt, free from the reactions of the past happenings. This free mind is what we call as the purified mind, the mind that can establish creative link between conscious and unconscious states. Of course, there is another stage in rajyoga which is aimed at realising the oneness in the universe.

The study conducted by Carrington and Epheren (1975) reveals that if practiced under an experienced guide meditation can make positive changes to the inner and outer states of an individual. They noted better stability and steadiness of mind, greater tolerance,

greater independence, less paranoid tendencies, decreased psychosomatic conditions and freeing blocks in the creative energy.

*Yama* and *Niyama*, the first two steps of Rajayoga are purificatory processes for higher mental development. “Non-violence, truthfulness, non-stealing, continence, internal and external purification, contentment, and self-control constitute ‘yama’ and ‘niyama’; ‘asana’, the practice of posture of relaxation or non-tension; and ‘pranayama’, the breathing exercises, aim at releasing the neuro-muscular system and pacifying the restlessness of the mind; ‘dharana’, the practice of concentration, and ‘dhyana’, the practice of meditation, aim at the development of will-power; ‘dhyana’ strengthens the conviction that man is basically divine, and develops the perception to realise the self” (Dhan, 1998)

Moderately strenuous exercises, yogas reduce mental tensions and stress. Factors like eating and drinking habits, social relationships and the pattern of work interact with one another to determine the level of health.

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## 23.8 CONCLUSION

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We find that employee stress is an increasing problem in organisations. The existence of work stress, however, does not mean lower performance. The study findings indicate that stress can be either a positive or negative influence on employee performance. However, a high level of stress, or even a moderate amount of stress sustained over a long period, eventually takes its toll and can lead to reduced employee performance. The foregoing pages examine the place of role stress and the interaction of personality and job environment. Further pages examine individual and organisational approaches as well as ancient Indian strategies toward managing stress.

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## 23.9 KEY CONCEPTS

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**Asana:** Yogic posture is known as ‘asana’ in Sanskrit. Ancient Indian Yogis believed in compatible existence of man and nature. Asanas seek to restore lost balance by restoring calm and energising the body.

**Depression:** It implies a severe mental disorder involving overwhelming sadness that arrests the entire course of a person’s life. Depression is different from a general feeling of sadness. It is a pathological condition which requires immediate medical attention. Depression does not respond to palliatives.

**Dhyana:** Meditation is known by the Sanskrit term, dhyana. Dhyana literally means concentration. Dhyana illuminates the soul and clears confusions and disillusionments resulting there from.

**Pranayama:** Breathing exercises are known by the Sanskrit terminology, ‘Pranayama’. The word means the life force or the vital force in humans. It is believed that breath control leads to mind control and sense control which imparts balance to life.

**Stimulant:** It leads to physiological and mental arousal in the central nervous system. It makes the individual perform effectively, for the time that the person is stimulated by responding to a drug, behaviour, prevailing circumstances etc.

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### **23.11 ACTIVITIES**

- 1 How are opportunities, constraints, and demands related to stress? Give an example of each.
- 2 What can management do to reduce employee stress? Briefly discuss ancient Indian practices of stress management.

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# **UNIT 1 MEANING, NATURE, SCOPE AND SIGNIFICANCE OF HUMAN RESOURCE MANAGEMENT**

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## **Structure**

- 1.0 Learning Outcome
  - 1.1 Introduction
  - 1.2 Understanding HRM
  - 1.3 Role of the HR Manager
  - 1.4 Future Challenges to HRM
  - 1.5 Conclusion
  - 1.6 Key Concepts
  - 1.7 References and Further Reading
  - 1.8 Activities
- 

## **1.0 LEARNING OUTCOME**

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After studying this Unit, you should be able to:

- Discuss human resource management particularly highlighting its significance to public and private management;
  - Bring out its implications; and
  - Distinguish related concepts like human resource development, personnel management and industrial relations.
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## **1.1 INTRODUCTION**

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Organisations in their functional aspect are treated comprehensively under the wide, architectonic rubric / discipline of Human Resource Management. Simply put, human resource management is a '*management function*' that focuses on the 'people' dimension to/ of organisations.

As organisations get larger and sophisticated and processes more complex, it gets increasingly difficult to coordinate specialisations at various policy and operating levels. The HR department performs the vital task of weaving sectional and individual interests and practices into the matrix of group functioning, that is the 'organisation'. Organisations had hitherto looked at the "Personnel Department," for management of paperwork involving hiring and paying people. More recently, organisations consider the human resource department better suited for the task. HRM plays a significant part in both *regulatory* and *policy planning* functions.

Though in-charge, theoretically, of the traditional POSDCORB functions, HRM today ventures beyond theoretical postulates. The coverage of HRM has expanded to more enveloping domains in the discipline and profession, throwing open possibilities in the *art, science and craft* of management theory and practice respectively.

HRM covers myriad functions such as the specific and defined areas of planning and control, resource allocation, conflict resolution and settlement of legal claims, to recount a few. HRM function has evolved so much so that the HRM tag could even be held misleading (Mahoney, 1994), as HRM is not limited anymore to securing 'person power'. Human resource management entails *advising*, *implementing* and organising *change*, which are identified as the three important requisites of sound HRM practice.

HRM is at the forefront of management strategy in the contemporary times. It is expected to be *proactive* rather than a *reactive* management function. It plays a vanguard role and imparts direction to an organisation. The personnel department does not merely "*hand out gift certificates for thanksgiving turkeys*" (Mazarres, 1994). It's a pervasive *management* function actively involved in managing and administering *organisation wide processes*, initiating policy with regard to HR specifically, and also other sections, collaterally involving the human resource management function. It is more than a cosmetic or a fringe activity or function.

HR management today involves more than just the management of the HR function. It extends into areas such as compensation benefits, staffing, HR forecasting, succession planning, management and executive development, performance management, employee relations, organisation development, total quality management, needs analysis, instructional design and development training programme evaluation, return on investment (ROI), impact studies to name a few" (Mazarrese, 1994).

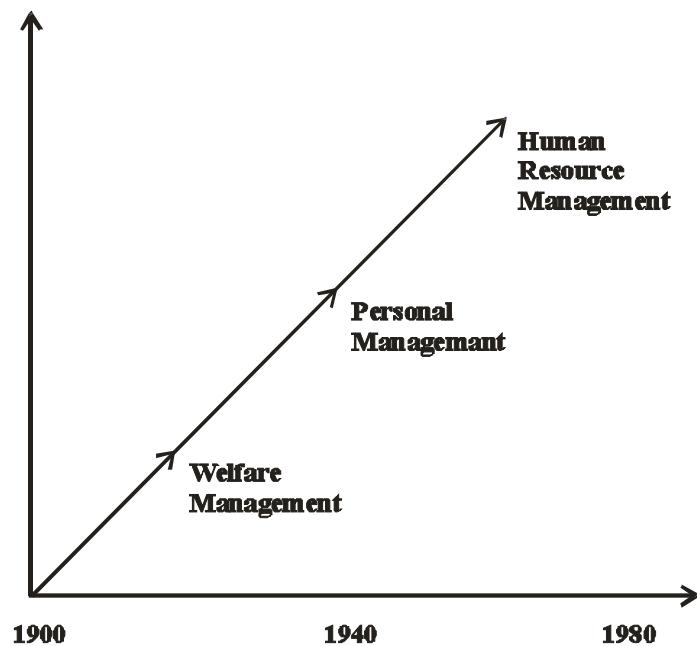
Human resource management is therefore understood as the all significant *art and science of managing people in an organisation*. Its significance lies in the fact that physical and monetary resources cannot and do not sustain increased rates of return on investments, unless complemented and supplemented effectively by good human resource practices which reflect in best standards of productivity and service delivery. Increasing research output in behavioral sciences, new trends in managing '*knowledge workers*' and advances in training methodology and practices have led to substantial expansion of the scope of human resource management function in recent years, besides adding to its understanding as a theoretical area of enquiry.

Use of the word 'management' is significant here. It is *new public management* informing management ethic today. Consequently, 'administration' is used to denote more routine coordination functions while 'management' is perceived as the active or the potent functional aspect of an enterprise; more pertinently, the art and science of "getting things done" (Simon, 1957). Significantly, management function is universal in public and private organisations (Fayol, 1959).

HRM is not just an arena of personnel administration anymore but rather a central and pervasive general management function involving specialised staff as assistants to main line managers.

## **Evolution of HRM**

Historically, the beginning of HRM is traced to Robert Owen and his large spinning mills in Scotland. Charles Babbage and Henry Towde are the other two names associated with HRM's early beginnings. Its growth was particularly marked in the inter-war era which was also the heyday of the human relations and its subsequent branching into the diagnostic, behavioural movement. The latter being more applied and scientific in nature, has since then developed along highly specialised lines. It has branched out specifically along the domains of *applied psychology* and *sociology*. The latter in turn has evolved around the concept of the 'welfare state' while the former has proceeded as the behavioural science movement. The *art* and *science* of personnel management is *inclusive* and incorporates the two trends. The diagram beneath illustrates the development or evolution of personnel management through recorded time (the figure is self-illustrative).



## **Evolution of HRM**

The theory and practice of human resource management is based primarily in sociology and economics. For Keeney (1990), human resource management is the conceptual euphemism to describe all the apparently transformative changes in the management of employee relations in the 1980s. Blunt (1990) suggests that in the late 1970s and even into the early 1980s, the discipline concerned with the human side of the enterprise was largely regarded as covering moribund housekeeping operational activities. Consequently, there was no status and influence of the discipline. Guest (1990) attributes the concern with status to the origins of personnel management "as an extension of scientific management or a form of welfare management. Hegg (1995) points it out as the contrast between the high aspirations of the normative model and of the failure to deliver as reflected in the behaviourist model." It later developed in stages through consistent research in the area so much so that at present; it is a pioneering area in management. New dimensions continue to be added to it, lending it a unique

dynamic character. It now covers diverse areas, as, mutual understanding at the work place between employers and employees and the socio technical school of thought emphasising restructuring of work to match social and technical systems (Schein 1988). Organisation Development (OD), Human Resources Accounting (HRA) and Quality of work life (QWL) are the most recent precursors of HRM. HRA was popularised by Flamholitz (1985) which represented the ultimate quest for legitimacy through quantification. HRM's financial implications are studied under 'organisational imperatives' (Kamoche, 1994).

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## 1.2 UNDERSTANDING HRM

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We may now attempt to elucidate the subject under study. Before attempting the same, let us explain the essentials that require finding place in any definition. The core issues are pointed out as:

- Human resource strategies are derived from the overall business strategy in the same way as investment or marketing strategies. Decisions relating to employees need to be integrated and made consistent with *other decisions*.
- Organisations are not mere structural entities but 'social units' comprising not just bricks, mortars, machineries or inventories, but, *people*. It has been observed by scholars that an organisation is not a complex of matter but rather a complex of humanity. Personnel management deals with the effective control and use of manpower as distinguished from other sources of power.

HRM differs from Personnel Management in treating people as 'resource'. People are human capital and are treated as resource, in that tangible and intangible benefits flow from their utilisation. Organisations have to effectively harness this resource in order to be productive.

- An organisation must make appropriate use of 'human capital' for achievement of both collective organisational and individual goals, mutually as well as in tandem. *Coincidence and compatibility* of the two is specially stressed for the sake of 'organisational equilibrium' in that the individual and the organisation represent two '*opposing poles*' of organisational effort. Though their interests come across as competing forces, they are not always mutually contradictory and can be reconciled in the interest of 'organisational purpose.' The aim of human resource management is to balance the equation and bring about required *synergy* to reinforce mutuality of effort towards the 'common purpose.' Organisational Equilibrium is achieved by matching 'inducements' (positive balance') to 'contributions' (negative balance on the part of workers (Barnard, 1938).

- The final ‘value’ or ‘end’ in this case is ‘organisational effectiveness’ understood as increasing ‘organisational capacity’ in the face of environmental dynamics with attendant impacts on organisational and ‘structuring’ and ‘functioning’ (Simon, 1957). There is an unmistakable reference here to the ‘contingency paradigm’ of administrative theory. Specific environmental variables could be identified as technology, available knowledge, physical and material resource, government policy, etc. Maintaining ‘relevance’ of organisational functioning in the context of shifting ecological variables is always a challenge and has to be addressed for the sake of ‘efficiency,’ understood as favourable cost- benefit ratio (Simon, 1957). Together the two make for ‘effectiveness’ of the organisation.

### **Defining HRM**

The following four definitions encompass the aforesaid core issues in human resource management. HRM could thus be referred to as;

1. ....a series of integrated decisions that govern employer-employee relations. Their quality contributes to the ability of organisations and employees to achieve their objectives (Milkovich & Boudreau, 1997).
2. ... Concerned with the *people dimension* to management. Since every organisation comprises people, acquiring their services, developing their skills, motivating them to higher levels of performance and ensuring that they continue at the same level of commitment to the organisation are essential to achieving organisational goal. This is true, regardless of the type of organisation: viz. government, business, education, health, recreation, or social action. (Decenzo & Robbins, 1989).
3. ... the planning, organising directing and controlling of the procurement, development, compensation, integration, and maintenance of human resource to the end those individual, organisational, and social objectives are accomplished. (Flippo, 1984).
4. “..... The organisation function that focuses on the effective management, direction, and utilisation of people; both the people who manage produce and market and sell the products and services of an organisation and those who support organisational activities. It deals with the human element in the organisation, people as individuals and groups, their recruitment, selection, assignment, motivation, empowerment, compensation, utilisation, services, training, development, promotion, termination and retirement.”(Tracey,1994 )

From the above definitions, certain new and some of the most important ones HRM aspects emerge could be stated as:

1. There is an explicit link between managing human resource and success of administrative or management strategy. Competition forces management to alter the latter with implications for the former.
2. Sector strategies cannot be appreciated in isolation (mean in Simon’s terms) but only as parts of the integral whole.

3. Senior line managers are required to assume more responsibility with regard to managing human resource. There is a stress on interpersonal relations as a determinant of performance.

## Versions of HRM

### Hard Version

“Human resource management reflects a *long-standing capitalist tradition* in which workers are regarded as commodity.” (Guest: 1999). Hard approach to human resource management is a pragmatic perspective to human resource management which looks upon people as ‘resource’ and measures the tangible benefits accruing from their deployment. Human resources have to be acquired, developed and deployed in ways that maximise their utility. The focus is on calculative and strategic aspect of managing human resource and the approach is “rational” (fact-based) with regard to factors of production. The objective is ‘efficiency’ (maximising benefit and minimising cost) and the philosophy is business-orientation (specifically human resource accounting) with emphasis on *tangible* and *quantifiable* value addition to the organisation. It has been stated that the drive to adopt human resource management is based on the business need to respond to the external threat arising from increasing competition. It is a philosophy that appeals to management’s striving hard at achieving and sustaining competitive edge and appreciate that to do it they must invest in human resource as well as they do for other practices or for other areas (for example, procuring technology).

The emphasis is on:

- drive for economy and efficiency;
- interest of management *as opposed* to workers;
- adoption of a strategic approach that is in line with business strategy;
- obtaining *value-adding* services from people through *targeted* human resource development practices;
- emphasis on strong people centric organisational culture, expressed or articulated in the mission or value statement and reinforced by communications, training and performance management processes; and ;
- the need to obtain agreed commitment of employees towards goals and purpose (s) of the organisation.

### Soft Version

The ‘soft’ model of human resource management traces its origin to the human relations school of administrative thought and emphasises development of healthy organisational culture by use of effective communication, motivation and leadership as primary sources of maximising performance. It looks upon employees as ‘co-contributors’ rather than adjuncts in organisational culture, ‘objects’ or pieces of automation. It stresses on the need to gain sustained commitment of employees through democratic means such as participative

management, meaningful involvement in policy formulation and other methods of developing ‘high-commitment-high-trust’ culture in the organisation. Attention is therefore drawn to the key role of *organisational behaviour*.

Employees are treated as valued assets and a source of competitive advantage which needs to be optimised by evincing ethical virtues such as commitment, adaptability and high quality performance in consonance with the ‘collective will’ of the organisation articulated as organisational purpose. Ethics lies in reciprocity between individual member and the management.

The emphasis is on the belief that the interests of management and employees are congruent. This approach is also termed as the ‘unitary’ approach’ to human resource management.

### **Reconciling the Two**

It has been observed that even if the rhetoric of human resource management is soft the reality is often harsh, with the interests of the organisation prevailing, more often than not, over that of the individuals’. Practically, we find a mix of hard and soft versions informing organisational practice. This implies that the distinction between hard and soft HRM is not as *specific* or *obvious* as it is *tacit* and *implied*.

### **Features of HRM**

By now we have been able to understand the meaning of HRM. Some of the main features of HRM include (Keith sis son):

1. There is stress on the integration of HR policies with overall planning and underpinning latter with the former;
2. Responsibility for personnel management no longer resides with specialist managers but is increasingly assumed by the senior line management;
3. The focus consequently shifts from management-trade union relations to management-employee relations; from collectivizing to individuation; macro to micro; and;
4. To reiterate, with the manager donning the role of “enabler”, or ‘facilitator’, there is stress on commitment and initiative on the part of the employees.

HRM is based on the following four fundamental principles (Armstrong, 1988:90).

- a. Human Resource is the organisation’s *most important asset*;
- b. Personnel policies should be directed towards achievement of corporate goals and strategic plans;
- c. Corporate culture exerts a major influence on achievement of excellence and must therefore be tempered with consideration of employee welfare.
- d. Whilst integration of corporate resources is an important aim of HRM, it must also be recognised that all organisations are ‘pluralist societies’ in which people have differing interests and

concerns, which they defend and at the same time function collectively as a cohesive group.

Besides the features mentioned earlier, certain more characteristics of HRM could be summarised as follows:

1. HRM is a *pervasive* function. It permeates all levels of decision making in an organisation. All sections perform human resource management in some way. Academically, the nature of the subject is *inter-disciplinary*. It draws inputs from other social sciences, particularly, sociology, psychology, political science, anthropology, economics, etc. HRM has a suggestion of the *contingency paradigm* here. Chief among contingent variables is pressure from the government articulated through policy interventions through directives or orders. The three main areas of potential pressure are identified as: affirmative action in pursuance of social justice objectives; concern for occupational safety and health in a welfare state; and pension regulation for well being of workers
2. HRM is also a *comprehensive function*, in that it is concerned directly or indirectly with every decision that in any way relates, even collaterally to human resource management, irrespective of the section it emanates from or the level at which it is made.
3. Cost effectiveness is a must to attract, induce and mobilise resources for its policies, draw the attention of main line management to its policies and proposals.
4. There is a need to spot trends and tailor personnel requirements accordingly towards perceived direction or end, to make optimum utilisation of available human capital.
5. Human resource management department provides for an *integrating mechanism*. It attempts to build and maintain coordination between all operative levels in an organisation. It is indispensable as a *clearing house*. Its added significance is due to its being an *auxiliary service which is an indispensable maintenance activity*. HR department aids 'line' officials perform their respective allotted tasks, with direct or incidental bearing on human resource. Policy-making does not proceed piecemeal and organisational functioning is imparted a coherence that might otherwise be hard to achieve. Human resource manager is therefore a specialist advisor and performs vital staff function.
6. HRM is an imperative function for all complex organisations where intersection interests are inextricably linked. It is *action oriented* as in it the focus is on action, rather than record keeping, written procedures or rules. The problems of employees at work are solved through rational, standard policies.
7. HRM seeks to *maximise employee motivation to make them contribute* to their maximum potential. The same is done through a systematic process of recruitment, selection, training and development together with worker-friendly policies like fair wage, bonus and reward system, effective grievance redressal, etc.

8. HRM is *people oriented*. Peoples' existence is defined or perceived in two ways, that is, as individuals working for personal satisfaction and members of a group or collectivity, contributing towards a common objective. Together they constitute the pillars of organisation or organisation wide effort. 'Organisational equilibrium' is contingent on matching or balancing personal need satisfaction (inducements offered) with organisational goal fulfillment (contributions elicited/negative balance). *Right man in the right place at the right time* maximises benefit of collective endeavour both in the interest of the organisation and the individual employee. HRM is *development oriented*; it aids institution of employee-friendly activities like career planning and development which help develop their full potential. *Job enlargement and job rotation practices are facilitated*; employees are assigned a variety of tasks, which helps them to gain maturity, experience and exposure.
9. Tangible quantifiable benefits result to the organisation as also externalities, intangibles or unquantifiable gains (improved organisational culture, management-worker relations, etc.) which optimise organisational performance. Enhanced productivity is then used to reward employees monetarily and motivate them further towards better and improved performance.
10. HRM is *continuous* activity, consistent function and not a short-term measure. It requires constant alertness and awareness of human relations on the part of managers to maintain healthy organisational climate. Sustenance of 'organisational rationality' (with respect to decision making) and securing 'organisational effectiveness' are other pressing concerns. Organisational survival is the prime concern. Concerns of efficiency arise only later. Organisations face the challenge or imperative of arriving at an L.C.M. (least common denominator) of opposing pulls or conflicting interests *within* as well outside to ensure and secure compliance with exogenous directives and compatibility between internal (in-house) and external (laws, guidelines, implementation regulations) policies. External pressures need to be adapted to or co-opted for the sake of 'relevance' and 'efficiency' (Simon, 1957) of organisational functioning.
11. Human resource management function is of importance to Public as well as private organisations. Fayol's advocacy of management as a universal science endorses this idea.

### **Objectives of HRM**

The primary objective of human resource management is to ensure a continuous flow of competent workforce to an organisation. But this is only a broad view. Exploring further, we can categorise objectives into four, which are analysed as follows for a better understanding:

#### **Societal Objectives**

The society may constrain rationality with regard to human resource decisions through laws for example, reservation and other laws that address social

discrimination, health and safety of workers, morale, ideological bias and other such issues of societal concern.

### **Organisational Objectives**

The organisational objective is at the forefront of organisational strategy, coordinating and harmonising organisation wide efforts and stressing on the role of human resource management in contributing towards organisational effectiveness.

Human resource management is not an end in itself. It is a means to the end of increasing organisational capability. It assists the organisation in attaining its primary objectives. Simply stated, the department serves the rest of the organisation.

### **Functional Objectives**

On the functional side it sets the department's contribution at the level most apt suited in the organisational setting.

Resources are wasted when human resource is either in excess or too scarce. The department function is to gain 'organisational fit' with respect to human resource requirements.

Empowerment is a core concept of the new management model. In an adaptive organisation, empowerment is preferred to delegation; ownership to responsibility. It is contended that authority and responsibility are *formal aspects* of organising. They are based on organisational properties and not individual capabilities. Empowerment and ownership are *social aspects* of organising. They are based on efficacy and initiative, and not just on roles and requirements. (Business E. Coach, 2005)

Clear articulation of policy following wider philosophy is imminent for success of any organisational and that success of the free market. Philosophy binds an organisation internally, provides a focus to collective effort and helps competitors anticipate future moves of a company. According to theorists, two main concerns regarding competitive philosophy are (a) people- centered philosophy, and (b) unity and focus.

Sound human resource management determines the level of innovation or creativity in organisational processes. *Organisational capability* is a dynamic concept. To what extent it is promoted depends on the premium attached to the HR function by the management. Bob Garratt (1990) proposes a theory of organisations as "learning systems" in which success depends on the ability of managers to become "direction-givers" and on the organisation's capacity for learning continuously.

## **Personal Objectives**

It implies assistance rendered to employees in achieving their personal goals in so far as these goals enhance individuals' contribution to the organisation.

Personal objectives of employees must be met if workers are to be retained and motivated towards better performance. If otherwise be the case, employee performance and satisfaction are likely to decline and employees could even contemplate leaving the organisation. Managing approach to employee benefits and compensation, employee records and personnel policies is an important aspect of human resource management (McNamara, 2005)

There has to be a correlation between objectives and functions. William Werther Jr. and Keith Davis (1972) have attempted to link the two. This is summarised in the following table:

HRM Objectives	Supporting Functions
Societal Objectives	<ol style="list-style-type: none"><li>1. Legal compliance</li><li>2. Benefits</li><li>3. Union-management relations</li></ol>
Organisational Objectives	<ol style="list-style-type: none"><li>1. Human resource planning</li><li>2. Employee relations</li><li>3. Selection</li><li>4. Training and development</li><li>5. Appraisal</li><li>6. Placement</li><li>7. Assessment</li></ol>
Functional Objectives	<ol style="list-style-type: none"><li>1. Appraisal</li><li>2. Placement</li><li>3. Assessment</li></ol>
Personal Objectives	<ol style="list-style-type: none"><li>1. Training and development</li><li>2. Appraisal</li><li>3. Placement</li><li>4. Compensation</li><li>5. Assessment</li></ol>

Like other issues in public administration, objectives of human resource management attract divergent views. In fact, due to changing environment and

dynamics of relationship among management, employees and trade unions, human resource management objectives have had new vistas added to its defining purpose. V.S.P. Rao (2000) recognises some of these changes and places forth a set of emerging objectives:

1. Research and development is a new facet to human resource management. HR practices need constant updating in view of changing legal, political, and social environment. Forethought and fore planning are vital to keep strategy targeted;
2. The primary purpose of HRM is to realise people's strengths, turn them into productive assets and benefit customers, stockholders and employees at the same time, in an equally effectively manner;
3. HRM requires that employees be motivated to make them exert their maximum efforts, that their performance be evaluated/ preferably measured properly and that they be remunerated on the basis of their contributions to the organisation;
4. HRM helps employees grow to their fullest potential, with reference to job satisfaction and self-actualisation. To this end, suitable programmes have to be designed aiming at improving the quality of work life (QWL);
5. To develop and maintain quality of work life, good working conditions and good standard of life for the worker makes employment in the organisation a desirable personal and social condition. Without improvement in the quality of work life, it might be difficult to elicit desired level of motivation;
6. It is the responsibility of HRM to establish and maintain communication well, to tap ideas, opinions and feelings of customers, non-customers, regulators and other external public as well as in understanding the views of internal human resources; and
7. HR function helps maintain ethical policies and behaviour in the organisation. The chief personnel officer of a large American corporation puts it thus: "personnel's purpose is to practice morality in management by preparing people for change, dealing with dissent and conflict, holding high standards of productivity, building acceptance of standards that determine progression and adhering to the spirit and letter of high professional conduct".

## **Scope of HRM**

The Indian Institute of Personnel Management encapsulates the scope of HRM in the following three aspects: -

1. *Personnel aspect*: concerned with manpower planning, recruitment, selection, placement, transfer, promotion, training and development, lay off and retrenchment, remuneration, incentives, productivity, etc.;

2. *Welfare aspect*; dealing with working conditions and provision of amenities such as canteens, crèches, rest and lunch rooms, housing, transport, medical assistance, education, health, safety, recreation facilities, etc.; and
3. *Industrial Relations aspect*: the legal part which covers union-management relations, joint consultation, collective bargaining, grievance redress and disciplinary procedures, settlement of disputes, etc.

HR function may be categorised into the following sub- sections:

- Employee Hiring
- Employee and Executive Remuneration
- Employee Motivation
- Employee Maintenance
- Industrial Relations
- Prospects of Human Resource Management

Carter McNamara (2005) has outlined the following activities of the HR section:

-deciding what staffing needs an organisation has, and, whether it should use independent contractors or hire its own employees. Cost considerations matter in these decisions. Also, in-house promotions and placements are encouraged as part of organisational policy. Present environment demands more flexibility in policy formulation and implementation processes for which the HR department is most suited; and;

- recruiting and training the best employees, ensuring they are high performers through apprenticeship and training programmes dealing with performance issues and ensuring personnel and management practices conform to all formal regulations, managing approach to employee benefit and motivation and group morale.

Functions of the personnel section encompass the following activity areas: (Tracey, 1994)

- Total quality management (TQM) applying system's model or perspective to organisation theory. For enhancing overall productivity, output levels and standards. Investing more time in value- adding activities as opposed to non- value adding is emphasised;
- Organisational structuring and design; suggesting mergers, overseeing diversification/ expansion schemes, managing implications of globalisation, cost cutting measures such as downsizing, contract employment, restructuring, controlling implications thereof, etc.;
- Productivity control, R&D, improved service delivery, customer focus, quality control, organisational effectiveness;
- Financial control and budgeting;
- Human Resource Planning and specifics thereof HR; department plays a vital role in integrating the strategic plan or business plan and also take the lead in devising and implementing it.

- Personnel processes viz. recruitment, selection, training, management development;
- Strategising or planning for overall organisational growth;
- Managing informal work group;
- Organisational culture ramifications of managing knowledge workers; articulation of culture in terms of objectified, practicable targets; ensure meeting of specific targets and objectives; imparting direction to organisational functioning;
- Managing Diversity; (organisational culture reference and internal sociology implication);
- Dissemination/internalisation of organisational philosophy among inmates, controlling culture thereby. Phenomenon of ‘organisational identification’... (Simon, 1957)
- ‘People management’ referring to policy initiatives regarding, employee benefit and welfare schemes, retrenchment policy, executive succession, etc; and
- Spreading awareness and mobilising support to ensure minimum resistance to change processes and policies; marketing to recover or amortize the costs of producing products, programs and services.

Functional obligations of personnel department outlined above could be catalogued under the following general headings: (Tracey, 1994)

- Managing house keeping for its own section-performing all customary management functions (POSDCoRB) with regard to internal administration;
- Organisational Development understood as planned, educative effort towards organisation wide change reflecting concept of organisations as constantly evolving and developing entities (Keith Davis, 1992) and
- Performance Development, problem sensing, solving, and trouble-shooting as and when need arises.

Specific functional activities and responsibilities of HR department as outlined by Tracey include:

- Recruitment, selection, and task assignment;
- Orientation and induction programmes imparting relevant information;
- Compensation; including *all* compensable factors;
- Employee benefits; monetary and non- monetary; and
- Succession planning (upward mobility of personnel via promotions);

## **Addressing Semantics: Related Concepts**

Since 1980 the term personnel management has been gradually replaced by a more suitable term, that is, *human resource management* to delineate the whole gamut of activities undertaken towards or with the purpose of maximising human capital utilisation in an enterprise. Problem of semantics is apparent. It would serve our purpose to clarify the two related concepts.

### **Similarities between Personnel Management (PM) & HRM**

Similarities between personnel management and human resource management are recounted as follows:

- Personnel management strategies, like HRM evolves from business strategy.
- Personnel management, like HRM, recognises that line managers are primarily or in the first measure, responsible for managing people. The personnel section provides necessary advice/ support service to line managers aiding them carry out their responsibilities in a better/ more effective manner;
- Values of personnel management and the ‘soft’ version of HRM are identical. Both stress on self-development of workers, helping them achieve maximum level of competence both for realisation of individual and collective will and thereby, achievement of individual and organisational aspirations and objectives;
- Both personnel management and HRM recognise the need for placing and developing *right people for the right jobs*;
- The same range of selection, competence analysis, performance management, training management development and reward management techniques are applied in both human resource and personnel management; and
- The ‘soft’ version of HRM, like personnel management, attaches importance to the process of communication and participative spirit informing employer-employee or management- worker relations.

### **Differences between PM and HRM**

Differences could be articulated and recounted as:

- i) Personnel management is more bureaucratic and directive than participative and team. It is *administered* by managers rather than ‘developed’ by management and workers or ‘co-contributors’ in joint organisational endeavour. Apparently, it may be a set of rules and procedures that might even constrain senior echelons in managing their subordinates as they deem fit as per the requirements of the situation. On the other hand, HRM not only pays attention to employee development, but focuses on the dynamism of the entire management function. This shift of emphasis appears related to three specific differences;
  - a) While both personnel management and human resource management highlight the role of line management, the focus in each case is different. In human resource management, HR function is vested in the line

management and business managers are considered responsible for coordinating and directing all resources towards achievement of organisational objectives;

- b) Objectives are specified more precisely and co-relation drawn more clearly and objectively, between results and strategy for proactive use of human resources for their furtherance and achievement. Personnel policies are not passively integrated with business strategy but perceived as integral to and active components thereof in the pursuit of the desired value or end; and
- c) Most human resource management models emphasise organisational culture as an important variable. Although ‘organisation development’ models of the 1970s proclaimed a similar aim, they were not fully integrated with normative personnel management models. Organisational development’ was always seen as a distinct and separate activity standing apart from mainstream personnel management. Internal structuring also exhibited this separateness in that it was generally assigned a separate role in a formal institutional sense in that separate OD consultants were located within the personnel department, not always with a background in the subject. It was considered/ treated as, *only* a fringe activity, an initiative that was nice to have but could be dispensed with at the first indication of financial stringency. Aswathappa (2002) draws a table and recounts the differences between personnel management and human resource management along twenty-three dimensions. The same are outlined below:

### **Differences between PM and HRM**

Dimension	Personnel Management	Human Resource Management
Employment contract	Careful delineation of written Contracts	Aim to go beyond contract
Rules	Importance of devising clear rules	Can do outlook, impatience with rule
Guide to management Action	Procedures	Business need
Behaviour referent	Norms/customs and practices	Values/mission
Managerial task vis-à-vis labour	Monitoring	Nurturing
Key relations	Labour Management	Customer

Initiatives	Piecemeal	Integrated
Speed of decision	Slow	Fast
Management role	Transactional	Transformational
Communication	Indirect	Direct
Prized management skills	Negotiation	Facilitation
Selection	Separate, marginal task	Integrated, key task
Pay	Job evaluation (fixed grades)	Performance related
Conditions	Separately negotiated	Harmonisation
Labour Management	Collective-bargaining contracts	Individual contracts
Job categories and grades	Many	Few
Job design	Division of Labour	Team work
Conflict handling	Reach temporary truce	Manage climate and culture
Training and development	Controlled access to courses	Learning Companies
Focus of attention for Interventions	Personnel procedures	Wide-ranging cultural, structural and Personnel strategies
Respect for employees	Labour is treated as a tool which is expendable and replaceable	People are treated as assets to be used for the benefit of an organisation, its employees and the society as a whole
Shared interests	Interests of the organisation are Uppermost	Mutuality of interests
Evolution	Precedes HRM	Latest in the evolution of the subject

For a better understanding of HRM, it shall be worthwhile to know of two more related terms, that is, Human Resource Development and Industrial Relations.

### **Industrial Relations (IR) & HRM**

Industrial Relations (IR) is a term adding to the problem of semantics. “Industrial Relations” as the term implies, deals with sociological and legal issues concerning organisational climate, interpersonal relations, physical and social working conditions, settlement of disputes, unionisation and other issues dealing with grievances and their resolution. Use of term industrial relations or human resource management has more to do with the historical context within which they arose than with the scope of the two. Human resource management is used more in the modern context of globalisation and multiculturalism where HR is at the forefront of management strategy. IR rose in the specific context of the industrial revolution and the socialist ideology where just and humane conditions of work were emphasised. Hence, Industrial relations is not different from human relations or other major school of administrative theory. With many different labels in use, industrial relations is now used to refer to the legal aspect of organisations governing employee employer relationship viz. trade unions, collective bargaining, etc.

The legal aspect has now emerged as a significant facet of HRM which organisations neglect only to their peril. Organisations get sued for alleged discrimination in their recruitment, selection, hiring, training and development, promotion, pay and compensation procedures by outside players as also their own employees, *present* and *prospective*. Posers about administrative procedure have to be addressed unequivocally to obviate conflicts or possible impediments in organisational functioning. Technically, it falls within the domain of Industrial Relations though responsibility for the function is aggregated under the HR label, which today is an enveloping and architectonic field or area of enquiry, practice and specialisation. Small businesses (for-profit or nonprofit) usually have to carry out these activities themselves as they can't afford part- or full-time assistance. Even they need to ensure that employees are aware of personnel policies conforming to current regulations. These policies are often in the form of employee manuals, which all employees possess. Procedural simplicity is an important requirement. Non-compliance can generate unnecessary confusions, which could easily be dispensed with.

Industrial Relations’ implications for organisational structure would differ. While some structure it as a specialisation others prefer merging or grouping more practicable. (Collective bargaining involves administration of formal contract governing union management relations, laying down of grievance procedure, third party arbitration, labour unions, etc.) Some companies have separate industrial relations department responsible for negotiating and administering collective bargaining agreements with unions. Most often size and complexity of an organisation are the deciding factors. What is important however is that legal

aspect of human resource management is a specific and distinct function, structural differentiation or specification notwithstanding.

## **HRM and HRD**

Some people distinguish between HRM (a major management activity) and HRD (Human Resource Development, a profession). However, it should not lead to any confusion.

Distinction between HRD and other human resource practices is necessary to avoid undervaluing of the concept both theoretically and in the workplace. HRD has come to be used in many different contexts. Hence, it is important to clear the maze and highlight the unique contribution it makes to organisations

## **ABOUT HRD**

### **HRD is:**

- A profession; a specialised activity. HRD vendors are employed by organisations to plan and administer training programs though now HRD has ventured into other broader, more significant areas of organisational practice viz. organisational design, change, planning and development. Latter function has gained increasing prominence of late,
- HRD vendors are external consultants, though HRD manager is preferably an insider; and
- Its scope has progressed and moved from micro to macro concerns. In the present times, it is an important field within the area of human relations or organisational behaviour.

HRD has now been developed in universities as a postgraduate discipline. Washington University took the lead in this regard in 1965. However, some universities have introduced courses in specific HRD methodology such as communications or human services and labeled them as human resource development. Confusion can be cleared by looking at the form rather than the label.

HRD incorporates applied behavioural science. Works of Gordon Lippit, Warren Schmidt and Robert Blake are noted particularly in the development of the paradigm .There is increased emphasis on a systems approach to HRD notably through the work of Leonard Silven and Hughes and contribution of Robert Mager particularly in pushing for adoption of specific behavioural objectives in framing objective HRD modules.

It is specialised and technical field with is increasing use of modern technology. Inventory control is an important feature as there is need for recording and safe maintaining data. Its working is essentially centralised. There is stress on individualised instruction. The learning specialist guides trainee like a coach or a resource person. In it the definitions and understanding of selection, training, performance evaluation are likely to be revised. They are being seen as continuously evolving and developing processes that aid individuals and organisations reach the summit of their potential. In HRD there is shared

responsibility between management and individual employees for organisational effectiveness-diffused rather than focused, permeates through the organisation and is not restricted to the individual manager or specific levels.

### **Characteristics of HRD**

Characteristics of HRD could be recounted as follows. It is:

- idealistic;
- utilitarian in purpose;
- evolutionary;

The wider objective is integration with the school system through educational administration and training institutes. HRD cannot make up for lack of basic skills. It would be highly impractical if it were suggested so.

Gerratt defines learning organisations as “a group of people continually enhancing their capacity to create what they want to create”. The idea sums up the essence of human resource development.

### **Implications of HRM**

#### *a. With respect to Organisation Design*

There is a long-standing argument on whether HR-related functions should be organised in the Organisation Development department or elsewhere or independently?

Reference may be made here to Simon's concept of 'mean', 'end' and 'fact' and 'value' as giving the chain of causation of "purposive behaviour". Decisions are taken at all levels within an organisation and are 'mean' to the extent that they comprise of 'fact' more than the value component and end conversely. Each decision, in fact, is both mean (more fact) and end (more value) in that every 'mean' is an intermediate 'end' which is 'mean' to a further end and so on. The chain culminates in pure 'end' or final 'value' (hypothetical idea since 'pure value' does not exist in practice), which is often the 'organisational goal' (could be social or national goal depending on the level of integration)

The 'mean'- 'end' chain or formulation has implications for organisational structure. If human resource management is 'means' to the 'end' of 'organisational development', it functions as a section under organisation development. The question of location is pertinent in the interest of coherence of organisational functioning.

#### *b. With respect to Personnel Administration*

The HR section articulates organisational philosophy and underpins it to practical strategy. Organisational culture is both a dependent and an independent variable. It is both impacted upon and in turn impacts organisational functioning and practice.

*At the enterprise level*, good human resource practices help attract and retain the best people in the organisation. Planning alerts management to manpower needs in the short run ahead.

*At the level of the individual*, effective management of human resources helps employees, work with ‘esprit-de corps’ and experience personal growth.

*Society*, as a whole, is the beneficiary of good human resource policy. Employment opportunities multiply and scarce talents are employed to the best use/uses.

Extending the same argument, sound HRM is imperative for *nation building*. Human resource planning is integral to socio-economic planning of the State. It is a vital and an imperative component thereof, more so for developing countries where human capital waste accrues due to underutilisation of capacity and other wasteful HR practices.

*c. With respect to Policy*

The HR section or department is actively involved in business strategy and wider policy formation so much so that there is not a question of should it or should it not anymore. Its involvement is accepted as a fact or a ‘given’ of organisational life. The focus is directed instead to utilising it to the maximum. The objective of HR thought and practice is geared to this end. This is expected to be more so as the office evolves towards a more dynamic future role with expansion and or diversification of business and increasing knowledge resource.

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### **1.3. ROLE OF THE HR MANAGER**

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Designations of HR Managers are found differently in different organisations. To quote Frank Lloyd Wright, “form follows function”. HR function therefore draws content from and follows the strategic plan. The HR manager functions as a catalyst and a change agent to the extent that he helps the line achieve its objectives. Job description of the office differs from organisation to organisation. Form or content of human resource functions have been found to be determined by the organisation’s history, work culture and the level of differentiation attained in processes and product. (Tracey, 1994)

The HR manager has to be *both a process and a policy specialist*. The job descriptions and specifications entail and demand both policy advice and implementation specialties.

She / he hyphenates the relationship between the organisation on the one hand and external players and stimulators of policy (primarily government, strategic partners) on the other. She / he has to ensure compliance of internal policy and practice with external regulations via legislations (for example, government directives) as also attempt to preempt the field in the organisation’s favour by minimising instances of unnecessary interface.

Academically, the HR person needs to be proficient in related specialties or disciplines in that HR is a growing interdisciplinary academic field and a vocation, with cross currents from management science, humanities and even physical

sciences. HR manager functions as a consultant to all sections and is a prime mover or initiator of policy inputs and recommendations.

HR officers can be both generalist (with wide experience in personnel matters to recommend them) and specialist with technical training or educational background; either from inside/outside the organisation. Actual practice in this regard differs from organisation to organisation.

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## **1.4 FUTURE CHALLENGES TO HRM**

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The question how HRM would change in the post- modern globalised world needs to be understood in the light of challenges to HRM.

Emphasis on human resource management will be still greater in the coming years. Companies/organisations are expected to invest more in health/welfare of workers.

Emergence of transnational/multinational corporations is bringing cross-cultural work force and the consequent need to ‘manage diversity’ (cultural, ethnic linguistic, religious, etc.) properly.

Cost constraint and the resultant emphasis on the necessity of output maximising strategies viz. total quality management, flexible management systems, etc.

Participative management for ‘knowledge workers’; need an active policy to retain good workers is expected to be increasingly felt in the coming years.

Flexible structuring in organisational design in response to changing requirements would be needed. Warren Bennis’s futuristic observation (prediction) about linear organisations giving way to diverse and unconventional matrix is almost a truism today. Organisations now are less linear, more complex, environment more uncertain than predictable, traditional Weberian construct more a utopia than a reality, more cross functional/ networked than vertical/linear; providing more scope for freewheeling for its knowledge workers rather than insisting and stressing on a commanding or directive work pattern and culture. Precisely, its participative management, innovation and self managed work teams that are desired for a total quality management with emphasise on productive process, particularly technology. Organisational fluidity and dynamism may no longer be an exception or feature to be chafed at and resisted but an enduring quality to be desired which is almost a necessity for organisations’ survival in this environment of constant change. Organisations are perceived as organic entities constantly and continuously vitalized and growing, meeting new/emerging challenges and answering critics in their attempt to avoid being moribund/ redundant in their operations.

Tackling demographic changes in the work force will be a challenge as more old/young/women/backward castes are expected to force changes in HR policies.

Vigorous interest articulation will be suggested for business at the policy stage to minimise incident and / or unsavoury pressures during implementation.

In the face of increasing cost constraints, training is expected to get more targeted than generalised. It would need to be tailored according to changing requirements viz. customer preferences, specific need of a strategic plan in a given time frame, etc. Training is only one of the options to learning and development.

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## 1.5 CONCLUSION

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The focus in the Unit has been on HRM's meaning, nature, scope, versions, clarifications regarding semantics, differences and similarities between HRM and PM, and its significance. Rather briefly, it could be summed up as;

- HRM is at the forefront of management function;
- HR manager plays a vanguard role in policy making and implementation functions;
- Semantic differences between HRM and PM and IR and HRD are not of much practical consequence. Content matters more than form; and
- Scope of HRM differs from organisation to organisation.

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## 1.6 KEY CONCEPTS

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**Human Resource Development:** Human Resource Development is a term employed for education and training activities undertaken at micro (in a department or an organisation) and macro levels( national, state) for development of 'human capital'. It involves both short term and long term planning and has significance for development administration in that it is the 'people resource' that puts plans into actions. Refurbishing of education and training at regular intervals is a must for replenishing capabilities for planned development of human resource capability.

**Human Resource Management:** Human Resource Management differs from personnel management, in treating people as 'resource,' whose effective utilisation leads to tangible value addition to organisational productivity. Distinguished from human resource development, human resource management is more an administrative activity while the latter involves more planning, built integrally into nation- wide, socio economic planning.

**Organisational Culture:**

The culture of an organisation could be directive, authoritarian, feudal or democratic. Among determining factors are; principles of organisational functioning, involving structuring of an organisation, specialisation and work division, span of control, unity of command, leadership, work orientation of the manager, organisational culture, “legal rational authority” system, as against, “traditional” or “charismatic authority” systems.

**Organisation Design:**

Organisation Design is a primary management activity involving work division among constituent units and structuring an organisation into sections and sub sections. It is the first step in specialisation of tasks and responsibilities in organisations leading to further sophisticated specifications. On proper design depends the coherence of organisational functioning. Organisation Design is also a determinant of organisational culture in that an organisation could be structured in a hierachic bureaucratic way or imparted a team ethos by means of lateral coordination and team work orientation.

**Social Capital:**

The term social capital is an economic analogy, to determine the economic potential of social ties. Just as there are physical capital and human capital, there is social capital which denotes the advantage or the utility derived out of filial and other human ties. Such social ties have ‘utilitarian value’ in that they result in tangible and intangible value addition to societal development. Meaningful peoples’ participation in administration is an attempt at utilising positive social capital inherent in ‘communities’ for furtherance of developmental tasks by way of better policy formulation and cost- effective implementation processes. Departmentalism and ‘empire building’ tendency on the part of bureaucrats is an example of negative social capital.

**Organisational Climate:** It refers to the extent to which supportive environment prevails in an organisation. Sound workings of the informal Organisation, participatory culture, etc., are indicators of healthy organisational climate

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## 1.8 ACTIVITIES

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1. Discuss the significance of HRM in the context of Globalisation.
  
2. What is human resource development? How is it an integral aspect of human resource management?
  
3. Discuss the scope and significance of HRM.

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## **UNIT -2 STRATEGIC HUMAN RESOURCE MANAGEMENT (SHRM)**

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### **Structure**

- 2.0 Learning Outcome
- 2.1 Introduction
- 2. 2 Scope of Strategic Human Resource Management (SHRM)
  - 2.2.1 Concept of strategy
  - 2.2.2 Aspects of SHRM
  - 2.2.3 Features of SHRM
  - 2.2.4 Application of SHRM
  - 2.2.5 Implications of SHRM
- 2.3 Literature on SHRM
- 2.4 Approaches of SHRM
- 2.5 Models of SHRM
- 2.6 Conclusion
- 2.7 Key Concepts
- 2.8 References and Further Reading
- 2.9 Activities

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### **2.0 LEARNING OUTCOME**

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Study of this Unit will enable you to:

- Understand strategic human resource management;
- Bring out aspects and main features regarding its application; and
- Discuss the major approaches to strategic human resource management and feature its main models;

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### **2.1 INTRODUCTION**

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Globalisation has put pressure on governments and businesses to carry out structural alterations or adjustments, diversify businesses, specialise processes, optimise ‘efficiency,’ sustain and augment productivity, maintain competitive edge all in the face of increasing cost constraints. There is need for economical utilisation of human capital through right capacity building strategy for desired organisational performance.

To cut costs, unplanned retrenchment of human resource has become a frequent though by no means a desirable organisational practice. Strategy should be evolved to maximise the utility of the HR function. HRM management per se may not be targeted or specific enough to achieve desired accuracy of policy. For example how targeted are employee benefit policies? What is the impact on

productivity? What modifications are needed? Correlations based on empirical analyses would need to be drawn

Therefore, combining human capital regulation with overall business strategy; economising operations to maximise ‘efficiency,’ is what is understood in common parlance as strategic human resource management.

Strategic human resource management is relevant to all organisations- public or private, irrespective of form, *hierarchic* or *networked fluid* or *command-control etc.* SHRM has both *policy* and *operative* aspects. Understanding of SHRM ranges from a '*reactive*' management field where human resource management is a tool with which to implement strategy, to a more *proactive* function in which HR activities can actually create and shape organisational strategy. Human resource management being an architectonic activity may not be targeted or specific enough to achieve desired levels of accuracy and *economy* in policy making and implementation. There is therefore need for strategic human resource management for cost effectiveness of HR programmes.

Hence, SHRM is predicated on two fundamental assertions. *First*, an idea that an organisation’s human resources are of critical strategic importance; that the skills, behaviours and interactions of employees have the potential to provide both the foundation for strategy formulation and the means of strategy implementation. *Second*, the belief that firms’ HRM practices are instrumental in developing the strategic capability of its pool of human resources. (Colbert, 2004). New perspectives continue to emerge on Strategic Human Resource Management (SHRM). The SHRM debate has progressed from considering how personnel management differs from HRM to exploring how HR can lead to more sustainable competitive advantage.

Strategic human resource management entails integrating HR practices with discrete specific strategy formulated or articulated towards identified ‘end’(intermediate-end or ‘mean’ or desired ‘value’) through “hierarchic purposive behaviour” directed towards pursuit of ‘final value’ or ‘organisational goal’ through intermediate ends as perceived by Simon. Such ‘end’ or intermediate ‘end’ (also mean) is articulated academically (since public administration is cooperative rational action) and implemented through strategic decision making regarding. For instance, cost reduction or better public relations would form an identified ‘end.’ Human resource practice would need to be weaved into organisational strategy and implemented by means of specific strategies crafted towards identified ‘end’. Organisational functioning would thus proceed as a coherent linear with each sub-policy integrally linked with overall policy till the objective is reached. SHRM is therefore contingent on (a) identification of end, (b) articulation of strategy, and (c) integration of sub strategies into the whole i.e. organisational policy. The important issue is to find ways of integrating HR strategy with organisational strategy to achieve desired economy in operations.

Key concerns in strategic human resource management therefore are listed as: aligning resources with strategies; making strategies adaptable to new courses and new strategic directions; and periodic renewal of strategic human as well as organisational resources with a view to sustaining competitive advantage for the organisation.

Wide array of questions addressed in strategic human resource management are recounted as follows: (Colbert, 2004)

- “What is the effect of HR practices on the development of a firms’ human resources;
- Which HR practices lead to greater organisational performance;
- To what degree does that depend on a firm’s strategy;
- How does it ensure that its individual HR practices ‘fit’ with one another or does ‘fit’ at all matter in HR practice?; and
- Must the attributes of a firms’ base of human resources always align with *a priori* strategy, or can its stock of skills, knowledge and interactions drive strategic direction?”

SHRM is recognised as universal academic discipline, currently in need of a theoretical framework to impart universality to its principles. (Colbert, 2004). The key constructs and central debates in SHRM, as discussed by Colbert (2004) have grown out of the above questions, viz. best practice vs. fit, horizontal and vertical fit, fit versus flexibility, control exerting versus creativity enhancing aspects of HR systems, single dimensional and multivariate effects and appropriate theoretical frames. This will be elaborated later in the unit.

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## **2.2 SCOPE OF STRATEGIC HUMAN RESOURCE MANAGEMENT (SHRM)**

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The range of activities and themes encompassed by SHRM is complex and goes beyond the responsibilities of personnel or HR managers into *all aspects of managing people* and focuses on ‘management decisions and behaviours used, consciously or unconsciously to control, influence and motivate those who work for the organisation; in other words its human resource’ (Purcell, 2001). Mabey, Salaman and Storey (1998) have studied the subject from four distinct perspectives:

1. The social and economic context of SHRM, including factors in the internal (corporate) and external environment that influence the development and implementation of HR strategies;
2. The co-relation between SHRM and business performance, emphasising the measurement of performance;
3. Management style and the development of new forms of organisation; and
4. The relationship between SHRM and the development of organisational capability, particularly knowledge management.

Before we move any further, it shall be better to understand fully the concept of *strategy* because it is from here that the idea of strategic human resource management (SHRM) emerges.

### **2.2.1 The Concept of Strategy**

A strategy is a *pattern* or a *plan* that integrates an organisation’s major goals, policies and action sequences in a coherent linear of decisions. A well-formulated strategy helps allocate an organisation’s resources optimally into a unique and viable matrix based on relative internal competencies, shortcomings, anticipated changes in the environment, and contingent moves by intelligent opponents (game theory)

The concept of strategy is not a simple one. “Strategy” can have a number of implications. It can be described either as:

- A plan, or a similar idea; viz. direction, guide, course of action; or
- A pattern that provides for consistent behavior over time; or
- A perspective on an organisation’s fundamental way of doing things; or
- A ploy or a specific “maneuver” intended to outwit an opponent or a competitor.

### **Evolution of Strategy**

Strategy is basically a “military” term. However, it is not in this sense that it has implications for human resource management.

It was Peter Drucker who pointed out the importance of strategic decisions in 1955 in his book, *The Practice of Management*, in which he defined strategic decision as “all decisions on business objectives and on the means to reach them”.

However, the importance of the concept was not fully realised until pioneers like Alfred Chandler (1962) and Michael Porter (1980) developed what could be regarded as the *Classical Approach*. This involved the use of formal and systematic design techniques based on quantifications, focused externally and concentrated on long-term plans, not being much concerned with implementation and also more or less ignoring the human element. Later writers emphasised the human and qualitative aspect of strategy. They saw ‘strategy’ as essentially *evolutionary*, as revealed in ‘organisational behaviour’ as part of organisational processes rather than something endogenous or of external or formal design. Others developed the concepts of distinctive competences and resource-based strategy. More recently, academics have stressed both implementation as well as *planning aspects of policy*.

This shift in thinking has been ‘from *strategy*, to *structure and systems*, to *purpose, process and people*’. It is the later development, represented by this shift that represents the modern thinking on the subject.

Chaffee (1985) considers that academically, strategy is viewed in three distinct but sometimes conflicting ways, as, *linear strategy*, *adaptive strategy*, and *interpretative strategy*.

**(a) Linear Strategy:** The linear model has been used by most researchers. It focuses on planning and forecasting of likely events. Sequence of events is traced through past and present activities to its logical culmination in the ‘value’ or ‘end’ to be achieved in the future. The ‘end’ reached or desired is the ‘organisational ‘goal’ to be reached through a well networked matrix of strategies and “hierarchic purposive behaviour” in pursuance of it.

**(b) Adaptive Strategy:** The second model is described as the adaptive strategy model and is most closely associated with the idea of ‘strategic management’. This model focuses on means and is largely concerned with achieving ‘fit’ of a strategy with respect to internal and external factors. Public and Private organisations have to devise strategies to adjust to the changing variables in the environment to maintain organisational ‘relevance,’ and organisational efficiency, expressed in favourable cost benefit ratio and ‘effectiveness,’ or internal and external equilibrium attained by adaptation to the external ‘flux’

and internal consistency of policies regarding motivation, inducement of employees towards willing cooperation.

**(c) Interpretative Strategy:** Interpretative model represents a minority view. It sees strategy as a *metaphor* and, therefore, not as something measured or measurable but rather, as something perceived in qualitative terms. Strategy is the visible tip of the iceberg, representing the underlying factors or the underpinning theme of organisational philosophy. This concept is more representative as there is a reflection of long-term objectives, which are glimpsed through the microcosm of specific strategies. Interpretative strategy is observational and deductive as inferences are drawn from organisational purpose and culture, precisely, the organisation's overall mode of functioning.

There could be conflict between linear, adaptive and interpretative concepts of strategy. Reconciliation may not always be practicable or possible in that short term and long term objectives may not always be congruent.

Mintzberg (1998) has identified ten 'schools' of strategy research which have developed since strategic management emerged as a field of study during the 1960s:

1. The Design School; where strategy is perceived as a process of conception through a choice of alternatives. All contextual and contingent factors are taken into account in arriving at choice(s).
2. The Planning School; whereby strategy is construed a formal process and a deliberate planned construct. Strategy making is put in a temporal perspective in that it is seen as evolving gradually out of a series of steps.
3. The Positioning School; by which strategy is perceived as an analytical process; contingency of situations is taken into account in framing suitable strategies.
4. The Entrepreneurial School; which looks upon strategy as a visionary process. There is a perception of the future and actual strategising depends on assessment of vulnerability and feasible risk taking.
5. The Cognitive School; which opines that strategy is a mental process. It is conceived in the mind of the strategist and the degree of success attained in practice depends on the quality or level of cognition of the individual strategist. Stress is unmistakably on the quality of human capital employed at strategic positions by an organisation.
6. The Learning School; where strategy is conceived as an evolving concept; as constantly growing and developing through the impact and interplay of internal and external forces and factors. There is a suggestion of the 'organic' view in that organisational activity is seen as dynamic, as constantly evolving, growing and rediscovering new dimensions and through interactive strategy.
7. The Power School; views strategy as a process of negotiation resulting in an L.C.M (least common denominator) through interplay of relevant forces and factors where bargaining power of the interest or pressure groups is a factor of consequence. 'Design' sequence or stage of the decision making process (Simon, 1957) entails exploration of

- possibilities which are articulated as administrative norms and proffered as inputs by interested parties to policy design.
8. The Cultural School; whereby strategy is perceived as a reflection of organisational culture or mode of functioning (whether hierarchical or team, directive or participatory). Strategy is perceived as a dependent variable. The functioning of the enterprise determines what kind of strategy is adopted or considered desirable and feasible under a given set of circumstances.
  9. The Environmental School; which looks upon strategy as a ‘reactive product’ (responsive to stimuli from the environment). Environment is the independent variable here and strategy the dependent variable.
  10. The Configuration School: whereby strategy is perceived as a process of transformation from the actual to the desired state of affairs. There is reference to organisational ‘architecture’ here as, organisational design (structural configuration) involving segmentation; division and coordination are altered in the desired way through the instrumentality of and for the purpose of strategy. Organisational functioning is thereby imparted required direction. Synthesis of strategy emerges which cannot be foreseen.

### **Formulating Strategy**

Formulating strategy requires defining intentions (strategic intent) allocating and matching resources to opportunities (resource-based strategy), achieving thereby, ‘*strategic fit*’ or balance with respect to organizational strategy. The effective development and implementation of strategy depends on the strategic capability of the organisation, which includes not only *determining strategic goals* but also *developing and implementing* strategic plans employing strategic management.

Let us now try to clarify the meaning of each of the above mentioned variables:

1. Competitive Advantage;
2. Strategic Intent;
3. Resource-based Strategy;
4. Strategic Fit;
5. Strategic Capability; and
6. Strategic Management

The concept of *Competitive Advantage* plays an important part in the theory of strategy. Competitive advantage arises when a firm creates added and unique value for its customers. A firm selects markets in which it can excel and presents a moving target in front of its competitors by continually improving upon its own position.

*Strategic Intent* refers to the leadership position the organisation wishes to achieve through articulation of motives and establishes a clear criterion by which progress towards its achievement has to be measured.

The concept of *Strategic Fit* implies that in order to maximise competitive advantage a firm must match its capabilities and resources to the opportunities and constraints in the external and internal environments.

Resource-Based Strategy means, *strategic capability* of a firm depends on practicability, or its resource capability, especially distinctive resources that fetch it competitive advantage. Barney proposes four criteria for deciding whether a resource can be regarded as a distinctive capability:

- a. It must result in value creation for the customer;
- b. Its presence should be a distinguished rarity, compared to the competition;
- c. It should be non-imitable and should have; and
- d. Non-substitutability.

*Strategic Capability* is a concept that refers to the ability of an organisation to develop and implement strategies that help achieve and sustain competitive advantage. It is based on a deep understanding of the competitive environment, the resource base and potential of the organisation and the values that engender commitment from stakeholders of the organisation.

### **Strategic Management**

*Strategic management is operationalisation of the concept of strategy.* Strategic management refers to the managerial decisions that establish the context of organisational functioning, guide internal activities and determine the path of organisational long term performance (Stahl and Grisby, 1991). It involves anticipating changes in the environment and developing proper responses. Strategic management can be regarded as a continuing process, consisting of a sequence of activities beginning with strategy formulation, advancing through strategic planning, implementation and review and culminating in revision and updating policy. In practice, the logical sequence is not always followed. The objective of strategic management is to make managers look ahead and plan accordingly. The concern is with broader issues in organisational functioning.

Strategic management is thus explained as:

- A set of decision and actions resulting in the formulation and implementation of strategies designed to achieve the objectives of an organisation (Pearce and Robinson, 1988); and
- Concerned with policy decisions affecting the entire organisation, the overall objective being to position the organisation to deal effectively with its environment.

Strategic human resource management may be described as the linking of human resource strategy with strategic goals and objectives in order to improve business performance and foster an organisational culture of innovation and flexibility.

Strategic management deals with both *ends* and *means*. As ‘end’, it gives a vision of how things are likely to shape up. As ‘mean’, it shows the path of the vision’s realisation in practice.

Strategic management is therefore, visionary management which is concerned with creating and conceptualising ideas about the future of the organisation. It is also empirical management, in that it decides how in practice it is going to get there, bearing in mind that organisations function in an environment of change and adaptation.

## **2.2.2 Aspects of SHRM**

Strategic human resource management (SHRM) includes;

1. All those activities *affecting the behavior of individuals* in their efforts to formulate and implement the *strategic needs* of business. (Schuler, 1992)
2. The pattern of *planned human resource deployment* and *activities* intended to enable the organisation to achieve its goals. (Wright and McMahan, 1992)
3. That part of the management process that specialises in the *management of human capital*. It emphasises that employees are the primary resource for gaining sustainable competitive advantage, that human resource activities *need to be integrated with corporate strategy*, and that human resource specialists help management meet *both efficiency and equity objectives*. (Tracey, 1994).

## **2.2.3 Features of SHRM**

Features of strategic human resource management could be inferred as mentioned below:

- *Organisational level* - Because strategies involve decisions about key goals, major policies and the allocation of resources, they tend to be formulated at the top;
- *Focus* - Strategies are business-driven and focus on ‘organisational effectiveness’; people are seen primarily as resources to be managed towards the achievement of strategic business goals; and
- *Framework* - Strategies by their very nature provide a unifying framework that is broad, contingency-based and integrative. They incorporate a full complement of the HR goals and activities designed specifically to fit extant environments and be mutually reinforcing and synergistic.

## **2.2.4 Application of SHRM**

The degree to which the concept of strategic human resource management is applied within an organisation, its form and content vary in organisations. It is understood that organisations may be so preoccupied with survival tactics and managing the here and now of organising that perhaps unwisely, they miss an articulated corporate or business strategy to plan for human resource management. In these circumstances, which are typical of many organisations in the UK, where a ‘short-term’ perspective has prevailed, strategic human resource management cannot be practiced. Strategic approach to human resource issues is possible only in an environment where there is a strategic long- term approach of corporate or business strategy. In many organizations, planning the human resource function fulfils primarily an administrative and service role and is not involved in strategic matters.

Mintzberg argues that strategies which are actually carried through in practice show unintended features, which he terms '*emergent strategies*'. This might

result from poor strategic thinking, poor implementation or even, a sound state of realism. It reflects the view that strategic management should not be confined to the top echelons in an organisation. Emergent strategy rarely comes from the top, but rather from bright ideas and initiatives emerging from local levels which are found to work in practice and then adopted.

Modern technology allows us to develop organisations, which are differentiated, allow for local flexibility and autonomy but are highly integrated at the same time. (Price, 2004). In modern organisations, HR strategy is supported by information technology in the form of human resource management information systems and workforce management systems.

### **2.2.5 Implications of SHRM**

Academically, the area of enquiry is interdisciplinary and as a practical craft, integrative. Understanding of the political and economic ‘environment of constraints’ as well as the internal sociological dynamics of the organisation, specifically the psychological underpinnings to human behaviour at work, are important in strategic human resource management.

SHRM has the following distinct implications:

1. The use of planning to maximise advantage from human resource management;
2. A coherent approach to the design and management of personnel systems based on employment policy and manpower strategy underpinned by ‘philosophy’; and
3. Human resource management activities and policies are aspects of explicitly formulated business strategy.

SHRM implies accepting the HR function as integral to the formulation of the companies’ strategies and implementation of the same through specific human resource processes viz. recruiting, selecting, training and rewarding personnel.

To clarify further, whereas strategic human resource management recognises HR’s partnership role in the strategising process, the term HR strategies refers to specific HR policies or practices undertaken or pursued towards clearly formulated aims. These goals (like any other objectives) need to be expressed preferably in quantifiable terms so that outcomes can be measured. However, strategic HR objectives go beyond simplistic calculations and control of staff numbers and overall cost control. Strategic thinking incorporates ethical and legal considerations, which have complex implications for the achievement of a wide range of business objectives. A few are listed below.

- (a) *Equity*: Applicants and employees should be treated fairly to minimise complaints or negative publicity.
- (b) *Consideration*: There should be consideration for individual circumstances and aspirations while taking strategic decisions which affect the security, prospects and self-respect of employees.
- (c) *Commitment*: Commitment and motivation of employees should be secured as a priority issue. Staff tends not to be committed to organisations, which are not committed to them.
- (d) *Working Conditions*: Safe, healthy and pleasant conditions enhance well-being, minimise stress and improve efficiency. Physical and social working

conditions determine work efficiency significantly and need to be included in strategy.

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## 2.3 LITERATURE ON SHRM

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SHRM like any other stream in public administration and business administration is inter-disciplinary. Academic disciplines and paradigms involved directly and indirectly in the area of strategic human resource management are catalogued by Colbert (2004) thus:

-Organisation theory including institutional theory, contingency theory, configurational approaches, transaction cost analysis, behavioural perspectives; and, organisational learning.

Wright and McMahan (1992) lament the absence of a theoretical paradigm in strategic human resource management. Practical advice or presentation of empirical data to the management may not make for good theory or even practice. Lack of a strong theoretical foundation potentially undermines the ability of both practitioners and researchers in the field to optimise human resource utilisation in support of strategy. Rich integrated theoretical frameworks help focus and organise research efforts and enable the evolution of the practice of HR management into a truly strategic discipline. (Colbert, 2004)

Becker and Gerhardt (1996) raised the question of research, and the level at which it should be taken up; whether at the level of HR principles, policies or practices. They answer it by advocating an '*architectural*' approach for understanding the effects of HR system components on organisational outcomes. Desired organisational outcome should be articulated and principles, practices and policies designed in the direction of accomplishing the stated objective. For example, employees' participation in decision making would demand conducive practices, team work, participative management principles, horizontal coordination, flexible span of control, nature of supervision, etc.

As far as research in strategic human resource management is concerned, there is need to emphasise *creativity over control* and tackle the *ambiguity and complexity* of dealing with the human element. According to Colbert, the right approach would be to perceive organisations as '*organic*' (analogy from biology) complex systems with a view to tapping intangible resources and making latent potentialities manifest.

As an area of academic research and policy science, R&D (research and development) is very much at the focus of SHRM. SHRM literature, presently, is not prescriptive enough to impart genuine academic credibility to the area of enquiry. Some even regard it as redundant. They feel that managements need to *act* and not waste time strategising; or rather derisively, strategy itself may not be '*strategic*' enough to merit so much attention. However, the opinion has not gained ground and empirical researches show that in the present environment of competitiveness, information and communication revolution, strategising is imperative, since customers, employees and employers almost equally share knowledge resource. Hence, "where customers or buyers get smarter everyday and business processes and systems more homogenous, strategy will be crucial in securing competitive edge for organisations" (Carr, 2004)

The aim of researchers is to avoid mere observational judgments and promote *empiricism* in order to impart legitimacy to policy recommendations regarding strategic human resource theory and practice and to make the area of enquiry, objective and rational. It is felt however, (Colbert, 2004) that *ad-hoc researches* need to be replaced with a more *integrative*, theoretical framework to build genuine database or ‘policy science’ for more rational ‘choice’ function in actual decision-making situations.

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## 2.4 APPROACHES OF SHRM

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Authors have attempted to provide more analytical frameworks for strategic human resource management. Delery and Doty (1996), for example, distinguish between three different theoretical frameworks:

- (a) *Universalistic*; where some HR practices are believed to be universally effective. This approach proffers common, standard, individual HR practices, and treats them as principles claiming verifiability and consistent applicability. Scholars contend that it errs in oversimplifying organisational reality since it does not explain complex system interactions and has a rather “isomorphic” than “differentiating” effect (Colbert, 2004).
- (b) *Contingency*; where effectiveness of HR practices is taken as dependent on organisation's strategy, systems interaction and ‘achievement of ‘vertical fit’ regarding policies. It goes beyond simple linear causal relationships for prescription of HR practices and allows for interaction effects and varying inter-variable-relationships (system interaction effects) during strategy formulation. The stress is on achieving ‘vertical fit’ or integration of policy through hierarchic levels and its consistent alignment with strategy. The idea of ‘horizontal fit’ envisions HR practices as “*hanging together as a coherent self-reinforcing system.*”(Colbert, 2004)
- (c) *Configurational*; where there is believed to be synergistic or mutually reinforcing relation between HR practices and strategy that are crucial for enhanced performance, whereby, researchers gather data regarding “multiple dimensions of organisations such as strategies, structures, cultures and processes into typologies of ideal types” and treat the types as independent variables. This approach therefore gives *patterns* of HR practices that together form an internally consistent whole. Ideal type model building is attempted, whereby few possible system configurations are developed. It then correlates patterns with performance. However, configurational approach confines real life possibility into two or three system types which might not in practice cover real life possibilities (Colbert, 2004)

Wright and Snell's (1998) model of SHRM aims to achieve both *fit* and *flexibility*. They emphasise distinction between HRM practices, skills and behaviour in relation to strategy on the one hand, and the issue of tight and loose coupling of HR practices and strategy on the other.

### The Best Practice Approach

This approach is based on the belief that there exists a set of best HRM practices which potentially lead to superior organisational performance. Perhaps the best known set is Pfeffer's (1994) list of the seven HR practices in successful organisations.

- (a) Employment Security: This implies employee security in the face of exigencies like economic downturns or the strategic errors of senior management on which they have little or no control. It is fundamental to the implementation of such high-performance management practices as selective hiring, extensive training, information sharing and delegation. Companies are unlikely to invest in the screening and training of employees who are not expected to stay long enough for the firm to recoup its investment. And if the policy is to avoid lay-offs, the company will hire sparingly.
- (b) Selective Hiring: Selective recruitment is needed to minimise training costs. Organisations should look for people with the right attitude, values and cultural attributes that may be hard to inculcate by training. Management should also be able to predict the employee's performance and the likelihood of the employee remaining with the company for a long time.
- (c) Self-Managed Teams: These are a critical component of high-performance management systems. They:
  - (i) Substitute peer-based control for hierarchical control of work;
  - (ii) Lessen tiers in hierarchy; and
  - (iii) Permit employees to pool their ideas in order to produce better and more creative solutions to work problems.
- (d) High Compensation Contingent on Performance: Compensation offered to employees is made contingent on organisational performance, for example, gain sharing or profit-sharing can be related to individual or team performance or even unique or particular individual skills.
- (e) Training: Virtually, all descriptions of high-performance work practices emphasise the role of training in providing needed skills and creating a motivated workforce that has the knowledge and the capability to perform required tasks.
- (f) Reduction of Status Differentials: The fundamental premise of high-performance work systems is that organisations should be able to tap ideas, skills and efforts of its employees. For this to be possible, status differentials should not be emphasised to the detriment of team spirit in an organisation.
- (g) Sharing Information - This is an essential component of high-performance work systems for two chief reasons. *First*, the sharing of information on the firm's financial performance and business strategies sends a positive message across to employees that they are valued. *Second*, even motivated and trained people cannot contribute to organisational performance if they do not have information on important aspects of performance and training in interpreting and using that information.

Many scholars do not subscribe to the 'best practice' theory. They believe that the notion of a single set of best practices has been overstated.

Purcell (1999) has also criticised the best practice or the universalistic view by pointing out the inconsistency between beliefs in best practice on the one hand

and the resource-based view (RBV) on the other, since the former focuses on intangibles, including HR that allows a firm to perform better than its competitors and the latter on treating people as ‘resource’. While the former emphasises generalist perspective to achieving high performance, the latter targets specific resources. He asks; “how the universalism of best practice can be squared with the view that only some resources and routines are valued because of being rare and imperfectly imitable?”

In accordance with the contingency theory, it is difficult to accept that there is any such thing as a universal best practice. What works well in one organisation may not necessarily work well in another because it may not fit its strategy, culture, management style, technology requirement or working practice. As Becker (1997), remarks, ‘organisational high-performance work systems are highly idiosyncratic and must be tailored carefully to each firm’s individual requirement in order that it achieves optimum results.’ But knowledge of best practice as long as it is known what makes it best practice, should inform decisions on what course of action should be adopted by the organisation, and Becker and Gerhar (1996) argue that the idea of best practice underlies the choice of practices as opposed to practices themselves. It is more a choice criterion rather than the characteristic of practices in an organisation.

### **Best Fit**

For the reasons given above, ‘best fit’ is considered more appropriate than best practice’. This is not to say that ‘good practice or ‘leading-edge practice’, (practice that does well in one successful environment) should be ignored. *Benchmarking* has its uses as a means of identifying areas for innovation or development practice applied to good effect elsewhere. But having learnt what works and what does not work in similar situations, the organisation has to decide what general policy should be adopted and what lessons can be learnt to make the adopted idea fit its own particular strategic and operational requirements. The requirement is an analysis of the business needs of the organisation within its own particular context, (culture, structure, technology and processes) indicating clearly what has to be done. Thereafter, it maybe useful to adopt a mix of various ‘best practice ingredients’, to develop an approach which applies practices that are appropriate in a way that is conducive to identified business needs.

However, there are problems with the best-fit approach, as stated by Purcell (1999), who, having rubbished the concept of best practice proceeded to do the same for best fit. The search for a contingency or matching model of HRM is limited by the difficulty of modeling all contingent variables, the difficulty of showing their interconnections, and the way in which changes in one variable impact others.

In Purcell’s view, organisations should be less concerned with best fit and best practice, and be more sensitive to the processes of organisational change to ‘avoid being trapped in the logic of rational choice’. It may be notable, that ‘rational choice’ argument does not always apply in real life situations.

A strategy’s success therefore depends on combining “vertical” or external fit with “horizontal” or internal fit. A firm with better HR practices should have higher levels of performance, provided it also achieves high levels of fit with its competitive strategy.

This brings out the importance of “bundling,” that is, the development and implementation of several HR practices in unison so they are inter-related, complementing and reinforcing each other. The process is referred to as the use of ‘complementarities’ or the adoption of a ‘configurational mode’

Implicit in the notion of ‘bundle’ is the idea that practices within bundles are interrelated and made internally consistent, and that the impact on performance is positive, because of the overlapping and mutually reinforcing effects of multiple practices.

One might argue that the logic in favour of ‘bundling’ is a straightforward one. Since employee performance is a function of both ability and motivation, it makes sense to have practices aimed at enhancing both. Thus there are several ways in which employees could be made to acquire the required skills to augment ‘ability’ and administer multiple incentives to enhance, induce and reinforce motivation. A study by Dyer and Reeves (1995) of the various models listing HR practices that create a link between HRM and business performance revealed that activities appearing in most successful models, were involvement, careful selection, extensive training, and contingent compensation.

On the basis of his research in flexible production manufacturing plants in the United States, MacDuffie (1995) noted that flexible production mode gives employees a much more central role in the production system. They have to resolve problems as they arise, that is, at the level at which they appear in the line, which means they have to possess both the conceptual grasp of the production process and the analytical skills to identify the root cause of problems. But multiple skills and conceptual knowledge developed by the workforce in flexible production organisations would be of little use unless workers are motivated to contribute in both mental and physical capacities. Such willing effort will only be applied by workers if they ‘believe that their individual interests are aligned with those of the company, and the company would make a reciprocal investment in their well-being. Flexible production techniques have to be supported by high-commitment human resource practices like employment security and good pay, which if neglected, create barriers between the management and workers. Company investment in building worker skills through training and positive reinforcement also contributes to this psychological contract of ‘reciprocal commitment’. Research indicates that plants using flexible production systems and human resource practices into a system integrated with production and business strategy out perform plants using more traditional mass-production systems in case of both productivity and quality.

The aim of ‘*bundling*’ is to achieve coherence in organisational practice. Coherence is attained when a mutually reinforcing set of HR policies and practices is developed which contributes to the attainment of organisation’s strategies, for matching resources to organisational needs, improving performance and quality and, in commercial enterprises, achieving competitive advantage.

In a sense, strategic HRM is holistic in that it is concerned with the organisation as a total entity and addresses what needs to be done across the organisation as a whole to achieve corporate strategic objectives. It avoids isolated programmes and techniques and ad- hoc development of HR programmes.

David Guest (1989), in his set of propositions for HRM, stresses the idea that strategic integration is about the ability of the organisation to ensure that the various aspects of HRM are coherent. One way of looking at the concept is to say that some measure of coherence will be achieved if there is an overriding strategic imperative or driving force such as customer service, quality, performance or the need to develop skills and competences, and this initiates various processes and policies designed to link together and operate as one integrated policy to deliver certain specific results. For example, if the driving force were to improve performance, competence-profiling techniques could be used to specify recruitment standards, in identifying learning and development needs, and indicating the standard of behavior or performance required. The competence framework would be used as the basis for human resource planning and development activities. The same could also be incorporated into performance management processes in which the aim is primarily developmental and in which competence is used as a criterion for reviewing behavior and assessing learning and development needs.

The major problem with the ‘bundling’ approach is deciding the best way to relate different practices. There is no evidence that one ‘bundle’ is generally better than the other, although the use of performance management practices and competence framework are the two ways typically adopted to provide for coherence across a range of HR activities. There is no conclusive proof that bundling actually improves performance.

The general models describing the best practice, best-fit and configurational approaches, provide a useful conceptual framework, which can help in the analysis and development of strategic HRM practices. The other models analysed in this Unit, are prescriptive and should be treated with caution. They describe best practices under various headings. This may be of interest and be helpful to practitioners looking for a starting-point in the development of a people management and development strategy, but for reasons given earlier; ‘best practice’ approach suffers from limitations. Best fit is perhaps more helpful as it allows for the influence of distinctive business strategies such as specific sector strategies and adjustment to market or economic forces.

Any one or a combination of these approaches would prove helpful in the development of strategy although emerging consensus favors what has become known as the ‘high-performance management’ approach. But it will still be necessary to consider how such an approach or any other model is likely to be most appropriate in particular organisational circumstances.

### **Resource Based View**

Strategic human resource management is an extension of the Resource Based View (RBV) of competitive advantage of a firm or an organisation. (Colbert, 2004) Proponents of RBV argue that sustained competitive advantage originates in an organisation’s resource base thereby drawing attention to the internal workings of an enterprise. Strategic human resource management, therefore, emphasises the role of the manager. Optimising human and material resource comes under the functions of the executive.

RBV has helped build a productive theoretical bridge between the fields of strategy and HRM. It has been an integrative framework for optimising use of human material resources for sustained competitive edge. (Barney, 1991)

## **2.5 MODELS OF SHRM**

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There are a number of models within the rubric of prescriptive and descriptive, which within the framework of the concept of strategic human resource management form various approaches to the concept's theoretical development and practical implementation. First, there are those that refer to general approaches to strategic human resource management; second, there are those that prescribe particular approaches to the practice of strategic HRM, namely, resource capability, high –performance management (high performance working), high-commitment management, and high- involvement management.

The models of SHRM are either prescriptive or descriptive. As per Guest's model of 1987, HRM can be derived empirically and conceptually from analyses of individual practices overtime leading to testable propositions and finally, prescription of policy. There are four key elements or goals of strategic human resource management, as identified by Guest. These are: (1) *integration*; (2) *commitment*; (3) *flexibility*, and (4) *quality*. Guest's model however takes little account of contextual circumstances such as impact of situational and environmental factors on organisational practice. The other major paradigm is *functionalism*, which draws upon functionalist sociology propounded by Comte. It follows the positive tradition adapting biological concepts to sociology. Anthropologists Malinowski and Radcliff Brown (1952) emphasised social order, stability and continuity of the 'organic whole'; the chief argument is that society holds together underpinned by the notion of purposive rationality. Transporting the concept to organisational life, hence functionalism aims at the establishment of objective knowledge. The purpose of HRM accordingly is to sustain organisational coherence by way of integration between sections constituting an organisation through strategy.

### **The High-Performance Working Model**

High-performance working involves the development of a number of interrelated approaches which together impact favourably on the performance of the firm in areas like productivity, quality, and levels of customer service, growth, profits, and delivery of increased shareholder value. This is achieved by 'enhancing the skills and engaging the enthusiasm of employees' in goal accomplishment. The starting point is leadership vision and benchmarking to create momentum and identify direction for measuring progress constantly. It involves structural and cultural stipulations to that end. Guest suggests that the main drivers of support system or culture are:

- Decentralised decision- making, especially at the cutting edge level so as to constantly renew and improve offers or services made to customers or people in general;
- Development of people -capacities through induced learning at all levels, with particular emphasis on self-management and team capability to enable and support 'performance improvement' and enhance 'organisational potential';
- Performance, operational and people management processes are aligned to organisational objectives to build trust, enthusiasm and commitment towards the direction or course of action adopted by the organisation.

- Fair treatment of those who leave the organisation mid-course, and engagement with the needs of the community outside the organisation. This is an important component of trust and commitment based relationships, both within and outside the organisation; and;
- High-performance management practices that include rigorous recruitment and selection procedures, extensive and relevant training and management development activities, and incentive pay systems and performance management processes.

In the United States, this approach is described as the use of high-performance work systems or practices. The characteristics of a high-performance work system have been defined by the United States Department of Labour (1993) as:

- Careful and extensive recruitment, selection and training;
- Formal system for information sharing with individuals who work in the organisation;
- Clear job design;
- High-level participation process;
- Monitoring attitudes; and studying behaviour;
- Regular performance appraisals;
- Properly functioning grievance redress system; and
- Promotion and compensation schemes that provide for recognition and financial reward for high performing members of the workforce.

High-performance working involves the adoption of high-performance design methods. These require certain steps in a logical sequence; as stated below:

- Management clearly defines what it needs by way of new methods of working and articulation of results expected;
- Management extends success parameters in that it continually sets goals and standards for enhanced success;
- Multi-skill acquisition is encouraged. Encouragement and training are provided for employees to acquire new skills;
- Equipment is selected that can be used flexibly and allows easy handling for optimising the socio-technical system (aspect of organisation);
- Establishment of self-managed teams or autonomous work groups for better human relations;
- Adoption of supportive rather than autocratic style (this is most difficult part of the system to introduce) of leadership to support innovation and initiative on the part of employees;
- Support systems are provided that help teams function effectively as operating units;
- The new system is introduced with care through employee involvement and communication programmes for employee empowerment;
- Training is based on objective assessment of training needs;

- Payment system is designed with employee participation to ‘fit’ employee needs as well as those of the management;
- Payment is related to team performance (team pay) but with provision for skill-based pay for individuals; and
- In some cases, ‘peer performance review’ process is used which involves team members assessing one another’s performance as well as the performance of the team as a whole.

### **The High-Commitment Management Model**

One of the defining characteristics of HRM is its emphasis on the importance of enhancing mutual commitment among co-contributors. High-commitment management may be described as a form of management that aims at eliciting commitment so that behavior is primarily self-regulated rather than controlled by sanctions and pressures applied by the management and relations within the organisation are based on high levels of trust.

Ways to achieve high commitment are:

- Development of leadership through training, with premium on commitment as highly valued characteristic at all levels in the organisation;
- A high level of functional flexibility abandoning potentially rigid job descriptions;
- Reduction of hierarchies and de-emphasis of status differentials;
- A heavy reliance on team infrastructure for disseminating information (team briefing), designing and distributing work (team working) and problem solving (quality circles);
- Understanding job design as an area of management craft to provide intrinsic satisfaction to workers;
- A policy of no compulsory lay-offs and permanent employment guarantees with the possible use of temporary workers to withstand fluctuations in the demand of labour;
- New forms of assessment and payment systems; more specifically, merit pay and profit sharing; and;
- High degree of involvement of employees in the management of quality.

### **The High-Involvement Management Model**

While commitment might still suggest subjugation, this model is more democratic in approach, in that it involves treating employees as partners in the enterprise whose interests are respected and who have a voice in matters concerning or relating to them. There is focus on communication and participation with the aim of creating ‘climate’ in which continuing dialogue between managers and the members of their teams is continually maintained in order to reiterate or revise expectations as the case may be and consistently share information on the organisation’s mission values and objectives. This establishes full mutual understanding of what is desired by both the management and workers and also establishes the means of managing and developing employee potential to ensure target accomplishment through better

involvement across the region. Specifically, the following structural and functional attributes are desired.

- ‘On line’ work teams;
- ‘Off-line’ employee involvement activities and problem solving groups;
- Job rotation;
- Suggestion programmers; and
- Decentralisation of quality efforts.

Clear evidence emerges from the above recount that high-involvement work practices result in superior performance although there might be tremendous variance in actual application. High - involvement work practices have a clear and demonstrated effect on productivity. The effect is ‘large’ enough to be of economic consequence and significance to the organisations that adopt these ‘new practices’.

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## 2.6 CONCLUSION

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The key derivatives from this discussion are:

- Strategic human resource management implies linking HR practices with organisation’s strategy
  - There is need for a theoretical framework for SHRM research and theory building;
  - SHRM is interdisciplinary. Systems and contingency paradigms can be gleaned from the literature on SHRM.
  - As a practical philosophy, its driving force is efficiency, that is more revenue, less cost
  - It is also qualitative as it stresses on augmenting quality of human resource and ethical practice
  - It imparts economy and coherence to organisational functioning.
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## 2.7 KEY CONCEPTS

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### Cognition:

Cognition is defined as the psychological result of perception, learning, and reasoning. Cognition has wider organisational climate ramifications as on positive cognition depends organisational survival and health. Cognition develops over time with education and training. Development of ‘positive cognition’ on the part of people is a part of organisational strategy. Negative cognition can lead to impairment of employee capacity and also adversely affect his attitude towards colleagues and organisational ethics in general.

### Fit:

A strategy is successful if it ‘fits’ with other decisions in an organisation, in terms of compatibility between

demand and supply, resource use, result oriented ness and integration with wider organisational functioning. Organisational policy has to move forward in a concerted way in that, integrating decisions taken at different policy and operating levels. A strategy is ‘fit’ if it answers the aforesaid requirements.

**Strategic:** The word Strategy is used to denote targeted ness of a policy or a measure. As against ‘general’ policy, strategic planning or policy involves systematic, result oriented and methodical activity on the part of organisations towards ‘pre- determined ‘or preset goals or ends. Strategy has to be continually assessed for relevance in face of contingent environmental factors as per the needs of the situation.

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## **2.9 ACTIVITIES**

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1. Discuss the contribution of SHRM in an organisation.
2. Explain main models of SHRM.
3. Discuss the chief approaches of SHRM.

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## **UNIT 3 HUMAN RESOURCE PLANNING AND STRATEGY**

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### **Structure**

- 3.0 Learning Outcome
- 3.1 Introduction
- 3.2 Manpower Planning
  - 3.2.1 Requirements of Manpower Planning
  - 3.2.2 Process of Manpower Planning
  - 3.2.3 Aspects of Manpower Planning
  - 3.2.4 Advantages of Human Resource Planning
- 3.3 Shortcomings of Manpower Planning
- 3.4 Manpower Planning in the Civil Service
- 3.5 Conclusion
- 3.6 Key Concepts
- 3.7 References and Further Reading
- 3.8 Activities

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### **3.0 LEARNING OUTCOME**

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After going through this Unit, the learners shall be able to:

- Understand the significance of human resource planning at macro (national, state) and micro levels (company, department);
- Understand the academic status of human resource planning as an integrated discipline; and
- Understand the need for manpower planning in the civil service.

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### **3.1 INTRODUCTION**

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The human resource (HR) section is in charge of securing needed integration in organisational practice. In its essentials, HR planning is simply the formal process of linking organisational strategy with human resource practices. It is about perceiving organisational practice as a whole and not piecemeal. In a competitive climate, organisations need to use models and approaches that secure ‘uniqueness’ of operations along with enhancing ‘organisational capability’ (Yake and Ulrich, 1994). *Uniqueness* may be defined as the ability to transfer strategy to employee action, align systems and strategies to make strategies real (Ulrich, 1994).

Implementation of HR planning can take different forms ranging from a mere afterthought or an appendix to the main organisational plan, to a distinct and separate process, focusing distinctly

on the HR function. HR plan is designed to pay attention to shaping the priorities of the HR function than on supporting activities relating to the organisation's functioning as a whole. In extreme cases, HR plan could even be an isolated practice with little or no input from managers outside the HR function.

HR planning occurs at several levels: aggregated workforce planning at the *strategic level*; career planning of homogenous group of employees at the *tactical level*; posting and deployment planning of individuals at the *operational level*. At all these levels, technology has been harnessed to provide HR managers with sophisticated planning tools to craft effective policies. Tools that empower them to conduct a more thorough analysis of possible policy options, to evaluate the effectiveness of alternative schemes prior to implementation and to apply & adjust personnel plans (for example, deployment of scarce professional resources) in response to real-time business needs. It employs tools that allow HR managers to make plans quickly and more frequently in order to keep pace with the dynamic operating environment. (Ulrich, 1994) There is need for a unifying framework for strategic, tactical and operational HR policies and plans to provide for internal consistency and coherence in an organisation.

*Strategic manpower planning* is needed to counteract pulls and pressures of globalisation. “The strategic manpower planning system ably exploits the available talent in an organisation and determines the most appropriate sets of personnel policies to develop and retain the right mix of people to achieve organisational goals.”

*The tactical planning system* addresses the career planning and development needs of personnel in the organisation. Career path is mapped out for individual employees and required training provided to maximise individual and organisational capacities the peculiarities and specific career needs of professions within the organisation. As such, the key output of tactical model is a career plan that systematically grooms the right number of individuals to hold the various jobs. The career plan will spell out the sequence of jobs to assume and the trainings to attend so that the individuals going through the pace will gain the necessary exposure and experience to discharge the duties professionally.

Finally, the *operational planning system* assists the HR managers to formulate optimal personnel posting or deployment plan for the employees. With the exceptions of very small companies, where job changes (promotion or lateral move) are generally opportunistic in nature, most companies (especially the more structured institutions like the Armed Forces) can orchestrate job changes to ensure that both the individual's aspirations and the organisation's objectives (as represented by the strategic and tactical goals) are well aligned. (IDSC, 2005)

The purpose of HR Planning therefore is optimising efficiency of the Human Resource in an organisation. Architecture or blueprint of an HR plan reveals the following three different phases (Ulrich, 1994)

According to William Tracey (1994), the areas covered in HR planning are:

- The mission and vision of organisation, leadership style, objectives, corporate culture, ideal employee profile, highlighting, incorporating, and integrating organisational and individual philosophy for maximising welfare of both constituents viz. individual the group of organisational effort for securing and maintaining internal organisational equilibrium and

contributions procured or elicited from ‘co-contributors’ or employees in an organisational situation;

- Relating HR and work plans, highlighting resources, instituting cost-effective strategy, binding strategies with HR philosophy of the organisation, delineating organisational processes viz. delegation, centralisation, decentralisation, span of control, etc.;
  - Articulating HR needs for short-term and long-term purposes;
  - Designing HR structure involving written job descriptions, formal organisational charts, reporting and communication processes, etc.;
  - Delineating HR policies viz. recruiting, compensation, benefits, evaluation and recognition programmes, pension, employees’ development, etc.;
  - Provisioning HR technology that is, software, HR management systems, workspace and equipment; and;
  - HR management viz. selection, development, advancement and succession planning, redressing problems of employees, employee integration, teambuilding, motivation and productivity.
- a) Formulation of Strategic Intent: Clear and specific division of labour and job design is the important requirement of this phase. For that purpose, organisational mission has to be articulated clearly and internalised by employees. Ideology of an organisation can be inferred from its mission statement. For example, Avery India’s mission is articulated thus:
- “True leadership and flexible approach can ensure customer satisfaction, internal and external. The objective is to provide high quality of products and services to customers”*
- Reflections would be that besides the organisation being end-oriented, the systems and processes are flexible.
  - The inference would be that since premium is put on flexibility and end-orientation, the organisation will be innovative, creative, and value adding (Sushil, 2005)
- b) Human Resources Integration Phase – Four chief areas of activity in the integration phase are as follows (Ulrich, 1994):
1. *The competence pillar*, denoting the staffing and development function, addressing issues like the competence profile of personnel; skill enhancement techniques that can be gainfully used for employee capacity building;
  2. *The performance management pillar*, emphasising performance appraisal, management and reward processes; norm setting, motivation and morale of employees;
  3. *The governance pillar*; concerning, organisation design involving structural functional postulates, job design, decision making, hierarchy, team work, accountability, communication etc. the intent being to optimise organisational processes with a suggestion of the “Critical theory”;

4. *The leadership pillar* focusing on core and critical areas the leader chooses to stress, imparting direction to the working of the enterprise.
  - c) The Making it Happen Phase; involving prioritising action sequences, ‘allocating values’ to relative ends, thereby charting organisational course. Personnel planning are an ongoing process in rapidly changing organisations where frequent revisions of strategies are needed. An effective personnel planning involves systematic prediction of human resource needs and ensuring timely adjustments.
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## 3.2 MANPOWER PLANNING

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Human Resource planning is also known as manpower planning. Personnel management involves productive exploitation of manpower resources. Manpower management involves choosing the right personnel as and when the need arises. As aforesaid, it also involves upgrading qualitatively, the existing human resource.

*Manpower* is defined as the total knowledge, skills, creative abilities and aptitudes of an organisation’s work force...the sum total of inherent abilities, acquired knowledge and skills represented by the talents and aptitudes of the employed persons (Gupta, 1988) Planning is nothing but using the available assets for the effective implementation of production plans. After the preparing the plans, people are grouped together to achieve organisational objectives. Planning is concerned with coordinating, motivating and controlling of the various activities within the organisation.

Manpower planning is a technique of correcting imbalances between manpower demand and supply in an organisation at a micro level and in the economy at the macro level. Such imbalances create either the problem of excess supply or shortage of manpower. It is necessary to plan for long-term growth.

Manpower planning has two aspects – (a) quantitative, and (b) qualitative. The former deals with the numerical strength of employees required or anticipated over a period of time while the latter deals with qualifications desired of prospective employees at different levels in an organisation. Manpower planning has two major objectives:

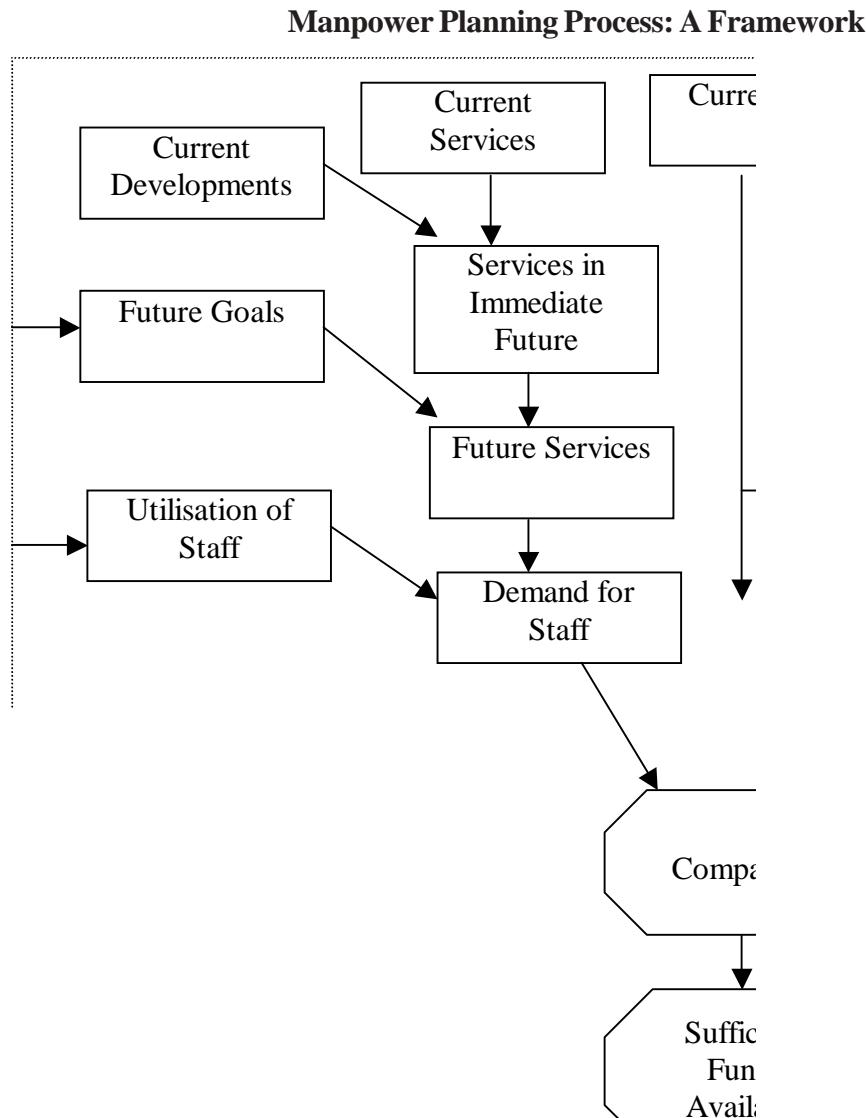
1. Formulation of recruitment plans to avoid unexpected shortages etc., and
2. Identification of training needs to avoid skill shortages

Narrowly defined thus, manpower planning is the process by which an organisation forecasts the quantity and requisite qualifications of persons required by the organisation at some future point and ensures that right number and kind are employed at the right time to ensure unimpeded functioning of the organisation.

In the absence of such a plan, a business or an organisation would face exigencies like sudden shortages of labour consequent to diversification and expansion of business, retrenchments, employee turnover, costly processes, etc. A manpower plan covers up for such contingencies by providing for future requirements in a planned way. In statistical terms, it is a process of data collection, analysis and projection to help management match manpower supply with demand in accordance with the requirements of the organisation and make relevant policies in the area.

Manpower planning is not an isolated paper exercise but an integral management function. Inside an organisation, decisions regarding selection, training, compensation, etc., are taken in the process of formulating a manpower plan. All activities are integral to it and proceed from job analyses and descriptions undertaken at each level. Human resource planning has to be in keeping with organisational objectives.

The scope of the function in different organisations would be different as per the needs of the specific organisation in question. The scale of human resource or manpower plan would differ with the scale and breadth of activity of an organisation. The process of manpower planning is diagrammatically illustrated in the following chart.



### 3.2.1 Requirements of Manpower Planning

Built-in flexibility in HR plan structure has to be provided for. Personnel demand-forecast and supply requisition change over time with change in technology, job description, cost considerations,

etc. The plan must be continuously monitored to carry out timely adjustments. Since objectives of the organisation have to be modified in accordance with altering environmental factors, manpower planning is a continuous process and requires reviewing from time to time. People, jobs, time, and money are the four basic ingredients of the planning process. As previously discussed, the process is contingent on the organisation's strategic management decisions and environmental uncertainties. These two factors determine the length of time for which the plan has been undertaken, its limits, information available to policy planners and the nature of jobs to be filled.

On the basis of empirical studies conducted over the period of time, the measures for effective manpower planning are enumerated as follows:

1. To eliminate haphazard expansion of personnel, there should be adequate manpower planning so that there is logical forecasting of manpower needs at least ten years in advance. The micro plan (section wide) should then be related to the macro plan (organisation wide) and the wider socio-economic policy of the country;
2. It is essential for organisations to have declared and consensual personnel policy which reflects the total personnel situation in the organisation rather than address it piecemeal;
3. Personnel policy must be developed at the headquarters or comparable level. It would be good if academic guidance is sought from academic and research institutions;
4. Staffing section must be under the charge of a duly qualified and trained personnel officer. It is necessary that manpower planners acquire specialised skills, not only through experience but also by academic learning;
5. Manpower planning should involve proper-mix of different categories of workers. This proper-mix should be determined by the policy and the socio-economic status of the country;
6. While formulating personnel policy, all possible internal as well as external resources should be explored for data collection. To supplement internal data, the administration would need to collect information from external sources, for example, associations or unions of employees;
7. Personnel department should lay down a clear policy and then supervise its implementation. Obviously, it would become easier to give more responsibility to unit chiefs at head offices and in the fields. In other words, instead of dealing with countless individual cases, the department of personnel should confine itself to laying down principles and supervising their application for economy and efficiency.
8. The personnel department must also design an effective system for evaluating individual and staff performance. Standards of performance must be set up to measure the quality and quantity of the work. Writing on politics and public administration at the State and local levels in the U.S., an astute participant and observer, Louis Brownlow concluded, "I have become convinced that in all but extremely exceptional instances, the level of performance once raised, never drops back all the way";
9. The personnel department must carry out researches into various aspects of personnel administration in collaboration with training institutions and universities to identify future requirements and trends (futuristic approach);

10. The gap between planning and implementation must be bridged if plans are to be successfully converted into reality;
11. Training programmes should be need-based, task-oriented and use practical simulations where trainees work and apply their skills;
12. There is need for role clarity to avoid overlapping and role ambiguity. Ultimate aim of manpower planning is to ensure optimum utilisation of the capacity of the existing personnel;
13. Manpower planning is a continuous, networked cyclical process requiring constant review and adjustments.

A standard manpower plan examines the output of the sector in question up to some year in the future, usually ten or twenty years. Manpower coefficient is applied to the absolute increase in production to arrive at a forecast of the extra labor requirement. The main objective secured thereby, is more effective and efficient use of human resource for increased productivity.

### **3.2.2 Process of Manpower Planning**

**Manpower plan and objectives of the organisation:** Objectives of the organisation have to be stated objectively and personnel requirements settled in accordance with estimations drawn. For example, objectives of a health research institute and a hospital are different. For the former, research personnel are required, for the latter, personnel qualified in the specific activity of patient care are suitable. Within the broad parameter of objectives, priorities have to be ordered and performance indicators specified in quantifiable or measurable terms for example, punctuality, allotted work hours etc. Efficiency should be measured by specific norms.

**Assessment of the manpower situation:** Manpower inventory has to be prepared, which involves collecting all possible information regarding educational qualifications, experience, abilities, aptitudes, performance, date of joining, date of birth and date of retirement etc. of individual employees. This helps assess basic skills of employees and the resource base of the organisation.

Organisational effectiveness over a period of time can also be assessed by statistics prepared. It also helps gain perspective for the future in terms of how efficiency levels can be enhanced, what qualifications need to be prescribed at what level, what training to institute, etc., in order to raise efficiency to desired/optimum levels.

**Projection of manpower requirements:** There is need to anticipate future trends in personnel availability and requirements. Application of statistical methods ranging from simple extrapolation, regression, or correlation analysis to complex econometric models help the management analyse past and present trends and estimate future requirements relatively accurately. A manpower plan has two components: 1) Manpower Demand Plan, and (2) Manpower Supply Plan. The supply plan deals with the *source* of proposed manpower. A personnel inventory is prepared which helps in determining the desired ratio in which direct and indirect recruitments will be combined. Personnel placements from inside and outside sources are separately catalogued. A manpower plan should spell out the manpower requirements of an organisation in totality. It should have temporal, locational, and job positional dimensions (in case of field offices) besides qualitative and quantitative (Dwivedi, 1990). The process of manpower planning involves use of techniques such as quantitative analysis, multivariate skills analysis, operations research, PERT

& CPM, orthogonal polynomials, etc. Outsourcing, multi-skill training of workers and downsizing are some of the activities undertaken. In smaller organisations, departmental heads themselves have to assess manpower requirements on the basis of their own judgment and experience.

**Classification and interpretation of information:** Information collected must be classified to facilitate analysis. Data have to be read properly and inferences drawn accurately to derive correct conclusions and formulate objective policy based upon such conclusions.

**Developing work standards and performance norms:** A serious drawback in personnel administration is under-utilisation of capacity expressed as underemployment, lay offs and general below par performance of employees. This happens when work norms are not standardised and laid down objectively. There is no measuring rod to judge performance by or examine causatives behind perceived inadequate or insufficient performance. To improve objectivity, work norms need to be developed and should be framed *realistically* in that the limitations or constraints of 'bounded rationality' should be provided for. Standards must be developed in the light of all available information, in conformity with the requirements at specific levels. Objectives should be laid down clearly in that they should be intelligible to the ordinary worker and should not in any way result in ambiguity or lack of role specificity. The reference is to have effective communication. Besides, necessary flexibility should be built-into them so that changing requirements could be provided for. Precisely, standard laid down should be (i) *realistic*, (ii) *provisional*, (iii) *appropriate*, (iv) *flexible* and (v) *clearly defined*. Hence the order in manpower planning is to set up hierarchy of objectives, stipulate qualifications for each level, set up a manpower plan, assign weights to performance indicators, work-out plan, judge efficiency by performance indicators, review plan, etc.,

**Anticipating manpower problems:** Comparison of current and future manpower needs reveals the quantitative and qualitative gaps in performance of personnel. The information is useful in writing job descriptions and specifications and also plugging 'gaps' to reduce the efficiency 'lag' by discovering requirements at different levels and making provision for the same.

**Costing Inventory:** For manpower planning, information is also needed regarding:

- a) Materials available in the organisation;
- b) Buildings in use;
- c) Availability of computers;

**Supply of Personnel:** Entire exercise would be futile if ultimately personnel with requisite qualifications cannot be made available in time. Policy planners need to work in close co-operation with educational and training institutes to ensure adequate supply of personnel. Besides, policy should be sustainable in that the organisation must have sufficient funds to pay for new and added services. To meet resource constraints, less expensive alternatives need to be tried. One way could be to avoid employing highly trained personnel for tasks that can be accomplished by less qualified staff. The Thai ministry of public health, for example, employed trained midwives in family planning programmes to reduce costs and free doctors who were in short supply for more skilled tasks. The measure reduced costs and pilot studies revealed that performance of nurse-midwives was as good as qualified doctors'.

**Research Studies:** Research studies are important to monitor and evaluate a manpower plan. It is only on the basis of empirical studies that future changes can be advised. Policy has to be fact based and as objective as possible to maximise rationality and avoid ‘satisficing’ solutions or a priori judgments in decision making. The economic dimension of policy making and implementation is increasingly in focus. Research is needed to assess the effectiveness of training programs by application of tools like post training surveys. Sophisticated analysis is needed to examine discrimination claims and complaints.

### **Manpower Planning and the Budget**

Manpower planning and its integration with the PPBS are vital to secure consistent effectiveness right through, till the feedback stage. Manpower needs and implementation costs have to be documented under appropriate activity heads or cost centers (management accounting system) and integrated at each stage with objectives of other sections to build coherent policy. Monitoring and evaluation mechanisms also have to be integrated to get the ‘big picture’ and ensure cost effectiveness at succeeding stages. Knowledge of the principles of budget and manpower planning is particularly critical *at the formulation and monitoring stages*.

The need for careful budget and manpower planning is crucial for the success of any project, programme or policy. Poor formulation and monitoring of budget and manpower needs can, for example, result in the following problems:

- The rejection of projects, programmes or policies because of over-stated budget and manpower requirements at the formulation stage.
- Non- or incomplete implementation of projects due to understated costs and manpower needs, leading to chronic shortages of human and physical resources.
- A tendency for personnel costs to rise with time, “squeezing out” other important project cost items and preventing effective implementation.

In developing countries, budget and manpower planning are attended to only at the implementation stage. Plan implementation consequently loses way. There is need to continually adjust plan priorities to changing requirements. The central problem of budget and manpower planning in developing countries is how to deal with contingencies. Careful formulation and monitoring are imminent to minimise uncertainties, which are exacerbated by financial, and manpower shortages at crucial times

*Four* important considerations in budget and manpower planning are identified thus:

- Understand relationships between recurrent and capital costs, and personnel costs and non-personnel costs;
- Identify resources critical to project success and find out the possibility of project modification in case of non-availability of these resources;
- Understand the relationship between inputs; and
- Include contingency measures for all project inputs.

The following issues need to be considered by manpower planners:

- Capital expenditure incurs future recurrent costs. Likewise, staff costs breed non-staff costs (managing revenue expenditure);
- During formulation, it is important to identify which inputs are crucial for the success of the project and to negotiate to secure them. (assigning values);
- When assessing the future availability of manpower, allow for wastage and for the time required to train replacements and additions. (avoiding waste);
- If crucial resources are not available, modify the project (adjusting end to means adopting a pragmatic approach);
- Think about phasing inputs. Bar charts can be a useful tool for scheduling operations (managing time; securing lead time);
- As a safety measure, include contingency allowances in budget projections. Contingency measures are of two types: physical contingencies (inventory) and price contingencies (demand fluctuations); and
- Effective time management is achieved through a well documented pre-prepared plan. Planning the labour is an important part of accomplishing service work profitably. The manpower section of the tasking software can help to streamline the work assignment process for the manager.

### **3.2.3 Aspects of Manpower Planning**

Having discussed the various steps and requirements essential for human resource planning, the question arises, what strategy should be employed to make the workforce creative, innovative and dynamic? Mentioned here in brief are the aspects of manpower planning.

#### **I. Organisational Planning and Development**

- i) Establishing organisational objectives, goals and targets.
- ii) Redesigning organisational structure.
- iii) Building inter-personal relationships intra and inter agencies and thereby in the total system.

#### **II. Career Development**

- a) Staffing
  - i) Recruitment and selection
  - ii) Placement and transfer
  - iii) Promotion
- b) Training
  - i) Training
  - ii) Refresher courses

- iii) Briefing
- iv) Sabbatical leave

### **III. Terms of Employment**

- i) Salary administration
- ii) Incentive
- iii) Fringe benefits
- iv) Retirement benefits

### **IV. Employee Welfare**

- i) Medical Facilities
- ii) Leave
- iii) Recreation
- iv) Housing
- v) Leave travel concession
- vi) Children's education

### **V. Personnel Records**

- i) Personnel files
- ii) Personnel data for decision-making
- iii) Performance appraisal

### **VI. Morale and Motivation**

- i) Financial and non-financial incentives
- ii) Conduct and discipline
- iii) Professional standards
- iv) Satisfaction of social and psychological needs.

### **VII. Management Staff Relations**

- i) Professional associations and union
- ii) Participative management
- iii) Effective joint professional association

### **VIII. Personnel Research and Review (PER)**

- i) Planning and determining programme areas

- ii) Analysis and interpretation
- iii) Development of more appropriate personnel programmes and policies
- iv) Development and integrated personnel approach
- v) Follow-up improvement action: and;

## **IX. Effective Communication**

The department of personnel must provide for effective communication between the staff and the management. Proposed organisational change may actually give counter results if personnel are suspicious or resentful of contemplated change. It is not official queries or statements of confidential reports that earn staff loyalty. It is the extent to which the average staff member appreciates and understands the objectives and purposes of communication, especially regarding proposed changes, that solidarity is achieved.

The administrator must encourage employees to participate in developing solutions. To quote Ted R. Brannen, (1998) “Only by an understanding of the individual, his habits, expectations, and beliefs, can the administrator know what is needed to induce his spontaneous co-operation for the benefit of the organisation.”

## **X. Motivation through Decentralisation Delegation and Job Enlargement**

There is need to induce proper motivation to optimize output and thereby productivity. This would require judicious decentralisation, delegation, and job enlargement and performance appraisal. Employees or unions or associations should be dealt with sternly in case of non compliance or alleged insolence on the part of any worker.

Bottom up policies and increased involvement of lower level staff in the affairs of the organisation is the only way to instill confidence among staff workers and increased commitment on their part towards the organisation. This can only be achieved through sound human resource management.

## **Macro Manpower Planning**

Broadly, manpower planning represents a ‘systems approach’ to personnel administration with the emphasis on integration of personnel policies and programmes framed at micro levels (organisations) into macro level (state, national level) policies. Such progression continues till the wider socio- economic planning of the country wherein all such micro plans are integrated and provided for. There are *macro* plans for the state, country, and micro plans for smaller units, viz. a department or a section. The major plan comprises and evolves out of micro plans. The process can be envisioned as one progressing through a series of concentric circles with the larger circle (macro level) moving outwards, encompassing smaller ones (planning at micro level). Logical culmination of the process is in the socio-economic plan of the country, annual or five year, as in the case of India. Manpower planning is concerned not only with the balancing demand and supply of different categories of personnel but also with overall development and utilisation of the human resource in the country. Development administration is not a mechanical process. It is a human enterprise and its success depends on the skill, quality and motivation of people involved in it. Manpower planning is significant for development administration.

In the third five year plan, the planning commission observed, “of all the resources for development, perhaps the most fundamental at the present time is trained manpower...the extent of manpower available and the training facilities established constitute a major determinant of the measure of advance which can be achieved in different directions...in each field, personnel requirements have to be estimated carefully and over a long period. This calls for improved statistical information and development of techniques of manpower assessment so that the necessary estimates can be made with reasonable accuracy and a comprehensive picture built up for the economy as a whole...manpower planning is thus an integral part of the economic plans formulated by the central and state governments and their agencies and within their own specific fields by industrial associations and other organisations representing different activities or interests as well as by individual undertakings and institutions setup”.

The Institute of Applied Manpower Research aims at providing a broad perspective of requirements of trained manpower for economic development in different fields in India. It arranges for facilities for training and building up the existing workforce to evolve methods of identifying and developing talented persons and generally to secure the most effective utilisation of the country's human resource.

### **3.2.4 Advantages of Human Resource Planning**

Human capital transforms passive resources into active agents of production. Most developing countries confront the immense task of reforming their personnel administrations to ensure better implementation of development programmes. The more important task is the improvement of policymaking and implementation capabilities of personnel units. Organisations that fail to do an adequate job of personnel planning take incorrect decisions regarding personnel functions involving hiring, promotion, transfer, and other related issues. There are specialist and professional agencies involved in providing expert technical assistance in formulating, implementing and evaluating HR plans.

Frictional process like organisational change and development (OD) are made cogent through concerted human resource planning with HR department at the helm of affairs.

Hence, Human Resource Planning:

- Is essential to optimise human capital utilisation;
- Is scientific in nature;
- Involves tracking supply of personnel to match with estimated demand;
- Has organisation-wide impact. The result is improvement in all spheres of administration;
- Furthers employee motivation. Employees apply themselves to their task and remain innovative and active throughout their work lives. Their activities are constantly monitored and supervised. According to Merle Fainsod improvements in development administration depend on the quality and training of public servants running it and on the social and political environment, which emancipates latent energies. Structural adjustments will not deliver results unless complemented with effectively administered personnel policy, more specifically, a manpower plan since growth is the result of human efforts.

- Human resource planning avoids inter-personal tensions, role-conflicts and overlapping. Job descriptions and specifications are clearly laid down. Job design is innovative and ensures fulfillment at job for workers
- Cost cutting is applied through human resource planning. Adverse features signaling the need for a human resource plan would be “high employee turnover, difficulties attracting competent staff, difficulties in delegating or internal communications, procedural bottlenecks, “problem” departments, and inconsistent productivity”.(Price, 2002)
- It helps management forecast long-term manpower supply and demand. It also helps in formulating *succession plans* and provides lead-time for the identification and development of suitable personnel to move up the organisation ladder. At the level of individual employees, it helps them attain their maximum potential with effective career planning and development policies. From the point of view of management, desired motivation packages for reinforcement of desired organisational behaviour on the part of employees can be administered.
- A crucial factor in improving coverage and quality of services rendered by an organisation is adequate number of personnel with *task-oriented training*. Requirements of training and the resources required are engineered through the manpower plan (WHO Chronicle, 2005).
- Many organisations are either over-staffed or under-staffed as public sector units hardly practice manpower planning. Most investments in development programmes not generate expected results because human capital is not harnessed optimally. Manpower planning helps management avoid manpower shortage/ surplus provision by ensuring advance preparation for future personnel requirements.
- Manpower planning incorporates the idea of performance budgeting in that the emphasis in either case is on specifying objectives in measurable terms, breaking up broad objectives into sub- sections/parts till the minutest classification is reached, allocating resources, establishing/tracing the relationship between inputs/ and outputs, physical and financial targets, monitoring implementation while providing for in-built flexibility/contingencies and finally period revisions. In fact, a manpower plan in its operational aspect is integral to the planning, programming, budgeting (PPBS) process to provide for personnel requirements, present / future to ensure optimal resource allocation and cost effectiveness in implementation.
- Manpower planning helps organisations develop uniformity and consistency in personnel policy, in consonance with socio- economic plan of the country. It is concerned with organising, in a systematic fashion, the goals, objectives, priorities and activities of manpower development. It helps organisations design tools of personnel appraisal and avoid contingencies or ad-hocism in personnel functions.

### **3.3 SHORTCOMINGS OF MANPOWER PLANNING**

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Diane Steel (2005) discusses the shortcomings of manpower planning and the emerging area of labour market. It has been stated that:

Manpower planning stresses more on quantification techniques than education requirements, and social study making it less useful to developing countries where idealistic workforce, more than mere numbers is significant

It relies on manpower input-output norms that are never static. Traditional manpower planning is being replaced by a better technique of labor market analysis considered far more relevant to policy planning. Labour market analysts, instead of committing themselves to an uncertain future, try to be more responsive to changing economic conditions. There is more stress on quality. The emphasis is less in defining training needs and more in defining training priorities. Assessing the relative priorities for training investments can lead to a training strategy more conducive to long-term sustained development.

The focus of manpower planning is on the number of people with desired skills. It also addresses the imperative of equity by changing focus to the work force, a much wider concept, which includes those with no skills and the unemployed.

Rather than counting the number of bodies required to fill some projected need, labour market analysts measure the wages in both the public and private sectors. There may be work shortages in the public sector because wages offered for similar positions in the private sector are higher or more flexible. Manpower planning typically uses data only from the formal employment sector of the economy. This is not very relevant in developing countries where the majority of the staff is engaged in agriculture and informal activities. Labor market analysis, on the other hand, is based on household surveys which capture the characteristics of the entire labor force, including the unemployed.

In addition, the analysts rely more on statistical information than speculations of the skills entrepreneurs are going to want, often without asking at what price such skills cease to be wanted. Such effort aids the wider purposes of social engineering. Hence labour market analysis has more spatial coverage and also operates at a more macro level.

Focusing on the educational profile of workers, rather than their occupation results in analyses using education as a classification criterion and leads directly to policies on schools and universities. An occupational taxonomy, as used by manpower planners, is redundant from the point of view of policy although it is useful for other purposes (e.g. male-female dissimilarities in employment).

While manpower planners stress technical efficiency, that is, the best technical way of producing a particular product, labor market analysts stress economic efficiency. In some cases it may be more economically efficient to have more or different individuals to provide a given level of service while from a technical efficiency perspective, fewer individuals are required.

Manpower planning typically recommends increases in the supply of workers with specific vocational or technical qualifications, but general training, which enhances the overall competencies of the trainee, might be more cost-effective and safer in the long run.

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### **3.4 MANPOWER PLANNING IN THE CIVIL SERVICE**

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There is an imminent need to right size civil services. The World Bank has enjoined on India the need to curb its fiscal deficit. The important thing is, however, planned reduction and unthinking phase out which may actually be inimical to State interests. Fundamental questions such as the number of ministries and internal cohesion and the integration of functions within each ministry have to be looked into. Although limited guidelines exist on the appropriate size and structure of a ministerial administration, it is possible to make some tentative recommendations. (Satish, 2005)

- The number of ministries should be kept low so as to contain administrative costs. Even if political considerations warrant the appointment of new ministers, they should be kept as ministers with a major portfolio within an existing ministry.
- The critical point is to retain the viability and integrity of a ministry by keeping all the closely related activities in the context of a government's priorities within one administrative structure. This enables ministry officials to carry out their responsibilities efficiently and to be held accountable for their performance.
- The administrative reforms must look into the role clarification, core governance issues so that optimum number of functionaries are available for effective service delivery without any spillage or leakage.
- In several departments, there is a need to induct more officers for service delivery rather than for supervision. The location of field staff and the number of employees in many departments are skewed. In many cases, more officers are located in the state or district headquarters, when the need is to have officers at the actual implementation or cutting edge levels. An effective system of panchayats can help in combining the functions of several field departments in a single individual, whose work can be supervised by the higher functionaries of the panchayati raj system (Meenakshi, Sundaram, 2005).
- With the changing role of government, the size and scale of civil service should also change. Efforts must be made to identify surplus staff, set up an effective redeployment plan and devise a liberal system for exit. For the time being, recruitment should be limited only to functional posts while vacancies at the secretariat and clerical levels should not be filled (*ibid*).
- Lateral entry into the civil service, on a contract basis, can also be considered to enhance mobility. There has to be a conscious effort to prune the size of bureaucracy especially at the clerical levels. Reducing the number of general holidays as recommended by the Fifth Pay Commission should help in better utilisation of the existing staff. Officers must be encouraged to join voluntary organisations of repute as well as educational and research institutions during mid-career. Besides reducing the size of the bureaucracy, this will also help in widening the knowledge base of the officers concerned (*ibid*).
- A malaise afflicting civil service has been the instability of tenure, leading to reduced involvement and respect for authority. If an incumbent is not sure how long he will stay in a particular position, he will never be able to pay attention to details or master the situation at his work place. While employees such as teachers, village accountants, ANMs etc., need not be transferred at all, except on promotion, there has to be a minimum tenure prescribed for other field level functionaries like district collectors, superintendents of police, project officers etc. For higher ranks in civil service, like secretaries to government, the posting can be contractual for a fixed period and systems evolved to ensure that they are not removed before their period of contract expires without their consent or explanation. (*ibid*). The Indian civil service in its present form is corrupt and unwieldy and redundant in its orientation and mode of operation. It is through manpower planning that specialist development administrators can be bred in the civil services.

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## 3.5 CONCLUSION

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To summarise, Manpower Planning is required to:

- Attract and retain the best employees;
  - Increased employee commitment and satisfaction;
  - Improve communications, teambuilding, productivity, and integration;
  - Lower employee turnover;
  - Establish short- and long-term HR policies and organisational structure to match your growth; and
  - Maintain competitive, industry-standard compensation & benefits
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## 3.6 KEY CONCEPTS

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**Human Resource**

: Modern approach to personnel management involves treating people as ‘resource’, which needs to be deployed effectively, in order to gain maximum utility for the enterprise. The analogy offered is economic, in that resource needs to be developed and then productively deployed to exploit other material and physical resources optimally in organisations. The perspective has a positive implication in that the purposes of both the individual and the organisation are served effectively, though the term has been employed with a disparaging connotation.

**Human Resource Planning**

: It is the process of continuing supply of internal and external human resource by advance planning to secure lead time in recruitments. Human Resource Planning is both an internal and an external process, since personnel inventory is prepared of available personnel from both internal and external sources and proper placement policy devised accordingly. It is also known as manpower planning.

**Planning**

: Planning is an interactive process involving sieving and sifting myriad interests, wherefrom, an alternative is selected, foregoing other possibilities. Planning imparts direction to an organisation and to the economy at large. The major issue in planning is achieving strategic ‘fit’ between policies and resources. In macro terms, planning represents the political economy school of thought, which believes in governmental regulation of the free market.

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### **3.8 ACTIVITIES**

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1. What is human resource planning? Discuss its role in economising organisational process.
2. Discuss the process of manpower planning; highlight its importance in civil service restructuring.
3. What are the shortcomings of a manpower plan? How can you improve upon it? Give concrete suggestions.

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## **UNIT 4 JOB ANALYSIS AND JOB DESIGN**

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### **Structure**

- 4.0 Learning Outcome
- 4.1 Introduction
  - 4.1.1 Purpose of Job Analysis
  - 4.1.2 Outcome of Job Analysis
  - 4.1.3 Aspects of Job Analysis
  - 4.1.4 Methods to Obtain Data for Job Analysis
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- 4.4 Job Design
- 4.5 Conclusion
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### **4.0 LEARNING OUTCOME**

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The study of this Unit will help you to:

- Understand the meaning and process of job analysis;
- Explicate Job description, specification and design process; and
- Understand methodologies with respect to previously mentioned processes.

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### **4.1 INTRODUCTION**

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A *job* is a collection of tasks, duties, responsibilities, which as a whole comprise the established assignment to an individual employee. Job analysis is the determination *through observation and study* of comprehensive information regarding a job, with a view to specifying tasks and necessary abilities, knowledge, and skills required to perform it.

Job analysis is the procedure by which *facts* with respect to each job are discovered and systematically noted down. (Yoder, 1969) Job analysis is sometimes called *Job Study*, suggesting the care with which, tasks, processes, responsibilities and personnel requirements are inquired into (Yoder, 1969). It is essential to understand the nature and all requirements; *content related* and *behavioral*, of a job, for writing job descriptions and preparing job design. Wendell French (1997) defines job analysis as the systematic investigation and delineation of job content, including the *physical circumstances* in which a particular job is carried out and the qualifications needed to carry out job responsibilities. Categories of information usually obtained for job analysis are;

- What activities are performed and the requirements of performing them, viz. the necessary skills, machines, tools and equipment used;
- Pattern of interaction (formal or informal) prescribed; physical and social working environment provided; and
- The training, skills, and abilities required for a job.

Although, the terminology and specifics employed for job analysis vary for each job, most include comparable categories, so that methods of job analysis have been possible to develop. The information is used to establish what is required of a worker at a particular level. Job analysis may also be called *task analysis* or *skills analysis*.

#### **4.1.1 Purpose of Job Analysis**

For optimum organisational performance, it is essential to have suitable persons operating a job, which makes it necessary to understand the job in all its aspects to develop work standards and prescriptions. All physical, mental and behavioural requirements need to be stipulated to achieve desired excellence at the job. Job analysis helps promote individual excellence along with organisational, in that targets for accomplishments are known by employees in advance and performance can be measured up in accordance. Job analysis is a process, which details the criteria for successful job performance, not just the basic minimum required. The worker knows what is expected in terms of quantity and quality and makes adjustments needed.

The process entails detailed study of a job by which ‘work-related’ information is processed as well as documented and the required method and procedures of doing a particular task and *related activities* are developed and laid down. It is a *process of arriving at* a description of all ‘*performance elements*’ (task) constituting a job. Analysis is done with the aid of research tools such as questionnaires, direct observation of performance, and interviews with incumbents and supervisors.

Job analysis is intended to reveal *what is actually done* as opposed to *what should* be done on a job. Therefore, if a worker is found covering activities not specified in a job, it would still form part of his job analysis, except where immediate removal of that activity is possible.

Various points on which information is procured in a job analysis programme are as follows:

1. Job titles

2. Alternate titles
3. Activities undertaken
4. Material equipment and tools employed
5. Time used for each activity
6. Rest and recreation time
7. Reports and records work
8. Relation of job to other jobs
9. Educational (general, technical and on-the-job) stipulations
10. Experience (type and duration) required
11. Physical competence requirements
12. Mental effort required
13. Visual attention required
14. Responsibility (in forms of typical damage, money value and normal consequences) for equipment, tools, materials and records.
15. Discomforts
16. Hazards (in terms of typical injury and preventive measures taken)
17. Supervision (close or general) received
18. Supervision (close or general) applied
19. Any other details (e.g. number of persons employed)
20. Reporting
21. Contacts with clients

#### **4.1.2 Outcome of Job Analysis**

Although a well-formulated job analysis programme does not guarantee trouble-free personnel operation, it goes a long way in preventing many problems. Should problems arise, a high-quality job analysis programme is useful in providing necessary solutions.

Dale Yoder (1969) summarises the uses of job analysis as follows:

1. Organisation and integration of the whole workforce in organisational planning

2. Recruitment, selection and placement
3. Transfer and promotions
4. Training programmes
5. Wage and salary administration
6. Settlement of grievances
7. Improvement of working conditions
8. Setting product standards
9. Improvement of employee productivity through work simplification and methods improvement
10. Optimising utility of personnel. It also helps identify job relationships for smooth functioning

Job analysis ensures '*job relatedness*' of employment procedures, *viz.* recruitment, training, performance appraisal, compensation administration, placement and promotion. Job descriptions and specifications are used in advertisements issued and as guidelines in interviews, to ensure right selections. Written tests are designed on the basis of requirements brought out in job study judge, the suitability of an aspirant.

Job analysis is useful in formulating training modules. Training content is devised on the basis of 'needs assessment' done through job analysis. Duration of a training programme and choice of methodology are also devised, as per requirements articulated in job analysis (whether group or individualised, generalised or specialised); treating each level or sub group or individual (depending on the organisation) as a specific case in view.

Job analysis is used for 'measuring' the effectiveness of training programmes by evaluating tangible outcome by a comparison of *pre* and *post* training situations. This is particularly relevant to judge the cost effectiveness (in the sense of cost-benefit analysis or CBA) of a training programme and time investment on a module against output or benefit procured, specific requirements, such as determining equipment to be used to deliver training (as per requirements specified in job analysis), developing suitable methodology (formal, on-the-job, lectures, T-group, simulation depending on the particular case).

For better understanding of the concept, it would be in order to clarify important *related terms*:

*Job analysis* is usually the term used for the complete set of duties that a person performs on the job, whereas *task* and *skills analysis* are subsets of the complete job.

*A job* is a collection of tasks, duties, responsibilities, which as a whole form the established assignment to an individual employee at a specific position.

*Job description* is a formal, *written explanation* of a specific job, usually including the job title, tasks, relationship with other jobs, physical and mental skills required, duties, responsibilities, and working conditions; a part of the job evaluation process wherein a

review of the nature of work occurs in relation to other jobs, working conditions, the degree of responsibility required, etc.

*Job evaluation* is most often used to arrive at a rational *system of wage* differentials between jobs or classes of jobs. A system wherein a hierarchy of jobs is created based on such factors as skill level, responsibility, experience level, time and effort expended, etc.

*Job specification* includes stipulation of desired behaviour attributes at a job *viz.* skills requirement, knowledge of the job, behavioural and mental attributes required on a job. Hence job specification is a *description of the qualifications necessary* for a job, in terms of education, experience, and personal and physical characteristics.

*Job classification* is *cataloguing of job* based on an analysis of each job's requirements. It is achieved through information garnered through the job analysis process. {Yoder, 1969}

Job Evaluation has been discussed I detail in Unit 7 of the course. Job Description and Specification have been discussed later in the text.

#### **4.1.3 Aspects of Job Analysis**

Aspects of job analysis are brought out as follows:

It is detailed, specific and exhaustive job study in that the 'whole' (job) is broken down into constituent factors, (components, and aspects) down to minute details (as per the level of specificity desired in each case).

It entails analysing *the job and not the person* employed. It describes work processes in detail, as *per scientific management precepts*, *viz.* physical demands at work, (kneeling, crawling), physical conditions of work *viz.* lighting, ventilation, automation, etc., as also human relations and behavioural, addressing the important area of social work conditions and human behaviour at work.

Job analysis establishes the structural-functional delineation of an organisation *as per the classical paradigm of administrative theory*. It *puts a position into context* highlighting broad responsibilities, defining roles, delineating scope, authority and responsibility at each level, specifying critical tasks involved, identifying result areas, establishing reporting relationships, stating behavioural requirements and formal/informal stipulations of team work, communication, coordination, supervision etc. It can, therefore, be described as a formal tool for making organisational processes dynamic.

Job analysis answers the important utilitarian call of optimising organisational efficiency through maximising individual capabilities, as per the systems paradigm of organisational theory. Organisational performance is optimised by matching personnel capabilities to requirements at each level, appraising performance as per specific requirements, specific training through needs assessment, recruitment policy as per information collected by job description and specification (from job analysis).

As per the situational or contingency perspective, changes in policy are brought about in response to changing requirements, which can be readily incorporated through revisions in job design. Changes are also accounted for economically, through cost accounting and also with respect to procedural reform (Organisation and Methods, O&M).

#### **4.1.4 Methods to Obtain Data for Job Analysis**

There are seven methods to obtain data. They are:

##### **I. Interview and Questionnaire**

*Interview* is understood as a two-person conversation initiated by the interviewer for obtaining information on the subject matter, focused on content specified by the research objectives of systematic description, predication or explanation. (Moser and Kalton, 1961)

Interview may be of two types: *formal* and *informal*. Formal interviewing is one in which set questions are asked and answers recorded in a standardised form. Conversely, informal interview is not charted. It is more in the nature of an informal conversation. Interviews could be incumbent interviews or supervisor interviews.

The success of *survey* depends upon the questionnaire. Questionnaire design is of prime significance for any survey based research programme. Care has to be taken in formulating questions, wording subject matter, sequence, format, etc. It is important to avoid vague, ambiguous, or presumptuous questions. Questions are either '*pre-coded*' or '*open*'. In case of pre-coded questions, the respondent is given a limited number of answers from which to choose his response and questions are put in the appropriate code category. In open questions, the respondent is left free to decide on the format of his answer, its form, detail, length etc.

Structured questionnaires are used to gather work related information from incumbents, which may not ordinarily be, covered in job analysis tool kits of professionals employed for the exercise. Responses help cover minutest details of a job.

Open-ended questionnaires: Such questionnaires give incumbents freedom to report about the job in the manner they feel facilitated. Responses aid development of job design. Questionnaire can be used by the interviewer personally, or mailed through post or electronic mail. The design of mailed questionnaire should be user friendly so that the respondent is able to handle it without trouble. In a mailed questionnaire, there is no opportunity for the interviewer to explain or supplement arguments by observational data. It has therefore to be a self-sufficient document. Questionnaire should also be tested before being put to use.

##### **II. Observation and Collection of Data**

Observation and collection of data serve the purpose of scientific investigations. As is famously held, science begins with observation and returns to observation for validation. Science is defined as "a systematic and deliberate study through the eye of spontaneous occurrences at the time they occur."

Observation serves the investigator's purpose in the following ways:

- (a) It enables the observer gain insight into the actual phenomenon that can be later tested by other techniques;

- (b) Observation may be used for supplementing data that helps interpret findings obtained by other techniques;
- (c) It may also be used as the primary method of data collection in studies for providing accurate first hand information or testing causal hypotheses;
- (d) Observation is used to perceive significant interrelated factors determining complex social phenomena, culture or behaviour; and;
- (e) It provides clear and authentic picture of a given situation. One does not have to depend too much on people's co-operation as is the case in the interview method.

### **III. Participation**

In this method, the job analyst actually performs the job himself to perceive it first hand. In this way he is able to see what characterises the job under study. This method is fairly suitable for studying simple jobs but in case of complex jobs, advance training of the analyst may be necessary, which may not be practicable. The method can also be time consuming and expensive.

### **IV. Technical Conference**

In this method, information about the job is collected from experts, usually supervisors, and not procured directly from actual job incumbents. One important drawback of this method is that experts at time show poor knowledge of the job since they do not perform it themselves or supervise it only disinterestedly. They might give answers based on past experience or abstract perception.

### **V. Self-recording or Diary**

In this method, the incumbent is asked to record his daily activities, each day, using some type of logbook or diary. The method is useful in systematically collecting information about a job, particularly time spent on various activities during a day. It might be time-consuming and incumbents are heard complaining that they spend more time writing diaries than actually doing the job. This method is particularly useful for studying high-level managerial jobs.

### **VI. The Position Analysis Questionnaire (PAQ)**

It contains a hundred and ninety four (194 by latest count) job elements. The human resource manager rates a job on 194 '*descriptors*' by judging the degree to which each count is present in the job. These counts are grouped into six general categories. PAQ has been thoroughly researched and enables statistical comparison of job elements. PAQ is an extremely practical job analysis method, which enables comparison of specific jobs with other jobs classified in the occupational group (s).

### **VII. Management Position Analysis Questionnaire (MPAQ)**

It is a highly structured questionnaire designed with two hundred and eight items (208, by latest count) used in describing, comparing, classifying and evaluating executive white-collar jobs. The latest version of MPAQ is classified into thirteen parts (Chadha, 2000)

Several other methods are also used separately or in various combinations to aid job analysis exercise. These include:

- Expert panels: Job Analysis experts are hired by organizations for conducting job analysis. Analysis is done on the basis of Critical Incidents of good and poor performance and Job Elements. Job Element is defined as a worker characteristic which influences success in a job, including combination of abilities, skills, knowledge or personal characteristics( Primoff 1975)
- Task Inventories- A task inventory is an exhaustive account of the operations involved in a job. It provides vital information about the skills, knowledge, and abilities required to perform a job. This information is valuable for developing employee selection procedures and training programs, performance appraisal and pay determination. For hiring, it informs the selection committee and applicant of what the job entails. For training purposes, it tells the developer what the job requires. It is also valuable for setting standards in performance appraisals and evaluating jobs to determine the correct pay level. Again, this document may already have been created. Workers are involved in preparation of task inventories.(Job Analysis, Colorado)
- Check Lists: Check- list is used to order tasks sequentially and classified, as logistic support, service delivery, sales etc. Check lists are used to avoid duplication of work across tiers. If duplication is actually taken place, concerned employee can be advanced in the career ladder on the basis of his experience of the added task. A good check list is a result of collaborative effort of the supervisor and the employee. Both workers emerge with a better understanding of the expectations of the job. It also helps in the selection of employees. Candidates can be asked to pick the tasks they are better qualified to perform from the check- list. (Job Analysis, Colorado)

#### **4.1.5 Limitations of Job Analysis**

There are limitations to job analysis. Even in case of organisations with well-established job analysis programme, it is pertinent to remember that job analysis information provides only a snapshot of a particular job. Jobs change over a period of time, due to forces such as technological innovations, organisational restructuring, expansions, diversifications, mergers following changes in customer preferences, need for product-differentiation, etc. A well formulated job analysis programme facilitates organisational change by providing an in-built mechanism for periodically assessing jobs. This reassessment may be done through observations, interviews, or by using a brief questionnaire or a checklist. Unlike performing job analysis from scratch, keeping the programme up to date is a much less expensive and time-consuming effort (Leap and Crino, 1990)

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## **4.2 JOB DESCRIPTION**

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Job descriptions are prepared on the basis of job analysis. Job descriptions, sometimes called position descriptions, are written summaries, usually one or two pages long, of the basic tasks associated with a particular job. They are prepared on the basis of information gathered from job analysis. A model job design includes the title of the job, information about duties, responsibilities, facilities, pay scale etc. Job descriptions usually have a label, called a “job title,” and a section describing the qualifications needed to perform the job. These qualifications are encoded as *job specifications*. (French, 1995)

Job descriptions are well written duty statements which accurately describe *what is being done* on a job. Job description clarifies work functions and reporting relationships, helping employees understand their jobs better and approximate performance to desired levels.

Duty statements focus on primary duties and responsibilities of the position and not incidental duties. Related or similar duties are combined and written as one statement.

Job description includes an employee’s qualifications or performance and even temporary assignments.

Each duty statement is a discreet, identifiable aspect of the work assignment, written precisely, and is outcome-based, allowing for alternate means of performing the duty, changes in technology, preferences of employees and supervisors, accommodations of policy changes, changing nature of duty etc. Employees are also credited for innovations made by them.

### **Purpose of Job Description**

According to Wendell French (1995), a job description is useful for the following processes of personnel administration: -

- Recruiting, interviewing, and selection.
- Orientation and training
- Setting performance standards and / or goal statements
- Designing performance appraisal forms
- Job evaluation
- Clarification and renegotiation of roles
- Career progression ladders

### **Advantages of Job description**

Role specificity and clarity are provided for. As a corollary, role ambiguity is avoided and organisational processes are simplified. Consequently, job descriptions, as a management tool can greatly simplify an organisation's human resource management function. Job

descriptions clarify work content, helping employees understand their work better and employers, institute performance appraisal and development process, maneuver job design for job rotation, enrichment(*vertical loading*), and enlargement(*horizontal loading*) exercises for overall performance improvement and organisational effectiveness.

The focus is on job outcomes, which makes job description a result oriented exercise. It helps lay down what is expected of a job in terms of all logistical, and behavioural (training, supervision) requirements so that they can be secured with proper lead time.

Cost effectiveness and time management at work are the two important considerations in a job description exercise.

Work study and method study are applied on the basis of job descriptions. Core areas for procedural reform can be easily identified and procedural improvements brought about. The effect of procedural innovations, if any, is examined easily. The worker can be rewarded for successful innovations.

Job descriptions aid in maintaining a consistent salary structure. It leads to job evaluation, which is used specifically for compensation administration.

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### **4.3 JOB SPECIFICATION**

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Job specification spells out desired attributes of prospective job incumbents. Job specification is a statement of the physical, mental and temperamental qualities necessary for the performance of a job. This exercise helps us in cataloguing requirements of the job in question in terms of:

- (a) Qualifications required for the job can be general educational qualifications or technical qualifications, or both;
- (b) If the job requires any specific skill, ability or aptitude, the same will have to be determined;
- (c) The degree and extent of job experience required can be laid down;
- (d) Personal and physical attributes desired; and
- (e) Age and domicile requirements.

A typical job description shows three categories: (1) specifying activity (e.g. collecting), (2) object involved (data); and (3) purpose (medical research) for which undertaken. Level of specification of activities into constituent elements differs from case to case according to the requirement.

Two essential requirements of job descriptions are; (1) simple language; and (2) allowance for flexible operations to enable adjustments to changing requirements; for example changing customer preferences, demand and supply situations, new process or management technology, etc.,

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## **4.4 JOB DESIGN**

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Job structuring entails job design which is the process of determining the specific tasks and responsibilities to be carried out by each member of the organisation. It is understood as the fundamental organisational process which evolves out of the complex flow of events that establishes the responsibilities assigned to each member of the organisation, including the physical circumstances in which an employee is expected to carry out these responsibilities. Examples of physical working conditions are temperature, lighting, safety. Hence job design refers to the philosophy with which a firm approaches the organisation of work.

A company can allocate duties and responsibilities consistent with common practice and tradition. However, emphasis on efficiency, standardisation, and simplification might require the services of an *industrial engineer*. An *industrial psychologist*, on the other hand, provides a company insight into how an individual would react to jobs at a psychological level and how they should be modified.

The worker on his part also imparts content to a job. Both the content of a job and the opportunity it affords to influence the content and level of performance, affect a person's motivation and job satisfaction.

The effect of work on the economic health of the company and the psychological health of the employee are equally important. Changes in job design can effectively solve such problems. (Leap & Crino, 1990).

There are two major components of job design. *Job content* is the set of activities to be performed on the job, including the duties, tasks, and job responsibilities to be carried out; the equipment, machines, and tools to be used and required interactions with others. The other major aspect of the responsibility established through job design is the set of *organisational responsibilities* attached to a job, that is, responsibilities relating to the overall organisation such as complying with rules and regulations and work schedules. Examples are filling out time sheets, following safety procedures, and adhering to the established schedule of the workday.

*Job rotation, enrichment and enlargement* processes are carried out, based on information procured from job analysis. Job profile refers to the development of a prioritised set of capabilities or success factors for a particular job or group of jobs. It may include the use of proficiency ratings for each capability.

### **Job Enlargement and Job Enrichment**

Job design grew in importance with the scientific management movement championed by Taylor and Gilbrith. It had positive impact on cost saving but affected human relations adversely. To improve upon the concept, job enrichment, job enlargement and job rotation were introduced in the 1950s to motivate employees. Today, jobs are being designed innovatively to attract and retain good workers. In addition, work teams, autonomous work groups, and the idea of quality circles is being introduced to improve productivity via flexible job design.

It is obvious that the most important condition for achieving better work performance from employees is to give them interesting, worthwhile, and challenging jobs. To prevent

frustration from meaningless, uninteresting and purposeless tasks, fundamental rethinking of both the process and purpose of management are required.

If the additional responsibilities to enhance variety are added *horizontally*, the terminology used is *job enlargement*; if additional responsibilities are added *vertically*, involving delegation and decentralisation the term employed is *job enrichment*.

Job enrichment can be said to have been provided if the work is meaningful, worker has knowledge of work and is entrusted with requisite responsibility through proper delegation and job structuring. Job enlargement entails addition of more tasks to a job. It treats a job as a whole instead of treating each component task as separate. Interconnectedness or integration of work is stressed. Job enrichment is the incorporation of motivational factors, such as opportunity for achievement, recognition, responsibility, and advancement, in a job. The exercise treats the work as whole and not in parts thereby improving efficiency and making the employee *responsible* for the entire job.

*Job rotation* is the movement of employees from one job to another in an effort to relieve the boredom often associated with job specialisation. It also taps employee potential better by offering more opportunities for better task accomplishment.

*Job sharing* is performance of one full-time job by two people on part-time hours. It is useful in case of large and complex processes.

Job rotation plan seeks to maximise the individual's experience by shifting him periodically from one job to another. Individuals selected for such programmes are moved at the end of the stipulated period, say one year, and the particular positions they hold at any given time are viewed as training positions. A less formalised variation of job rotation is also used by many organisations. In promotion and transfer decisions an attempt is made to move individuals in such away as to facilitate development. (Sahni, 1988)

The increase and enhancement of the number of tasks accomplished by the individuals in organisations along the flow of work is job enlargement. It is the lengthening of the time cycle required to complete one unit of operation. Enhancing the quantity of formal tasks allocated to him makes him utilise more of his abilities and capabilities resulting in more satisfaction at his level. A study ahs established that augmented satisfaction is attained by an employee through job enlargement. Researches by Katz and Kahn, Hoppock (1935) Super (1939) and Marks (1954) have revealed that when the work becomes more skilled and complexed through job enlargement and satisfaction of the employees increases James C Worthy (1951)on the basis of his studies covering over 10,000 employees suggests that "...through job enlargement the employees been able to reduce the 'negative' impact of specialisation by decreasing the concentration of employees on lower jobs levels that tends to occur with overspecialisation, by increasing the degree of variety and interest in the work, and by providing the employee with an increased opportunity to participate in larger chunks of the production process thereby increasing the psychological meaning work has for employees.

Job Enrichment has been defined as the process of permitting the individual employee to decide his own working place, but in limits; permitting the employees to serve as their own supervisors by fixing responsibility for quality control to the employees; permitting the employees to repair their own mistakes; permitting lenience in the selection of methods; and permitting them to be responsible for their own machines setting up. (Hulin, Blood,

1968)The number of variables and concepts used to account for the success of various job enrichment efforts; such as, accountability, authority, closure, delegation, efficiency, job challenge, motivation, opportunity for growth, advancement, and self actualisation, participation, presence or absence of anomie, proprietorship, recognition, responsibility etc.

Human Resources Management is understood as, personnel management based on the notion that individual needs, values and abilities have to be balanced with the goals and culture of the organisation. The manager is such a dispensation works as an Integrator, which denotes that part of the work of an operational manager, which involves the managing of human resources, comprising motivating, conciliating, coordinating, coaching, appraising and authorising staff.

### **Significance of Job Enlargement and Enrichment**

Public service modernisation has been a theme running across the whole developed world during the last decade. The modernisation of public HRM is of great importance because governments recognise the link between public sector performance and performance of the overall economy. In private organisations there is a trend towards decentralisation and delegation of powers and collaterally, HRM. It is not easy for public organisations driven by public accountability, consistency and equity concerns to embrace the new public management ethic. Classic bureaucratic model is not conducive to flexible decentralised HRM. This view of a flexible decentralised HRM is based on the experience that public administration faces more and more a need for all round managers instead of the traditionally specialised civil servants (Metcalfe & Richards 1993).

Organisational Design is defined as the way in which work is organised, both horizontally (layers of hierarchy) as well as, vertically (by function, operation or matrix) involving organisational structure and functional delineation. Traditional linear design of organisations is not held conducive to organisational efficiency, as per the modern understanding of HRM. In the knowledge era, tasks cannot be managed efficiently by traditional hierachal task ordering, as could be possible in traditional organisations. There is need for specialisation but at the same time, variety in job design, to make tasks more meaningful and interesting for workers.

The fact that bureaucratic/ pyramidal values still dominate most organisations, according to Argyris, has produced many of our current organisational problems.

According to Argyris (1964), seven changes should take place in the personality of individuals if they are to develop, in time, into mature people

- First, individuals move from a passive state as infants to a state of increasing activity as adults.
- Second, individuals develop from a state of dependency upon others as infants to a state of relative independence as adults.
- Third, individuals behave in only a few ways as infants, but as adults they are capable of behaving in many ways.

- Fourth, individuals have erratic, casual, and shallow interests as infants but develop deeper and stronger interests as adults.
- Fifth, the time perspective of children is very short, involving only the present, but as they mature, their time perspective increases to include the past and the future.
- Sixth, individuals as infants are subordinate to everyone, but they move to equal or superior positions with others as adults.
- Seventh, as children, individuals lack an awareness of a "self," but as adults they are not only aware of, but they are able to control "self."

Argyris postulates that these changes reside on a continuum and that the "healthy" personality develops along the continuum from "immaturity" to "maturity." The figure below (Accel Team, 2005) is illustrative of it.

### **IMMATURITY- MATURITY CONTINUUM**

<b>Immaturity</b>	<b>Maturity</b>
Passive →	Active
Dependence →	Independence
Behave in few ways →	Capable of behaving in many ways
Erratic Shallow Interests →	Deeper and Stronger Interests
Short Time Perspective →	Long Term Perspective
Subordinate Position →	Equal or Super ordinate Position
Lack of Awareness of Self →	Awareness and Control Over Self

Organisation design and job design impact upon the self- perception of workers and organisational behaviour at large. Stifling bureaucratic /pyramidal work environment inhibits employee self -development and jeopardises long- term organisational growth. Maturation of a personality proceeds in seven successive steps, which represent stages of maturation

### **Design of the Formal Organisation**

As per the classical approach, particularly, scientific management precepts, organizational and job design is based on the following four considerations.

- Task specialisation,
- Chain of command,
- Unity of direction, and

- Span of control.

Behaviour, accordingly, is tailored as per organisational structuring, in such a way that *power* and *authority* rest in the hands of a few at the top of the organisation, and those at the lower end of the chain of command behave in conformity with regulations/directives from the top.

This implies directive, task- oriented leadership, where decisions about the work are made by the superior, and workers only carry out these decisions. This type of leadership evokes managerial controls such as budgets, some incentive systems, time and motion studies, and standard operating procedures, which can restrict the initiative and creativity of workers. Steve Margetts (2005) tabulates the difference of approach between bureaucratic/pyramidal and humanistic-democratic systems of organisation and leadership as follows:

<i>Bureaucratic / Pyramidal</i>	<i>Humanistic / Democratic</i>
Important human relationships-the crucial ones-are those related to achieving the organisation's objectives, i.e., getting the job done.	The important human relationships are not only those related to achieving the organisation's objectives but those related to maintaining the organisation's internal system and adapting to the environment as well.
Effectiveness in human relationship increases as behavior becomes more rational, logical, and clearly communicated; but effectiveness decreases as behavior becomes more emotional	Human relationships increase in effectiveness as all the relevant behavior (rational and interpersonal) becomes conscious, discussible, and controllable
Human Relationships are most carefully motivated by carefully defined authority and control as well as appropriate rewards and penalties that emphasise rational behavior and achievement of the objective.	In addition to direction, controls, and rewards and penalties, human relationships are most effectively influenced through authentic relationships, internal commitment, psychological success, and the process of confirmation.

The systems approach to design of organisations regards organisations as groups of inter-relating elements that require co-ordination and information to turn a wide range of inputs into a variety of outputs. This approach acknowledges the dynamic nature of business and recognises that static organisational structures are at times wholly inadequate for decision-making. Example of such approach is the matrix structure, which involves compromising on the principle of unity of command and stresses on teamwork, rather than linearly ordered superior subordinate relationship.

Job design and work organisation is the specification of the contents, method and relationships of jobs to satisfy *technological* and *organisational* requirements, as well as the personal needs of jobholders.

Taylor's framework for organisation was:

- Clear delineation of authority
- Responsibility
- Separation of planning from operations
- Incentive schemes for workers
- Management by exception
- Task specialisation

Taylor's developed a concept of work design, work-measurement, production control and other functions that impacted organisation design in major way. Before scientific management, such departments as work- study, personnel, maintenance and quality control did not exist. What was more his methods proved to be very successful.

The negative impact of the classical approach was seen in the 1970's in;

- The loss of productive effort due to industrial action and absenteeism
- Increased demands for employee participation and industrial democracy and imposition of employment legislation, which appeared to make the task of controlling the workforce more difficult. (Accel Team, 2005)

In the 1980's, major changes took place in the workplace. Consequently,

- Recession, with attendant retrenchments;
- Increased competition;
- Recognition of the need to introduce new technology, and;
- Shift in relative costs away from the worker to the machine. The challenge, now and in the future for managers, is the optimum design of jobs and work organisation to meet unsteady circumstances, brought on in the workplace by changes in human resource development technique with emphasis on job design and work organisation. The 4Ps, namely, purpose, process, persons and place are the basis of work division in organisations. The application of the principles needs to be more flexible, in matrix form of organisation design (networked organisations) where structuring is changed as per changing requirements. (Accel Team, 2005)

According to Flippo, 1984, job autonomy can be secured if the following are ensured:

- (1) Setting one's own work schedule and allowing work breaks;
- (2) Varying work place;
- (3) Alternating duties with others;
- (4) Making crisis decisions in problem situations rather than relying on the boss; and

(5) Making one's own quality checks, etc.

Koontz and O' Donnell (1972) have suggested the following measures to ensure job enrichment:

- (a) Giving workers more latitude in decisions regarding work methods, sequence, and pace, accepting or rejecting materials etc.;
- (b) Encouraging participation of subordinates in decision making and interaction between workers;
- (c) Giving workers a feeling of personal responsibility for their tasks;
- (d) Taking steps to make sure that people can see how their tasks contribute to a finished product and the welfare of the enterprise;
- (e) Giving people feedback on their job performance, preferably, before their supervisors get it; and;
- (f) Involving workers in analysis and change of physical aspects of the work environment such as layout of office or plan, temperature, lighting and cleanliness.

### **Positive Reinforcement**

Positive Reinforcement means channelising the energies of the employees in a desired direction through extrinsic and intrinsic reinforcements. Harvard psychologist, B.F. Skinner, successfully applied this technique. Job satisfaction may or may not be tied to happiness. But we know we are doing something right if we can alter conditions at job in order that employees stay on and work productively.

It is based upon the principle that employees are not motivated simply by changing external conditions; for example, pay, hours of work, etc. Employees develop lasting motivation only through positive perception of work content and work environment. This demands, at times, restructuring of job or job redesign to make the job interesting and challenging enough for the employees concerned.

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### **4.5 CONCLUSION**

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Work specialisation has considerably increased in recent years. Consequently, scientific understanding of jobs and their effective coordination is essential for procedural efficiency. It is also important to secure personnel with needed specialisations for each level. As a corollary, people need to be matched up with jobs to ensure optimum organisational performance. Job analysis is needed to promote organisational efficiency by promoting specialisation and keeping possible disadvantages of breaking work into components at bay.

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### **4.6 KEY CONCEPTS**

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<b>Job Analysis:</b>	Job analysis entails detailed study of a job with a view to writing detailed position descriptions with respect to different positions. Information procured issued is used in interviews and devising written selection tests, internal placements, as per requirements of a job and performance appraisal of employees. Research techniques are used for job analysis.
<b>Job Description:</b>	Job description are prepared based on the information gathered in job analysis. Job descriptions entail written specifications of the nature of job, duties and qualifications required. Information is issued in job advertisements; application forms are devised based on the requirements specified therein.
<b>Job Specification:</b>	Job specification also emerges out of a job analysis. Job Specification lists the behaviour stipulations and accordingly, specifications, with respect to a job. In other words character traits expected of prospective incumbents are listed as job specifications.

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## **4.8. ACTIVITIES**

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1. Discuss various applications of job analysis by quoting illustrations from nearby organisations.
2. Do you feel the job analysis is an imperative organisational function? If yes, substantiate your answer with examples.
3. Write short notes on:
  - a. Job enlargement
  - b. Job enrichment
  - c. Job design

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## **UNIT-5 RECRUITMENT, SELECTION, APPOINTMENT AND PROMOTION**

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### **Structure**

- 5.0 Learning Outcome
- 5.1 Introduction
- 5.2 Essentials of Recruitment
- 5.3 Steps in Recruitment
- 5.4 Civil Service Recruitment in India
- 5.5 Recruiting Agency in India
- 5.6 Idea of Promotion
- 5.7 Features of Promotion in Selected Countries
- 5.8 Methods to Ascertain Merit
- 5.9 Conclusion
- 5.10 Key Concepts
- 5.11 References and Further Reading
- 5.12 Activities

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### **5.0 LEARNING OUTCOME**

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After studying the Unit, you will be able to:

- Understand the theory and practice of recruitment, particularly highlighting its significance in civil service;
- Highlight the methods and procedures of recruitment;
- Appreciate the theory and practice of promotion;
- Analyse constitutional provisions with regard to recruitment and promotion in India; and
- Understand the main methods to ascertain merit.

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### **5.1 INTRODUCTION**

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Human capital utilisation in an economy is contingent on sound recruitment. Recruitment is “the cornerstone” of the entire personnel structure. Proper selection and placement of new employees is a pre-requisite for the development of an effective work force. “Unless recruitment policy is soundly conceived, there can be little hope of building a first rate staff”. (Stahl, 1966) The aim is to ensure, as far as possible, that employees are engaged in jobs wherein they have a fair chance of succeeding and at the same time feel well adjusted to their work environment.

Fairness and impartiality in recruitment are absolutely vital in public services. A.B. Vajpayee, former prime minister of India, in a message to the platinum jubilee souvenir (1926-2001) of Union Public Service Commission, observed, that free, fair and impartial selection of personnel for posts in the government is critical, not only for good governance but also for instilling confidence in people about the impartiality and neutrality of civil service. Faulty recruitment inflicts a permanent weakness on the administration. A theoretically sound civil service structure is of no avail if those who man the structure are incompetent or apathetic.

In this context, one of the United Nation's Reports rightly states that, "the core design of progressive recruitment policy in any organisation is the reduction, if not the elimination of favouritism, nepotism and incompetence in the selection process."

Since the efficiency of the civil services depends to such a great extent on the quality of manpower selected, the UPSC has taken meticulous care to ensure selection of persons with high caliber through a transparent, fair and objective selection process. The systems, procedures and methods for recruitment to the civil service are being constantly reviewed for tapping the 'best available' talent. There is a firm recognition of the fact that the quality of public services in India and the quality of administration on the whole remains high and has been maintained solely because the commission has so steadfastly adhered to the principle of merit. (UPSC; 47th report)

The need for fool-proof civil service recruitment is stressed for many reasons. The institution is the bed rock of '*modernity*' in that it coalesces together separate entities (owing to poly communalism) into the facsimile of a nation-state. Its effective functioning, in turn, is contingent on the quality of manpower. Efficient functioning of the civil service has positive spin-off effects on other sectors especially in predominantly '*political economy*' countries like India, where government retains monopoly over goods and services provision in the majority of sectors and continues to play a vanguard role in the development of the economy.

Other personnel processes such as training, placement, promotion, etc., are dependent on sound recruitment for built-in efficacy. Training cannot make up for faulty recruitment; as also on-the-job training requires sound recruitment to be effective.

Manpower planning is practiced through the recruitment process (it has been discussed at length in Unit No. 3). Overstaffing and imbalance through tiers has reportedly plagued the functioning of the Indian civil service in recent years. Fiscal deficit has consequently burgeoned and efficiency standards fallen. Empirical analysis of recruitment data reveals manpower requirements over a time frame in specified sectors in the civil service and career planning and development followed by the organisation, on which, depends, the *targeted* character of the recruitment policy of the organisation and the country as a whole, and most importantly, organisational health.

Study of recruitment trends overtime reveals placement preferences of youth in the country. Analysis of personnel inventory depicts the socio-economic composition of the workforce with implications for academic disciplines and practical sciences of *sociology* and *economics* as well as the *art* and *science* of public administration. Data collected serves as 'rational' bases for objective theory formulation, heuristic model building, and proffering policy inputs or recommendations based on objective research based, 'rational' criterion, trends in demographic composition of the civil service; for example, age structure, socio economic preferences of youth concerning employment in the government sector, need for consequent modifications in work content via enlargement, enrichment, change in working conditions, etc; change preferences in accordance with ideological preferences or orientation of the ruling elite are revealed.

Civil service recruitment policy is an indicator of the value system prevalent in the country, for example, whether driven by ‘*equity*’ concerns or powered by the ‘*efficiency myth*.’ It gets revealed by pursuance or otherwise of, or the extent of ‘*affirmative action*’ if at all pursued in favour of disadvantaged groups viz. minorities, women, economically backward etc.

The *equity objective* is being served via the recruitment process. India for example is committed to the cause of social and economic justice ensured through the constitutional provision of ‘equality of opportunity’. Disadvantaged sections of society are provided job reservations as ‘*equality*’ is interpreted as a virtue inhering between people placed in ‘*like circumstances*’ and not as subsisting been ‘unequally’ circumstanced people. Historically marginalised people have not been on an equal footing with their more privileged brethren. Equality does not therefore, obtain between people disadvantageously positioned.

In the same vein, organisational culture and philosophy and ‘environmental’ values co-opted in internal policy of an organisation also get revealed in the recruitment literature. Degree of autonomy enjoyed by organisations and the functioning of democracy are indicated by recruitment policies of independent organisations.

*Lastly*, but no less significantly, recruitment involves continuous review and improvement of the examination process on the basis of facts gathered through research and development regarding implementation, relevance of the process in changing times and need for review of the process. Evaluation and feedback lead to better ‘*craft*’ or articulation of policy inputs. The reform exercise might be important from the point of view of morale of prospective employees, quality of selections, considerations of justice and equity in the selection process, besides organisation design and sociological theory implications.

Above enumeration is by no means exhaustive; new facets continue to emerge as understanding of personnel processes deepens.

Two terms need elaboration viz. *recruitment* and *appointment*, in that they require discrete usage though are often used interchangeably. ‘*Recruitment*’ covers the entire gamut of activities relating to entertainment, acceptance, selection and approval for appointment and *not the actual* appointment itself or posting in-service. *Appointment* refers to the actual posting assigned to a person, post-selection, to a particular office. The first instance of a sound recruitment policy comes from China where people were recruited through competitions centuries ago. Prussia was the first country in modern times to adopt an objective recruitment system. The merit system was introduced by the East India Company in 1853 for recruitment of civil servants in India. England accepted this system in 1857. In the U.S.A., it was the spoils system at work. The system came to a partial end after the assassination of President Garfield in 1881 by a disgruntled job-seeker.

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## 5.2 ESSENTIALS OF RECRUITMENT

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Notable essentials of recruitment are;

1. All personnel process, viz. recruitment, training, career planning and development, performance appraisal, etc., are inter-linked and should be appreciated in totality; not piecemeal, for overall improvement of organisational

practice. As a prerequisite to sound personnel management, planning and development of recruitment policies and procedures should be in consonance with national personnel policy and the broad organisational, state and nation-wide, socio-economic goals involving '*authoritative allocation of values*' on the part of the ruling elite. In this context, dilemma concerning 'liberty' and 'equality' postulates may not always be easily resolvable. The reference here is to equity requirements vs. merit considerations in public employment.

2. The recruitment process should be linked with the organisation-wide manpower or human resource plan for purposes of economy and ready availability of personnel with attendant implications for organisational efficiency. The progression of the process of manpower planning is from *micro* to *macro*, envisioned as a series of concentric circles moving outwards.
3. The net for recruitment should be cast wide to reach out widest in pursuance of 'the best available' talent, to the extent practicable.
4. Management should encourage staff participation in formulation and implementation of recruitment plans to make them *real*.
5. The recruitment process should be carefully planned, organised, directed and controlled. POSDCoRB delineates specific administrative activities as it does the whole (at successive macro levels), organisational, or at the level of the state.
6. Recruitment should employ fair and impartial criteria to build the confidence of the people, particularly prospective employees. Legal aspect should also be taken care of. Both organisational and individual interests should be addressed through *responsive* and *benevolent* policy.
7. Minimum time and money cost should be incurred. For example, methods and procedures which aid quick disposal of applications should be used. All methods employed should ensure economy apart from efficiency as also clarity with regard to objectives of the effort or practice.
8. Recruitment agencies should show positive interest in incorporating theoretical postulates delineated as *ideal*. Academic and practical worlds should conjoin effectively.

### Sources of Recruitment

There are two sources of recruitment; inside and outside source. The first method entails promotion and the second, *recruitment*, in the literal sense of the term. These two methods are not mutually exclusive and all governments take recourse to either or both at the same time, to meet personnel requirements. Indeed, the best solution to the problem is in a happy combination of the two approaches in the light of *administrative requirements*, *past experience*, *academic deliberation* and *value impingement* from the environment (specifically government directives)

### Advantages of Direct Recruitment

- (1) Direct recruitment is in accord with democratic stipulates as it affords '*equal opportunity*' to all prospective employees.
- (2) It widens the ambit of selection and makes it possible to tap a wider market for supply of desired human resource.

- (3) Redundancy in an organisation is checked. Direct recruits infuse new blood into the system by their fresh perspective, new ideas and approaches. In the same vein, public services are kept in tune with the changing socio-economic environment in the country through continuous supply of fresh graduates. Reform comes by easily and change is not resisted, as is otherwise apprehended (arguable though; referring to the hypothesis that bureaucracy is by its very nature, change resistant)
- (4) Technical updating of personnel is imperative, specifically in case of 'process' organisations where latest technical know-how is imminent. Young men supply it easily. Training cost may be lowered in such cases;
- (5) Direct recruitment motivates employees already working for the organisation to keep themselves up-to-date with the new and the latest information, lest they lose in the run for higher posts to outside players. It is therefore conducive to maintaining as also augmenting efficiency standards.

### **Disadvantage of Direct Recruitment**

- (1) Direct recruits lack experience and practical know-how. Prolonged and intensive training might be required to cover the '*competence-lag*', which entails cost. This argument may, however, be contested on the ground that '*competence lag*' is found among all employees irrespective of source; new recruits may not be singled out for treatment. Besides, adaptability may be a personal, individualised attribute. Nevertheless, a commonplace argument is put forward that inexperience proves a costly disadvantage since organisations vie for competitive edge in the market place.
- (2) Recruitment from outside source kills the initiative of internal candidates. They feel discouraged which impedes organisational morale with attendant impact on morale and work efficiency.
- (3) Direct recruitment places young people over old; inexperienced over experienced. This might not be good for development of positive '*social capital*' with its organisational culture implications (articulate in the working of the informal organisation) with attendant impact on organisational solidarity, and *esprit-de-corps*.
- (4) Older people cannot compete successfully with young entrants as they get out of touch with studies. Older people also cannot "mug up" easily which may be required for success in examinations.

The question arises as to which of the two methods should be adopted for recruitment to public service? It may be said that neither of these methods can be preferred to the total exclusion of the other; a mix of approaches may be recommended as sound organisational strategy; practice endorses the viewpoint.

Both these methods are followed in practice. In India, there is direct recruitment for the All India services (I.A.S.) and other central services but a certain proportion of posts are reserved for recruitment by promotion (from inside source). The proportion of indirect recruitment varies from service to service, class to class, department to department. Civil servants are not only recruited through open competitive examination, but certain officials from the state governments also get promoted. There are differing opinions, however, on the practice. There is a feeling that promotions from state services dilute the quality of all India services personnel. Besides, the whole idea of all India civil services gets lost when other state officers are promoted to civil services and work in the state itself. It should be made mandatory for the officers who are promoted to civil service to

serve in other states to maintain the ethos of All India Civil Services (Misra, 2005). The fifth pay commission made the following recommendations to ameliorate the situation.

- When state officers are promoted to the AIS, 50% of them should be allotted to contiguous states of the same region and the balance 50% should be allotted to their own state.
- All AIS officers should be compelled to do at least one stint of deputation with the center during the first 15 years of their service.
- The Central Government should have the authority to change the state of allotment for any officer, if there is evidence to show that he has developed a close nexus with either the politicians or other elements in a state.

In the U.S.A., direct recruitment for higher posts is more limited in comparison to Britain and India, since there is more recourse to promotion from ‘below’ for higher echelons.

### Evaluating the Practice

It is contended that extensive direct recruitment at higher levels may be a poor reflection on the ability and talent available ‘within.’ It also undermines the career idea. On the other hand, complete absence of direct recruitment for the positions might reflect poorly on organisational practice since it might signal ‘complacency’ on the part of the organisation with impacts on ‘organisational effectiveness.’

Balance between the ‘Closed’ and ‘Open’ system model theories with respect to organisation theory, instead of one or the other extreme might be a more practicable idea. Compatibility between ‘closed’ and ‘open’ model perspectives of organisation theory might be significant for both academic learning via heuristic analysis (model building). There is an urgent need to arrive at a compatibility of the two approaches to organisational structuring. Practice indicates that one method cannot be preferred absolutely to the other.

The various methods of Recruitment followed in India as illustrated in the fifth pay commission report are as follows:

- Promotion
- Direct Recruitment
- Deputation
- Transfer
- Reemployment
- Short Term Contract

Contract employment is prevalent in a limited measure in government departments. Consultants can be appointed to the tune of 19% of the total strength with relaxations in case of the Planning Commission. Lateral entry and contract service have been in consideration of late and have also been recommended by the fifth pay commission in view of increasing specialisation of work and the need for networking knowledge.

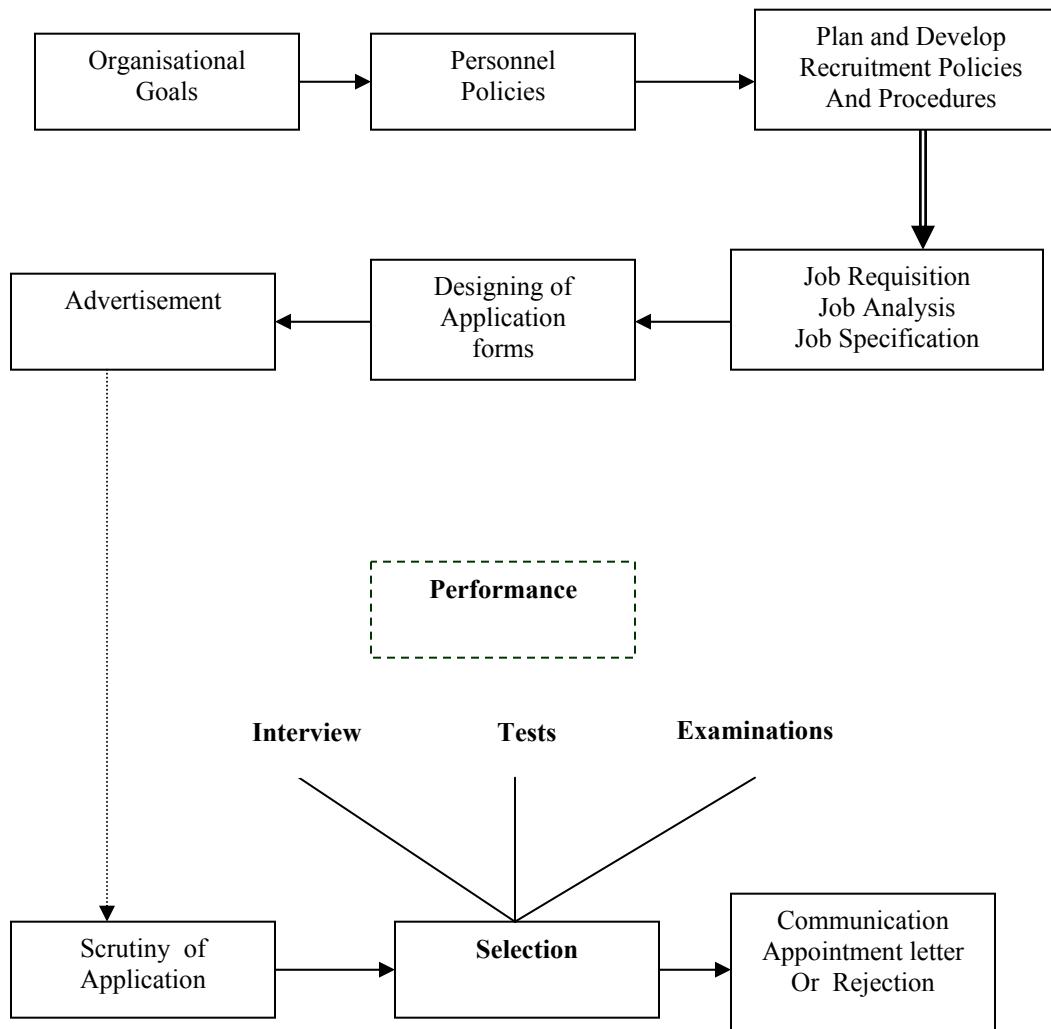
## Legal Position

Legally, the source of recruitment with respect to any post is entirely a matter of discretion with the government. An authority competent to recruit can also lay down policy with regard to the number of posts to be filled by direct recruitment and by promotions, and, if the authority decides that a post should be filled by direct recruitment, persons eligible for promotion cannot claim any priority.

In the absence of any statutory rules governing appointments to any state service, the appropriate state may recruit members to that service in any manner it likes, in exercise of its executive powers under Article 162 of the Indian constitution, provided the guarantee contained in Articles 14 and 16 of the constitution are not infringed. So long as the action of the government does not violate any fundamental or statutory rights of the persons concerned, mere absence of a statute or a rule justifying a particular manner of appointment will not invalidate it. If, however, there is in existence any valid law or statutory rule relating to appointment, the executive is bound to abide by the relevant law or rule and has no jurisdiction to ignore, out step or violate the same under the guise of executive powers. (*Roshan Lal Sharma vs. Union of India, 1968, Punj 47*)

## 5.3 STEPS IN RECRUITMENT

Recruitment Process is diagrammatically illustrated as follows:



Recruitment process consists of the following steps:



### a. Job Requisition

The first essential step is *job requisition*, which gives the recruiting agency information regarding each job. This is done through '*job analysis*' and '*job specification*'. *Job analysis* is the study of all facts relating to a job and its work environment; physical and social which potentially impacts performance. *Job specification* is a statement of the physical, mental and temperamental qualities desirable for accomplishing a job. (These have been discussed in Unit No. 4 in detail) This exercise helps in categorising the requirements of a job, detailing facts regarding:

- (a) Qualifications required of the job; general educational qualifications and technical, whichever specified;
- (b) Specific skill, ability or aptitude (if) required has to be determined and laid down to help choose the right selection test;
- (c) Previous job experience if required to put premium on continuity;
- (d) Personal and physical attributes desired; and;
- (e) Age and domicile requirements if any.

Based upon these facts, the head of the organisation submits to the recruiting agency, requisition for the staff required.

### b. Designing Application Forms

Application forms may be designed to procure the required information from applicants, *as per* job descriptions and specifications. A well designed application form is a prerequisite for the success of the recruitment process. If employees send applications on plain sheets of paper, all facts may not be procured making some kind of alternate arrangement such as correspondence with candidates necessary to get additional information. A well designed application form obviates the need for contingent measures. Hence application design is about both fact and value. The two are intermixed in real life situations.

Sole or over-reliance on applications, however, could be counter productive in many ways and management has to guard against its excessive use. Form design can potentially disadvantage people who may not meet formal criterion but might otherwise have excellent work skills. Management has to ensure short listing of such candidates who might not even, otherwise, make it to the interview (HR Guide, 2005).

Some Other Important Guidelines are noted thus:

While including minimum educational qualifications or specific work experience as key criteria, consider whether these are *really essential* to the position. Essential and optional requirements may ideally be separately catalogued. Economical use of paper is also important.

Significantly, applications contain value input from the environment. Hence they reflect organisational philosophy and value impingement from the ruling elite (particularly government in power). For example, employment of disabled people or women under quota policy, or labour contract laws might be put as a statutory requirement if stipulation to that effect is made by the government. Job descriptions and specifications are being used in developed nations like U.K to afford equal opportunity in employment to disabled candidates. The extent to which an advertisement includes or excludes disabled people depends on the job description and specification listed therein. Physical, educational and behavioural requirements could be so laid down as to enable or prohibit disabled applicants from applying. Careful drafting can help integrate them in the mainstream by opening up to the extent possible, regular sectors of employment. Compliance with government policy and enforcement of corporate social responsibility is also secured through advertisements.

Standard application forms might militate against diversity and pluralism of/ about the workforce. Letter of the form, and categories under which information is asked for, should be formulated carefully. In-built flexibility is therefore, needed and organisational culture and human relations implications also need to be considered.

Application and advertisements are tools to achieve the needed balance between organisational and individual goals and thus ‘organisational equilibrium’. The advertisement should highlight the salient points of the job and lay down the requirements of the job clearly. Applicants should be able to look at organisational goals and match them with their personal goals.

### c. Advertisement

The recruiting agency notifies vacancies to identified sources through well-articulated advertisements. Care should be taken in drafting advertisements as well, as there are legal implications inherent. Advertisement is an attempt to secure best talents for the post and fulfill constitutional requirements of giving equal opportunity to all eligible candidates. Advertising does not imply an obligation that the post will be filled (*Daya Ram vs. State of Haryana AIR, 1974 P&H 279*)

The cost factor has to be especially considered in issuing advertisements and in the process of sifting applications and communicating thereafter. It should both be speedy as well as cost efficient. The information communication revolution has altered the scenario considerably in the present day times. Paper work has been minimised considerably, especially in developed countries. Online submission of applications is very much in vogue.

### Modes of Inviting Applications

There are many ways in which vacancies can be announced to interested people. The most commonly employed are;

- (i) Newspapers,
- (ii) Trade or professional journals,
- (iii) Notice boards in field offices
- (iv) Employment exchange

- (v) Employment job centers,
- (vi) Department of social welfare (in vacancies reserved for scheduled castes and tribes backward classes, etc.),
- (vii) Directorate general of re-settlement, ministry of defense, in respect of vacancies reserved for ex-servicemen.

### **Technique of Advertising**

The best techniques for writing effective job advertisements are the same as for other forms of marketing. (Chapman, 2001-04) The aim of the job advert is to attract interest, communicate quickly and clearly the essential (appealing and relevant) points, and to provide a clear response process and mechanism. Design should concentrate on the clarity of text, text layout, and on conveying a professional image. Information must be communicated effectively one way or another to the target group.

- Advertisement should have simple formatting. It should not be over designed or too graphic. Care should be taken to ensure that the job advertisement is easy to read and includes all relevant categories of information. Also, information should be asked for in a logical order in all job advertisements.

As with application design, language used in advertisements should be simple, comprehensible, and clear; all required information should be made available, which is consistent, timely and adequate, free of bias or ambiguity on any count or fraught with legal complications. All required and relevant information should be supplied to the applicant and also elicited as per organisational requirements.

Evaluation is necessary. It is necessary to monitor the extent to which job advertisement attracts a wide range of candidates. If there are too few candidates for a particular post or too many who do not possess relevant skills or experience there might be need to review the advertisements (Chapman, 2001-04). R&D activity in the organisation is stressed here.

### **d. Scrutiny of Applications**

The next stage is scrutiny of applications. The purpose of scrutiny is to sift out less desirable candidates. Scrutiny of eligible candidates can ensure if information required of a candidate is complete and whether he fulfils all requisite criteria of eligibility apart from meeting essential minimum prescribed qualifications. If scrutiny indicates that the number of applicants is large, some criteria may be designed to keep the number of candidates to a manageable proportion. Sometimes there are rules which require that number of applicants to be examined may be four times of all applicants. The appointing authority is not barred from adopting a ‘rational procedure’ for short-listing the eligible candidates. This can be done either through the written examination or interview or by fixing some other rational criteria. The balance of power is unmistakably tilted towards the organisation in this case. If a candidate is not called he cannot therefore have any grievance of hostile discrimination. (Jayant Kumar Chauhan vs. PSC MP 1979 Lab 10(NOC), 17, MP (HC) .Time taken for scrutiny is also not prescribed in most cases resulting in considerable, often too much discretion, with the management.

#### **e. Selection**

The recruiting agency arranges an examination or interview or both, to select the suitable candidate(s). After selection, a list of selected candidates is prepared in the order of merit and published. The list generally contains more names than the actual number of vacancies as sometimes some candidates may not join for some reason. The appointing authorities cannot depart from rankings given in the test. The list generally remains valid for a period ranging from six months to one year depending upon the rules of the organisation concerned. So long as the selection list is in operation, the appointment is to be made from this list. However, there is no guarantee to appoint candidates from the selection list only. Rules are often framed to minimise legal interface with employees (present and prospective). Undoubtedly, this is an important emerging branch of human resource management.

#### **f. Communication**

The suitable candidates selected are informed while unsuccessful candidates may or may not be informed. The information given to selected candidates must not be ambiguous. Terms and conditions governing appointment should be clearly spelt out.

Letter of appointment is issued after selection. It is a communication to the employee that she/he has been selected for the job. The appointment letter, depending on the rules of the organisation, is subject to police report and medical examination. The same should be drafted carefully as conditions of service of an employee are governed by the communication in the appointment letter or service rules specified therein. Many legal complications can be avoided if appointment letters are drafted and issued carefully.

#### **g. Placement**

The progress of the new employee is observed during the probation period and followed by confirmation of service of the employee, if found fit. According to Flippo, (1976) the success in the function of recruitment can be judged by a number of criteria: (1) the number of applicants; (2) the number of offers made; (3) the number of hiring; and (4) the number of successful placements. (Flippo, 1976)

### **Appointment in Civil Service**

At the outset, it may be desirable to clarify that the word ‘public service’ includes both civil and military personnel. Article 311 of the Constitution of India does not include defence personnel as they do not hold civil posts. (Hidaytullah, 1986)

### **Permanent or Temporary Posts**

“With respect to government employment, the word ‘post’ means a position in service. *Permanent post* means a post carrying a definite rate of pay sanctioned without the limit of time. Appointment to a permanent post may be *substantive*, or on an *officiating* or *ad-hoc* basis. A substantive appointment to a permanent post confers *lien* on the appointee. *Lien* means title to hold a post substantively.

*Temporary post* is a post created for a certain period without intending it to be permanent.

An appointment to a permanent post *on probation* means that the servant is taken on trial. Confirmation is usually granted after that period unless the servant so appointed on trial is found unsuitable and his service is terminated by a notice. *Ad hoc* appointment is a “stop gap, fortuitous or purely temporary arrangement” without considering all eligible persons for the post. Ad hoc employees have no right to the post. Period of ad hoc appointment is not to exceed six months, though there have been instances of it having stretched up to nine years. (*ibid*)

### **Quasi permanent service**

“Under rule 3 of the central civil service (temporary service rules, 1949), a person who having been appointed temporarily to a post has been in continuous service for more than three years or has been certified by the appointing authority as fit for employment in a quasi permanent capacity, such person is to be deemed to be in quasi permanent service. He then gets a right to the post though he has no lien and cannot claim permanency.

Unless the employee acquires the status of a quasi permanent, he cannot claim the protection of Article 311 of the Indian Constitution” (Hidaytullah, 1986).

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## **5.4 CIVIL SERVICE RECRUITMENT IN INDIA**

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The determination of the recruitment authority is one of the essential features of the process. Article 309 of the Indian Constitution empowers the Central Government and State Governments to regulate recruitment and conditions of service of persons appointed to public services and posts through an act of appropriate legislature. The Parliament made the All India Staffing Pattern Services Act in 1951, which governs the conditions of service of All India Service Officers. The recruitment and employment of civil servants is regulated by the rules made by the respective governments under the provisions of the constitution.

The power conferred by Article 309 on the legislature and the executive, is subject to limitations. Neither the laws nor the rules made under the article can override constitutional provisions, which limit legislative power. They are liable to be struck down if they violate constitutional provisions. Other relevant articles are; articles 14, 19, 144, 310(1) and 311. Article 14 guarantees the right to equal protection of laws, and article 19 safeguards the seven fundamental freedoms. Under article 144, civil and judicial authorities have to act in aid of the Supreme Court. Further, the application of articles 310(1) and 311 is altogether excluded by some other articles such as 76, 148 and 124-5. These articles provide for the mode of appointment and conditions of service of certain officers, namely, the Attorney-General of India, the Comptroller and Auditor-General of India and the Judges of the Supreme Court. Similarly, Article 309 of the constitution is

not applicable to some other class of public servants, for example, those covered by articles 229(2), 312(1) and 324(5). They deal respectively with the officers of the High Courts, members of All India Services and the Election and Regional Commissioners. Their conditions of service, etc., are laid down in the manner prescribed by these articles.

## **Qualifications of Employees**

The question of qualifications required for public employees are of enormous importance, as, on it, rests largely the general efficiency of the public services. These qualifications may be divided into two parts: *general* and *special*. General qualifications apply to all public employees, and are, thus, of universal application. They relate to civic status, domicile, sex and age. Special qualifications deal with education, experience, technical knowledge and personal status.

## **Merit and Suitability**

The most important problem with regard to recruitment is finding a suitable method of determining the ‘merit’ and ‘suitability’ of candidates. It is very difficult to define merit. All the qualities of ‘an employee’, which lead to a more efficient performance of his duties, are elements of merit. The components of merit can be competence, capacity, efficiency, initiative, dependability, straightforwardness, integrity, missionary zeal, effective supervision, leadership, alertness of mind, physique and personality, academic attainments, etc. *Merit also includes suitability.* In suitability, we are more concerned with the relationship between the applicant and requirements of the job; viz. tasks, duties and responsibility. The examination and interview methods have been adopted to determine the merit and suitability for recruitment. Articles 16(1) and (2) guarantee to all citizens an equal opportunity and a right to make an application for employment in any post under the government and also a right to be considered on merits for the post for which the application is made. But it does not extend to being actually appointed. “The European countries fall distinctly into two categories. The first category consisting of International perspective might be pertinent here. France Belgium Spain and Italy, that is those recruit personnel by competitive written examinations (not necessarily through centralised agencies) and the second consisting of Sweden, Switzerland, Holland Denmark and Germany where entry into the civil service is determined on the basis of an examination of the available records of the candidates’ attainments.” (Jain, 1976)

Articles 14, 15 and 16 supplement each other. Article 16 is only an application of the general principle of equality laid down in Article 14. Therefore, the concept of “reasonable classification” enters into the application of Article 16. The equality of opportunity guaranteed by Article 16 is equality as between members of the same class of civil servants and not equality between separate and independent classes. Thus if there is difference of procedure or rules concerning recruitment and promotion in different classes the same cannot be challenged on grounds of denial of equal opportunity.

Equality of opportunity includes all matters in relation to employment or appointment both prior and subsequent to the appointment viz. salary, periodical increments, promotion, seniority, terms of leave, gratuity, pension, age of superannuation etc. Equality of opportunity guaranteed in articles 16(1) and (2) does not mean that the government is not entitled to pick and chose from among the candidates for employment under the government. The appointing authority may lay down the rules or notifications prerequisite conditions of service or qualifications of selection or making the

appointment. The conditions should however be such as would be conclusive to proper discipline among the government employees. Such conditions must be applicable to all citizens subject however to the exceptions in clauses (3) to (5) of article 16. They must have a reasonable relation to or a relevant connection with the suitability for a post or employment in the public service.

There can be different treatment of employees differently situated or seeking different employment. There can be reasonable classification. But if there are no reasons for separate treatment, the discrimination would be unconstitutional. Violation of article 16(1) can be claimed by a person only if he has the necessary qualifications or satisfies all conditions validly prescribed. He cannot rely merely on erroneous orders that may have been passed in other cases.

### **Examinations**

Written examinations are of two types:

#### **(a) Essay Type Test**

The purpose of this test is to judge the caliber of the candidate about command over factual knowledge and his ability to logically reason and argue. In India, there was a compulsory essay test for all India services' recruitment. This method is costly and less reliable. Subjectivity is difficult to avoid as judgment of a subject matter would differ from examiner to examiner.

#### **(b) Short-Answer Objective Test**

A candidate takes a test in which a large number of questions are given and he answers 'yes' or 'no'. This test is objective as there is only one correct answer to a question. The advantage is that they are cheaper to administer. The results can be compiled quickly through electronic devices. Such tests have a serious disadvantage; they offer no scope for test of positive ability, creativity, and imaginativeness.

### **5.4.4 Tests in Business**

Businesses employ intelligence, aptitude and performance tests to judge suitability with respect to a particular job. The succeeding analysis points it out as:

#### **(a) Intelligence Test**

Intelligence or mental alertness tests are designed to measure the inherent intellectual capabilities of the applicant. Though recognised value is provided to intelligence tests sole reliance is not placed upon them. They are used for other purposes in dealing with employees like selection for special training for technical positions and for classifying persons for formal training classes. Multiple-choice questions are used, for example, antonyms, synonyms, simple quantitative skills, analytical reasoning, common sense, general understanding, etc.

Intelligence tests are administered to assess the mental maturity of the candidate. The intelligence quotient, commonly referred to as the I.Q. is indicative of mental age. The Intelligence quotient is judged on the basis of mental age which might be different as compared to physical age. In some jobs, more intelligence is required than in others. It has to be ensured that persons with right intelligence are recruited for suitable jobs, for example, if a person of higher intelligence joins a job requiring low intelligence quotient, he is likely to either leave the job or suffer low job satisfaction.

### **(b) Personality Tests**

Different jobs require different traits of temperament and emotion. These should be identified and measured, for example, for supervisory jobs, emotional stability is important. Different types of personality tests have been devised by scholars, which can be used to ensure the right selection for a job.

Special aptitude tests are meant to assess the suitability of a candidate with respect to physical and mental qualifications. These tests require use of specialised equipment and testing appliances. Some of the subject areas include:

- Space comprehension
- Distance judging
- Quickness of motor responses
- Steadiness of hands or arms
- Ability to assemble parts
- Ability to distinguish colours
- Lateral or peripheral vision
- Quickness of recovery of vision after exposure to blinding light
- Ability to distinguish sounds or pitch
- Strength of finger, hand, wrist or arm
- Manual or finger dexterity
- Memory
- Ability to drive a motor vehicle
- Ability to manipulate mechanical devices
- Maintain balance when subjected to rotary motions ( Owen,1987)

### **(c) Aptitude Tests**

Aptitude tests seek to discover the natural talent of an aspirant in a specific area of learning or practice associated with the job. Different jobs require different aptitudes and selection must be done as per requirements. Aptitudes may be, word fluency, reasoning, spatial, numerical or memory aptitude etc.

### **(d) Performance Test**

To recruit personnel for skilled trade or crafts, the performance test device is employed. An employee is asked to perform the work for a short period and his output, skill and performance are watched. Example can be given of the test for the work of a stenographer, typist, machine operator etc. This test, however, does not give a complete picture of the potential of an employee. It cannot assess his will to work. What is actually applied in practice is a mix of approaches tailor made for a specific job or an occupational group. Such tests are known as *balanced tests*.

### **(e) Interview**

An interview consists of systematically trying to find out the information, skills or views; a candidate has for the job for which he has sought the selection. Oral tests can gauge intangible qualities of character like, smartness, alacrity, emotional stability, confidence and fortitude. The technique of an oral test is that of a natural purposive conversation intended to reveal the qualities of the candidate. Group discussions can also form part of oral interviews. Oral tests are considered as a necessary complement to written tests as the latter will always have limitations.

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## **5.5 RECRUITING AGENCY IN INDIA**

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The question remains what administrative machinery shall be employed to hold the various tests described above? Obviously, these tests should be held by an independent and impartial body of persons. The departmental boards are subject to political pressure and do not inspire confidence. Therefore, to inspire public confidence in the recruitment system, it is necessary that judicious, impartial and independent commission with adequate constitutional safeguards to protect its impartiality should be set up for selecting candidates to various public services.

The Union Public Service Commission (UPSC) and the Staff Selection Commission (SSC) are the two designated recruitment agencies, the former for Group A and B service posts and the latter for non-technical Group C "posts". The SSC also conducts the Assistants Grade C and Stenographers' open examination for Group 'B' non-gazetted posts.

### **Union and State Public Service Commission in India**

It was the Government of India Act, 1919, which for the first time, made a mention of the public service commission in the dispatch of Indian constitutional reforms. The government of India Act, 1935, provided not only for a federal public service commission but also for public service commissions in the provinces. In the Indian constitution, Article 315 provides for the establishment of a Union Public Service Commission (UPSC) and State Public Service Commissions (SPSC) but two or more states may agree to have a common commission.

### **Composition and Qualifications of Members**

The constitution of India does not fix the number of members of the Union or the State Public Service Commissions but has left the matter to the discretion of the President of India and the Governor in the case of union or states respectively. The Union Public Service Commission has a chairman and ten members, who are appointed by the president of India. At least, one-half of the members should be persons with a minimum of ten years experience in government service. The tenure of office is fixed for six years or until the attainment of 65 years of age in the case of Union Public Service Commission and 62 in the case of State Public Service Commission. A member can be removed from office only by an order of the President in the case of Union Public Service Commission and the state Governor in the case of State Public Service Commission on the grounds of insolvency, infirmity of mind or body, or engagement in paid employment outside the

duties of his office. In order to ensure the impartiality and independence of the members, the constitution provides that, upon ceasing to be a member of the commission in due time, the incumbent will be ineligible for any further appointment in the same office or in any office under the government except a higher appointment in the same commission. The President of India determines the salary and other conditions of service of the members of the commission through regulations. It is provided that the conditions of service of a member of the commission cannot be varied to his disadvantage after his appointment. The entire expenses of the commission including salaries and allowances of its members are charged on the consolidated fund of India. Member of the Union Public Service Commission can be removed from office only by an order of the President on the ground of misbehavior. The President will refer the matter to the Supreme Court and the court will conduct an enquiry under Article 145 and submit the report to the president, who can suspend the member concerned. It may be kept in mind that public service commissions are only advisory bodies and it is up to the government to accept or reject the recommendations (*Mukherjee v. Union of India*, 1994 Supplement (i), SC, C. 250).

## Functions

The functions of the commission under Article 320 may be summarised as follows:

1. To advise the government on all matters relating to the method of recruitment and principles to be followed in making appointments to the civil services either directly or by promotion.
2. To conduct examinations for appointment to the All India and Union Services.
3. To interview candidates for direct recruitment.
4. To advise the government on the suitability of candidates for promotion and transfer. Recommendations for such promotions are made by the departments concerned and the commission is requested to ratify them.
5. The commission is also consulted on matters like temporary appointments for periods exceeding one year but not exceeding three years, grant of extension of services and re-employment of certain retired civil servants.
6. The commission is also consulted on matters relating to regularisation of appointments, claims for the award of pensions, claims for reimbursement of legal expenses incurred by government servants in defence in legal proceedings instituted against them in respect of alleged omissions and commissions in the course of execution of their official duties, claims for pension, or compensation in respect of injuries sustained on duty.
7. The commission is consulted regarding disciplinary matters in case of:
  - (i) censure;
  - (ii) withholding of increments or promotion;
  - (iii) reduction to a lower service, grade or post; (iv) compulsory retirement; and
  - (v) removal or dismissal from service.
8. To advise the government on any other matter specifically referred to it by the president or the governor.

Though it is obligatory on the part of the government to consult the commission on these matters, failure to do so *does not render the action invalid*. The President has the authority to exclude posts, services and matters from the purview of the commission. But all such regulations have to be laid by him before each house of parliament, as soon as possible, or repeal these regulations. Moreover, under Article 321 there is a provision in the constitution to authorise the parliament to extend the functions of the commission.

Certain other matters have also been brought under the purview of the UPSC. These include proposals for upgradation / downgradation of posts, constitution of DPCs for promotion to posts in central civil services and group A posts based on the principle of selection and not on seniority cum fitness, special recruitment to the scientist pool, etc.

The UPSC (Exemption from consultations) Regulations, 1958 specify the matters, which are, excluded from its purview. These envisage that if the rules governing recruitment to the civil service or civil post concerned do not explicitly provide for consultation with UPSC, it is not necessary to consult the commission about selection for appointment in categories. It is also not necessary to consult the commission about selection for temporary or officiating appointment to a post if such appointment is not likely to continue beyond a period of one year.

The fifth pay commission has expressed concern at the work load presently on the UPSC and has called for reducing it by dispensing with the involvement of the UPSC in case of many civil posts in Group A (if less than 15) which could be delegated to concerned ministries. The government could also consider the option of expanding the UPSC opening regional branches of UPSC or establishing other commissions. In addition, regulations should be amended to provide that consultation with the commission should not be necessary about selection for appointment to posts in scales of pay below or above the Senior Administrative Grade (Rs. 5900-6700) in all services/ cadres. The fifth pay commission however recommended continuing the practice of consulting the UPSC in cases of promotion from a Group 'B' post to a Group 'A' post or from a lower post to senior administrative grade in Group 'A'.

The constitution requires the commission to submit to the President, an annual report on work done during a year. The report, accompanied by a memorandum explaining the action taken by the government on the recommendations of the commission, is to be placed before parliament. The memorandum should explain the reasons for the non-acceptance of the recommendations of the suitability of candidates for promotion and transfer. Recommendations for such promotions are made by the departments concerned and the commission is requested to ratify them.

### **Quasi -Judicial Jurisdiction of the Commission**

The quasi-judicial jurisdiction of the UPSC is limited both in scope and extent. "In fact, it has no true appellate jurisdiction. It can only advise on disciplinary actions taken against employees. According to the constitution, the government should consult the commission on the following matters 1) All disciplinary actions affecting a government employee including positions relating to such matters (320(3) (e) (2). Claims for reimbursement of costs incurred by an employee and any question as to the amount of any such award." (Jain, 1976)

It may be noted that the constitution does not provide an aggrieved civil servant any right of appeal to the UPSC against any disciplinary action taken by the government. A government employee has a right to appeal only in matters of dismissal removal and reduction in rank and that too not to the UPSC. The Constitution merely prescribes that the government should consult the commission on certain matters. However, the consultation prescribed by sub clause (c) of Article 320(3) is only to afford assistance in assessing guilt or otherwise of the delinquent officer as well as suitability of the penalty to be imposed.

### **Other Agencies for Recruitment**

In addition to the UPSC, the government of India has set up the Staff Selection Commission, Railway Recruitment Boards and other agencies and entrusted them with responsibility of recruitment to Group C posts in central ministries, departments and their attached and subordinate offices and for recruitment to certain specified Group B posts like assistants and stenographers in the central secretariat. Vacancies in the central government establishments other than those filled through the UPSC or the respective departments through notification to the nearest employment exchange fill agencies like the Staff Selection Commission and no department can fill any such vacancy by direct recruitment unless the employment exchange issues a no availability certificate. In the event of a conscious effort to reduce workload on the UPSC, the fifth pay commission has recommended that the recruitment responsibilities shall need to be increased for staff selection commission. Recruitments should be decentralised to concerned ministries for various posts and staff selection commission should b expanded with more regional offices and better infrastructure.

Recruitment in some lower category posts is done by departments themselves and while recruitments in the higher categories is made by the UPSC. However, some agencies like the Council of Scientific and Industrial Research have been authorised to recruit and select directly for Class 1 and Class 2 posts(UPDSC Exemption from Consultation Regulations, 1958 although the CSIR has very often requested the UPSC to help it select candidates for inclusion in the Scientist's posts.

The constitution requires the commission to submit to the President, an annual report on work done during a year. The report, accompanied by a memorandum explaining the action taken by the government on the recommendations of the commission, is to be placed before parliament. The memorandum should explain the reasons for the non-acceptance of the recommendations of the suitability of candidates for promotion and transfer. Recommendations for such promotions are made by the departments concerned and the commission is requested to ratify them.

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### **5.6 THE IDEA OF PROMOTION**

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According to L.D. White (1926), promotion is “an appointment from a given position to a position of higher grade, involving a change of duties to a more difficult type of work

and greater responsibility, accompanied by change of title and usually an increase in pay."

A good promotion system is useful to employees individually as well as to the administration as a whole (Arthur). The task of devising a good promotion system is difficult. Promotion system might breed "discontent, be diminutive of incentive, and lead to general impairment of morale (Meyers)

The basic urge of human beings for recognition and advancement is met by promotion. *Promotion adds to the goodwill of the government.* It also develops the feeling of belongingness in the employees. It has been felt that a good promotion system is useful to the employees individually as well as to the administration as a whole. If promotion is not effected judiciously, there is a danger that it might breed discontent, diminution of incentive, and general impairment of morale. This will ultimately affect the efficiency of the organisation. A single promotion frequently results in a chain of opportunities for several staff members and encourages their orderly progression in a career service. If vacancies are too frequently filled by outside recruitment, staff morale might suffer.

### **Legal Perspective**

With regard to promotion, certain notable aspects are recounted as follows:

-It is apparent that the concept of promotion implies that the employee is already in service;

-Incumbent's appointment from a lower or inferior post to a higher or superior post amounts to promotion;

- Promotion *amounts to a fresh appointment.* It involves progression to a higher grade. Mere special pay or allowances attached to a post do not imply promotion. For example, appointment to a selection grade is promotion;

- Up grading a post is different from promotion. When a post is upgraded, the person holding the post before up gradation has no right to hold the new post. Even if he is allowed to hold the upgraded post, it does not amount to promotion as he cannot be said to leave his existing post and occupy a new post as no question of appointment is involved.

-Similarly upward revision of pay scale is different from upgrading, as upgrading involves, not only raising the time scale but also changing the status of grade. Thus, upward revision of pay scale does not amount to promotion. (Basu)

### **Essentials of a Promotion System**

W.F. Willoughby lays down the following conditions, which form the backbone of a sound promotion system:

- 1) Adoption of standard specifications.
- 2) Classification of positions into distinct services, classes and grades.
- 3) Inclusion of all positions except those having a political character.
- 4) The adoption of the principle, as far as possible, that superior positions will be filled by promotion from lower positions.

- 5) The adoption of the principle that merit alone shall determine the selection of employees for promotion.
- 6) The provisions of adequate means for determining the relative merits of employees eligible for promotion.

The *first* and *second* conditions ensure adherence to the merit principle. The *third* and *fourth* ensure that all employees are eligible for promotion. The *fifth* emphasises that promotions should be made on the criterion of merit. The *last* factor stresses the adoption of a scientific approach to promotions.

## **Features of Promotion**

The Features of Promotion are:

### **1. Management Function**

Promotion is at the discretion of the competent authority and no employee can claim a legal right to be promoted. Hence courts or tribunals cannot interfere in the management function in the absence of *mala fide* or victimisation. An employee may claim the right to a promotion only if such a right is granted by the terms and conditions of service or by service rules. (*C.K Awasthi vs. IIT kanpur, AIR 1969 All 213 Lab IC518-*)

### **2. Optional in Nature**

Promotion can be brought about with the consent of both the parties. An employee may refuse to accept the promotion if the nature of work in the higher post does not suit him.

### **Constitutes Fresh Appointment**

Appointment through promotion is a new appointment. (*Ramkaran vs. Union of India, 1976, Lab, IC 1263 (1975)2, SLR 683(Delhi)*) This means that an authority subordinate to the authority, which had promoted him, cannot dismiss an employee. It is a substantial alteration of the earlier contract of employment which was deemed as brought about by the consent of both parties.

### **Governed by Rules**

In the absence of statutory rules, the executive can frame instructions regarding the principles to be followed for promotion. However, the executive has no power to amend or supersede statutory rules by administrative instructions. (*Naidu vs. State of Mysore, 19<sup>th</sup> Lab IC 73: AIR 1971 MYI*) When statutory rules are framed regarding promotions, such rules will override the administrative instructions or departmental orders.

### **Fundamental Right**

Article 16 of the constitution applies to promotion. The fundamental right, however, extends only to consideration for appointment and not to the actual promotion. Equality of opportunity in the matter of promotion only means that all employees holding posts in

the same grade shall be equally eligible for being considered on the merits for appointment to a higher grade. The employee has no legal right to be promoted from the moment a vacancy arises in the higher post. The government can keep it vacant for as long as it chooses. Even where there are rules framed, they can be enforced only if the particular rule is mandatory. If the rule, even though it is a statutory rule, is only directory or gives discretionary power to the administration as distinguished from a duty, no legal right arises for the government servant, and cannot therefore, be enforced by legal action. The ‘equality of opportunity’ (Article 16) does not apply to employees belonging to different classes or when two posts cannot be treated on the same footing. To obstruct an employee’s path of promotion amounts to infringement of the fundamental right under Article 16 (*Gurudev Singh vs. State of Mysore*, 19th Lab SLR 995 (P&H)). The purpose is to ensure similarity and equality of treatment and not identity in case of different circumstances. (*Madhusudan Nair vs. State of Kerela* AIR 1961 (Kerela 203; 1960, KLT).1179)

Article 16 does not forbid fixation of reasonable qualifications to determine merit. Article 16 of the constitution never excludes ‘selection’ and should not be confused with absolute equality. The guarantee under Article 16 of the constitution does not take away the right of the state to choose the best candidate. (*K.Gopala Pillai vs. state of Kerela*, AIR 1966, Ker 262). Promotion is overriding in that a person on promotion is automatically exempted from penalties earlier imposed on him.

An authority competent to lay down qualifications for promotion is also competent to change the qualifications. The rules regarding qualifications can be changed with retrospective effect unless it is specifically provided in the rules the employees who were already promoted before the change of rules cannot be reverted or their promotions cannot be upset.

The power to relax any of the qualifications and the criteria for such relaxation may be provided by rules. A relaxation made in accordance with the rules in a given case cannot be questioned unless facts are stated to show that an undue favour was shown to that employee.

### **Criteria for Promotion**

When a certain post is a *selection post*, promotion to it is primarily based on merit and not seniority alone and therefore, the employee cannot claim promotion as a matter of right on the basis of seniority. In these cases, seniority is to be regarded as a criterion where the merits of employees are found to be equal. The criterion practiced is thus merit cum seniority.

For *non selection posts*, the criterion for promotion is *seniority- cum- fitness* (or seniority cum merit). In other words, seniority is the primary criterion and must be considered first, subject to the employee being fit and not having any demerit.

For *other posts* in the absence of any rule governing promotion, the criterion of seniority cum fitness is not arbitrary or *mala fide*.

The appointing authority is the only competent authority to issue promotion orders. The competent authority can seek the guidance of a specially constituted departmental promotion committee but the ultimate certification must be of the competent authority.

### **Promotion from State Civil Services to All India Services**

There is a provision for promotion to the I.A.S. from the state civil services to the tune of 33 per cent of the total vacancies. The promotions are made by a committee instituted for each state. To take the example of Haryana, the selection committee for this purpose comprises the chairman of the Union Public Service Commission or his representative, a senior officer of the government of India, the Chief Secretary to the Government of Haryana, the Senior Financial Commissioner in the Haryana civil secretariat, the Development Commissioner and the senior most Divisional Commissioner. There is a feeling among the persons promoted that they are not given fair treatment by direct recruits to the All India Services. Besides they do not feel fully integrated with the system. This feeling should be removed as it lowers the morale of promoted civil servants.

### **Promotion in State Civil Service from Allied Services**

This system can be illustrated with the help of promotions to the Haryana State Civil Service (executive branch). Promotion to this service is made from tehsildars, persons holding ministerial appointments, block development and panchayat officers, etc. Under the existing procedures, a committee is appointed consisting of the chief secretary as chairman and two other such officers as members nominated by the state government. The committee makes a selection out of the eligible officials and then forwards to the State Public Service Commission for its 'views' on the names of candidates thus selected for the posts to be filled. This procedure has curtailed the powers of the Commission and made it a rubber stamp to endorse the decision of the state government. This needs to be reviewed to ensure fairness and impartiality of the State Public Service Commission.

### **Principles of Promotion**

The Principles of Promotion are as listed below:

#### **1. Principle of Merit**

In case of promotion to higher level posts, merit is the only consideration to the total exclusion of seniority.

#### **2. Principle of Merit cum Seniority**

In case of promotion to middle level posts, merit is the determining factor and seniority a secondary one; and

#### **3. Principle of Seniority**

In case of promotion to lower rung posts, seniority carries weight but even here care is taken to ensure that exceptional merit is rewarded by quick promotion.

In fact, a compromise between the two extremes of pure seniority and pure merit is followed. Flippo phrases this principle as "when ability is substantially equal, seniority will govern."

As per observations by the fifth pay commission report, in public services, reasonable promotion opportunities ranging from 2-4 promotions in one's career have formed the accepted norm. Merit is stressed on as is evident from limited departmental competitive examination (LDCE) followed by different departments. A concept of benchmark for grading of Annual Confidential Reports for promotion purposes has also been introduced with a view to ensuring that merit is given due consideration in promotions. The concept of 'selection' is also based on the idea of promoting merit as against the usual, seniority. However practice suggests that promotions have been irregular, generally based on seniority and entirely dependent on availability of vacancies in the higher grades. Wide disparities between practices followed in different departments with respect to promotions and cadre management has also been evident.

#### Empanelment for Joint Secretary

At the level of posts of joint secretary and equivalent, the Civil services board finalises the panel for submission to the Appointments committee of the Cabinet (ACC). In this work, a screening committee of secretaries assists the CSB. The panel approved by the ACC on the recommendation of the CSB is utilised for making appointments to posts under the government of India.

#### Empanelment for Additional Secretary/Special Secretary

Selection for inclusion on the panel of officers adjudged suitable for the posts of additional secretary or special secretary/secretary to the government of India and equivalent posts equivalent is approved by the ACC based on proposals submitted by the cabinet secretary. The Cabinet Secretary is assisted by a special committee of secretaries for drawing up proposals for consideration of the ACC.

#### Eligibility to hold posts of Under Secretary, Deputy Secretary, Director and Joint Secretary

For the above posts, eligibility starts after completing 5 years, 9 years, 14 years and 17 years of service in group A, irrespective of the service to which they belong.

#### Career Advancement for Group C and D employees:

A scheme of *in situ* promotion for group C and D employees was introduced in 1991 to provide at least one promotion grade to those who are directly recruited to a group C and D post and who could not get a promotion even after reaching the maximum of the scale. Such scheme is an ad hoc measure and tackles the problem of stagnancy only temporarily. This reveals the general lack of career planning affecting our public services.

## **Flexible Complementing scheme**

A Flexible complementing scheme (FCS) was introduced in 1983 on the recommendation of the third central pay commission to ensure that promotion of an officer in a scientific service in Group A, from one grade to the next higher grade took place after a prescribed period of service on the basis of merit and suitability irrespective of the availability of a vacancy in the higher grade. The scheme is available now in many of the scientific departments' organisations and institutions under the government of India. A number of functional promotions were made under this scheme in scientific departments notified as such by the Department of Science and Technology. The Commission has widened the scope of the scheme to cover all Research and Development professionals whether they are scientists, technologists or medical and computer professionals, at the same time taking out of the scheme certain non-entitled categories that had managed to get the benefit undeservedly.

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## **5.7 FEATURES OF PROMOTION IN SOME SELECTED COUNTRIES**

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### **A. United Kingdom**

In U.K., since the publication of the Northcote Trevalyan report (1853) merit has been given due weight in promotions. Factors of performance are identified and the employees are rated on each 'stipulated count' as outstanding, very good, satisfactory, indifferent, or poor during their service. A consolidated rating is prepared at the time of promotions. Reporting officers have to give reasons for grading personnel outstanding or poor to ensure fair play. There are three important features of the promotion system in U.K.

- (1) Vacancies to be filled through promotion are announced well in advance
- (2) Recommendations for promotion are assessed by a departmental board rather than a single individual; and
- (3) Provision exists for appeal by the aggrieved party.

### **b. United States of America**

In the United States, performance is assessed through well designed 'efficiency ratings' resulting in a mathematical gauge. Four types of efficiency ratings are prevalent. These are:

1. Training according to production record used for repetitive and mechanical work like typing, etc;
2. Trait-rating which includes fifteen qualities to be judged under five grades;
3. Substantiating evidence reports popularly known as 'Laffan System'; and

4. Analytical checklist wherein the rating officer has only to check or mark the presence of qualities in the employee under consideration.

**c. India**

Largely, seniority-cum-merit has been the governing principle of promotion. The relative weight given to these factors varies from one organisation to another. Besides, the service records of the official, discretion of the competent authority may be a determining factor in ascertaining suitability for promotion. Departmental promotional committees have been set up to screen promotions at the department level. There is a form to help the promotion committee wherein all annual reports of the candidates are compiled. In the form, an officer is graded as A plus (outstanding); A (very good), B plus (good), B (average) and C (below average). These reports are drawn up in the first instance by a reporting officer who is usually the immediate superior. The reports are treated as confidential but there is a provision to inform the person concerned if he is below average grade or not fit for promotion.

In case of promotions in State Civil Services from Class III to Class II and Class II to Class I, departments are required to get the concurrence of the Public Service Commission. It is done to ensure adherence to minimum qualifications, required for a job.

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## **5.8 METHODS TO ASCERTAIN MERIT**

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The four main methods to ascertain merit are discussed below:

### **I. Written Examination**

Written examinations are conducted for open competitions and the objective to select a few out of the total applicants... The efficacy of this system is linked with the merits and the demerits of the examination system. The chief merit of the system is that chances of corruption, favoritism and arbitrariness are minimised. On the other hand, it may be argued that a written examination is not the true test of one's ability and is also not favourable to the older generation who may not appreciate memorising for exams.

### **2. Personal Judgment of the Head of the Agency**

According to this system, only those persons are promoted, who in the judgment of the head are fit for promotion. This system has advantage because the head is expected to have full knowledge about the capacities of all those who work under him. This system is also open to serious objections. It is arguably highly subjective but in spite of shortcomings, can be used with modifications. For example, a promotion board, constituted from amongst the officials of his own department, might assist the head. This board may review the record of the concerned employee. Moreover, a system of appeals can also be instituted in case of alleged foul play. The actual promotion, however, would rightly be in the hands of the head of the agency, though appeal against controversial promotions could be made to an outside agency.

### **3. Efficiency Rating**

The efficiency rating system is the product of the scientific management movement. It is widely used in the United States of America. There are three major systems of efficiency ratings: (1) The Production Record System, (2) The Graphic Scale System, and (3) The Personality Inventory System. Output record is documented against set standards to assess efficiency over a period of time against traits like knowledge of work, personality, judgment, initiative accuracy, willingness to take responsibility, neatness, punctuality, organising ability, etc., In UK and India ratings are as follows:

- (a) Outstanding
- (b) Very good
- (c) Satisfactory
- (d) Indifferent
- (e) Poor

In the U.S.A., ratings are;

- (a) Highest possible
- (b) Very good
- (c) Ordinary
- (d) Bad
- (e) Very bad.

Sometimes giving of grades like 'A', 'B', 'C', 'D', etc. is also employed.

### **4. Viva Voce**

The written examination, personal judgment and efficiency rating could be combined with *viva voce* tests. The *viva* test has the advantage of holistic appreciation of person and his work by a group of seniors, competent to judge. In a case decision, it was held that promotion shall be regulated on the following conditions: (i) length of service; (ii) proved efficiency and special merit; (iii) regularity of attendance; (iv) integrity and good behavior; (v) seniority shall be a predisposing factor for promotion and not predetermining factor. As against these positive' conditions, slackness of work and disorderly behavior shall operate as discounting or retarding factors for promotion of an employee (*Nellimarala Jute Mills Co. Ltd., v. Staff* (1950), *ILLU 394 (IT)*)

The second central pay commission (CPC) of the Government of India, 1960, preferred functional requirements of public service to career prospects as the area of emphasis. The third CPC was of the view that standard of recruitment need not be disturbed to open up promotion avenues. Fourth CPC recommended cadre reviews to enhance promotion prospects but this did not improve promotional avenues. The fifth central pay commission in its Report has made certain recommendations relating to the Assured Career Progression (ACP) Scheme for the central government civilian employees in all

Ministries/Departments. The government has decided to introduce the ACP Scheme recommended by the fifth central pay commission with certain *modifications* as indicated hereunder:-

While promotion shall continue to be duly earned, it is proposed to adopt the ACP Scheme in a modified form to mitigate hardship in cases of acute stagnation either in a cadre or in an isolated post. The ACP scheme needs to be viewed as a ‘*Safety Net*’ to deal with the problem of genuine stagnation and hardship faced by the employees due to lack of adequate promotional avenues

There shall be no benefits under the ACP scheme for Group ‘A’ Central services (Technical/Non-Technical). Cadre controlling authorities in their case would continue to improve the promotion prospects in organisations and cadres on ‘functional grounds’ by way of organisational study, cadre review, etc. as per prescribed norms.

For Group ‘B’, ‘C’ and ‘D’ services and posts and isolated posts in Group ‘A’, ‘B’, ‘C’ and ‘D’ categories, it has been decided to grant two financial upgradations .Grant of financial up-gradations under the ACP Scheme shall, however, be subject to the conditions such as relating to length of service (first financial upgradtion after 12 years and second after 24 years) completed and others as stipulated.

Introduction of the ACP Scheme is not to affect the normal (regular) promotional avenues available on the basis of vacancies or on functional grounds as per prescribed norms. Vacancy based regular promotions, as distinct from financial upgradation under the ACP Scheme, shall continue to be granted after due screening by a regular Departmental Promotion Committee as per relevant rules and guidelines. Existing time-bound promotion schemes, including in-situ promotion scheme, in various ministries/departments may, as per choice, continue to be operational for the concerned categories of employees. However, these schemes shall not run concurrently with the ACP Scheme. The administrative ministry/department -- not the employees -- shall have the option in the matter to choose between the two schemes, i.e. existing time-bound promotion scheme or the ACP Scheme, for various categories of employees. However, in case of switch-over from the existing time-bound promotion scheme to the ACP Scheme, all stipulations (viz. for promotion, redistribution of posts, upgradation involving higher functional duties, etc) made under the former (existing) scheme would cease to be operative. The ACP Scheme shall have to be adopted in its totality.

A departmental screening committee is to be constituted for processing the cases for grant of benefits under the ACP Scheme. The composition of the screening committee is to be the same as that of the Departmental Promotional Committee prescribed under the relevant recruitment service rules for regular promotion to the higher grade to which financial upgradation is to be granted.

Upgradation to the officer is on a ‘personal basis’ hence neither amounts to functional or regular promotion nor requires creation of new posts for the purpose. The financial upgradation under the ACP Scheme shall be purely personal to the employee and shall have no relevance to his seniority position. As such, there shall be no additional financial upgradation for the senior employee on the ground that the junior employee in the grade has got higher pay-scale under the ACP Scheme.

The issue of career development of employees was considered by the four pay commissions appointed by the government of India. As per views expressed by the first, second, third and fourth pay commissions, posts in organisations should be created in keeping with the functional requirements of organisations and not just to improve the promotion prospects of employees disregarding the issue of organisational growth and development. Accordingly, the fourth pay commission recommended cadre reviews in

organisations, especially in respect of posts in Groups B, C and D to be conducted by respective administrative ministries. Efforts in this regard have been rather discouraging. Many organisations have undertaken no cadre reviews at all, and those that did, did not complete the exercise in time or did not do it with certainty. Following the schemes' failure there has been demand for introduction of time bound schemes for promotions. Availability of time bound schemes in different organisations such as P&T, Railways, Health, Scientific Departments and certain state governments, namely, Arunachal Pradesh, Kerela, Rajasthan, Karnataka, Punjab, Haryana, and Himachal Pradesh, as noted by the fifth pay commission has given strength to this demand.

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## 5.10 CONCLUSION

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Recruitment, selection appointment and promotion are of great significance as the entire functioning of government depends upon persons selected and placed at various positions in the organisation. Human resource is the most important in an organisation and effective career planning and development are imperative for its effective utilisation. Sound recruitment and proper placements serve the said end. Technical efficiency may not make up for poor human resource management. There is an imperative need to be objective and impartial as regards the process to sustain organisations in 'good health'.

Thus;

- (a) Proper selection and placement of new employees is a pre-requisite for the development of an effective work force.
- (b) Recruitment can be done either by direct or indirect methods (Promotion)
- (c) Merit is determined by examination, performance test, interview and personality tests.
- (d) Recruitment for senior posts is done by Public Service Commission.
- (e) Promotion means an appointment to a higher position having higher duties and responsibilities.

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## 5.10 KEY CONCEPTS

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**Appointment:** Appointment entails placement of an employee, post selection. Appointment involves legal right, for the employee to hold the post, which is termed lien in legal terminology. Such legal right depends on policy framed in this regard. In case of 'hire and fire' policy and free entry and exit of firms, labour laws are modified to alter legal terms and conditions of employment.

**Recruitment:** Recruitment is the process of arranging manpower from internal and external sources. Recruitment is distinguished from appointment in that the former involves processes preceding appointment. Appointment is a legal concept, involving 'lien' (right to post) for the appointed employee.

**Selection:** Selection is a part of recruitment. It entails tests of performance aptitude or general ability as per the requirements of the post

followed usually by an interview. The Industry employs scientifically devised recruitments tests based on efficiency and skill parameters to ensure the right man in the right place in an organisation. Civil Service employment policies are based on policies issued by the central government as per its ideological proclivity. Affirmative action in favour of disadvantaged sections of society is a case in point.

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## **5.12 ACTIVITIES**

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1. Do you feel that recruitment is the cornerstone of Public Personnel administration? Illustrate with suitable examples.
2. Analyse how promotion promotes organisational excellence?
3. Discuss the main functions of the UPSC (Union Public Service Commission) in connection with Civil Service Recruitment.

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## **UNIT - 6 PERFORMANCE APPRAISAL**

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### **Structure**

- 6.0 Learning Outcome
  - 6.1 Introduction
    - 6.1.1 Requirements of Performance Appraisal
    - 6.1.2 Objectives of Performance Appraisal
    - 6.1.3 Approaches of Performance Appraisal
    - 6.1.4 Need for Performance Appraisal
    - 6.1.5 New Imperatives
  - 6.2 Related Ideas
    - 6.2.1 Performance Measurement
    - 6.2.2 Performance Management
  - 6.3 Methods of Performance Appraisal
    - 6.3.1 Traditional Methods
    - 6.3.2 Modern Methods
  - 6.4 Performance Appraisal of Public Services in India
  - 6.5 Proposed Improvements
  - 6.6 Conclusion
  - 6.7 Key Concepts
  - 6.8 References and Further Reading
  - 6.9 Activities
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### **6.0 LEARNING OUTCOME**

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After studying this Unit, you should be able to:

- Understand the meaning, need and significance of performance appraisal;
- Define methods of performance appraisal;

- Explain related ideas of performance appraisal; and
  - Analyse performance appraisal of public services in India.
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## 6.1 INTRODUCTION

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Performance appraisal entails assessment of an employee's performance on the job. It involves measuring quantitatively and qualitatively, an employee's past and present performance, with reference to his specified role and the potential he imparts to an organisation. What is important is the human factor under judgment. Criteria for adjudging performance have to be carefully devised and employed prudently to ensure a just assessment of employee performance. Needless to assert, there is a difference between checking a machine for repairs and assessing human capacity for work. Performance appraisal is recognised as an important aspect of human resource management.

Scholars use different terminologies to denote it. Meggison (1967) prefers to use the term "employee appraisal" while Cunning (1972) uses the term, "staff assessment". Pertinent questions put in the aforesaid context are: Can performance parameters be objectively laid down or specifically delineated and measured? Can performance be limited to the strict construct of job design? To what extent do workers redefine their roles as per subjective role preferences, imparting their own unique understanding to it the sense of emphasising certain aspects and deemphasising certain others?; To what extent are jobs 'mean' or 'end' with respect to purposive behaviour in an organisational situation?

Does role constitute '*fact*' to the exclusion of *value*? How can value be articulated and assessed for better study of organisational behaviour? To what extent do workers impart 'value' to 'fact'? It is an accepted fact of organisational life that workers do impart personal values to job performance as per their perception of issues. Also, is value imparted by an employee to an organisation measurable? *Fact* and *value* are inextricable in real life situations (purposive behaviour). In the same vein, can 'behaviour' be catalogued along specifically crafted indices? Is it at all possible to have 'scientific' performance appraisal?

Aforesaid questions are some of the challenges for human resource management today. Ideally, performance should be appraised by indices. All aspects of a job should be articulated clearly, as; inter- personal relations punctuality, quality of work etc should be used to allot marks or grade with a view to measuring them. A one shot statement may not make for objective performance appraisal though, disquietingly, forms organisational practice at lower levels in many government organisations.

### **6.1.1 Requirements of Performance Appraisal**

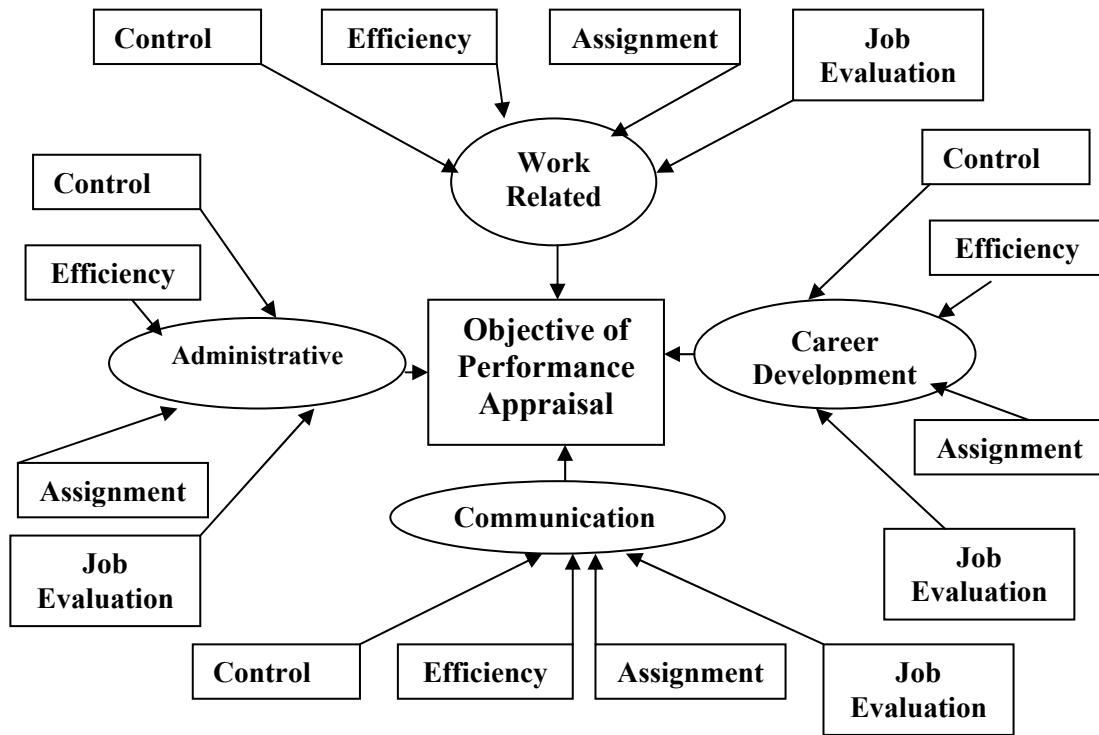
Requirements of performance appraisal could be specifically stated thus:

1. Employees should be apprised of expected standards and level of performance articulated specifically, both quantitatively and qualitatively, in terms of goals, targets, behaviour, etc., expected at their particular levels. This helps them match personal contributions to expected output;
2. Personal equation of trust and compatibility is important for good informal interface between the employer and the employee. There should also be broad agreement over criteria to be adopted for appraisal;
3. Employees should be encouraged to express themselves freely about performance reports;
4. The organisation should ensure that the appraisal system is job-related, performance-based, uniform, consistent, fair, just and equitable and that appraisers are honest, rational and objective in their approach and judgment and have the desirable behavioural orientation for ethical judgment.
5. Supervisors responsible for performance appraisal should be well trained in the *art and science* of performance appraisal to ensure *uniformity, consistency* and *reliability* of the process. Success of the evaluation ultimately depends on the evaluator and not on any system however perfect a support it may provide;
6. Performance appraisal reports should be examined meticulously, before any action, positive or negative, is proposed to be initiated;
7. To promote consistency and uniformity regarding performance standards, line and staff co-ordination is vital;
8. There should be provision for appeals against appraisals to ensure confidence of the employees and their associations and unions; and
9. Performance appraisal is a continuous activity which also evolves over time. Continuous study and review are therefore a must.
10. If an appraisal system is to achieve objectives academically delineated ‘ideal,’ the content should include both *work-related* and *trait-related* components. It should highlight significant achievements or any special traits exhibited at work with due emphasis on *ethical behaviour, spirit of humanism* and *enquiry, demonstrated learning capability* and *enthusiasm* for work shown by the employee. There should be an equal emphasis on the *process* of performance appraisal. Procedural justice is a recognised factor in job satisfaction at the work place. The process should stimulate two way communication of appraisal content between superiors and subordinates;

emphasise on institution of feedback and follow-up action, ensure that appraisal results are taken into account in administrative decision-making relating to placements, career planning and development and finally, appraisal systems should be evaluated from time to time to ensure desired stipulations (both theoretical and practical) are duly properly followed in practice every time.

### **6.1.2 Objectives of Performance Appraisal**

Performance appraisal serves the three-fold purpose of *monitoring, evaluation, and control*. It is an imperative exercise to achieve the many objectives of personnel administration. Performance appraisal is more than mere work assessment. It is a management development activity, and is understood as a process, which facilitates development of an organisational climate of mutuality, openness and collaboration towards achievement of individual as well as organisational goals. To quote Heigel (1973), “Performance appraisal is the process of evaluating the performance and qualifications of the employees in terms of the requirements of the job for which he is employed; for purposes of administration; including placement, selection for promotion, providing financial rewards and other actions which require differential treatment among the members of a group as distinguished from actions affecting all members equally.” The primary purpose of performance appraisal is to help each man handle his current job better. (Rowland, 1970). It is the principal medium through which human talent in organisations is most effectively utilised. Performance appraisal’s multifarious objectives need to be clearly classified under the following heads:



(a) Work -related objectives:

- (i) Provision of control over work;
- (ii) Improvement of work efficiency;
- (iii) Assignment of work scientifically, as per specialisations and expressed proclivity of personnel and planning further organisational expansion and diversification as per internal manpower planning; and
- (iv) Job evaluation for compensation administration.

(b) Career development objectives:

- (i) Identifying strong and weak points of personnel and aiding remedial measures for perceived weaknesses through need based training;
- (ii) Encouraging, motivating, controlling, organisational behaviour, identifying training and development needs, and rewarding, correcting or punishing employees;
- (iii) Determining career potential of an employee with respect to his area of specialisation and aptitude and chart future course accordingly.
- (iv) Planning performance development activities for total improved organisational performance; and

- (c) Communication objectives:
- (i) Provide timely feedback on performance, and facilitate informal communication
  - (ii) Clearly establish goals in terms of what is expected of a staff member, possible job enrichment for the future; mutual setting of goals for better interaction through hierachic tiers;
  - (iii) Provide counseling and job satisfaction, through open and free discussion regarding performance; and
  - (iv) Aiding self-assessment of employees in terms of where they stand in the organisation, by comparing expected and actual performance.
- (d) Administrative objectives:
- (i) Serve as a basis for promotions, rewards and penalties
  - (ii) Serve as a basis for incentive administration. Performance is not a *unidirectional* but a two way *interactional* process, whereby organisational equilibrium is secured by the management balancing *inducements* and *contribution on the part of employees*. Offering an economic analogy, Barnard has stated that ‘equilibrium’ as attained at a level where negative (contributions through effort put in organisational work) and positive balance (inducements received) with respect to an individual employees equalises. Organisation has to strategise effectively to ‘doctor’ such balance. To that end, organisation has to reinforce positive behaviour on the part of employees by way of rewards, welfare measures and employee benefit schemes to secure sustained and willing cooperation towards organisational purpose and restore internal equilibrium in case of any divergence;
  - (iii) Serve as a basis for transfer and placement policy with regard to suitability of each employee as discovered through the performance appraisal; and
  - (iv) Serve as a basis for termination in case of imminent staff reduction due to cost considerations.

Key elements of performance appraisal could be summarised as follows:

- Linking individual goals with organisational goals;
- Regular review of job descriptions to keep jobs in tune with changing requirements;
- Organisational Development (OD)

- Performance development plan;
- Continuous monitoring and review
- Establishing causal link between performance and reward;

### **6.1.3. Approaches of Performance Appraisal**

Performance appraisal has been significant activity since ancient times. Earlier, performance appraisal was perceived primarily in the negative sense of punishing employees and was restricted to formal remarks used for promotions. Today, performance appraisal is viewed as a positive management development tool intended to help employees develop to their full potential. The trend has changed significantly so much so that almost a paradigm shift is discernable. The main purpose of performance appraisal, as per modern understanding of the concept, is to promote individual excellence in order that employees function better as a collectivity and elevate the general level of organisational performance, while in the process re-energising them and manifesting and rediscovering their latent potentials as partners in collective endeavour. Establishment of conducive climate of mutual trust between the two ‘opposing poles’ of organisational effort, employees and employer, is absolutely imperative for the efficacy of the process.

There are both formal and informal aspects to the process of performance appraisal in the sense that formal observations and mutual discussions are involved in developing parameters through positive deployment of social capital and de-emphasis of hierarchy. The main purpose is to develop and refine human capital with more emphasis on *intent* and less on *process*.

### **6. 1.4 Need for Performance Appraisal**

Need for performance appraisal arises out of sub-optimal performance evidenced, particularly among government employees. The Supreme Court has recently upheld the right of the government to deny two year’s extension in service to a civil judge in Orissa on grounds of ‘poor performance’. Masses are fed up with the attitude and the work culture of the government and “if things don’t improve the public might take the law into its own hands or there could be a mass movement of civil disobedience”. (Malhotra, 2000). Even the minister of state for labour, Government of India, publicly alleged that forty to forty five per cent of central government employees are virtual ‘non-performers’. There is imminent need for a reliable system of performance appraisal either to weed out under performing and erring officials or improve their work orientation, both work and trait related. (Munni Lal, 2005)

Motivating employees to involve their heart and soul in work is absolutely essential for securing quality output. In government, though the skeleton of performance appraisal system oriented to said end is available, actual practice remains largely farther from the objective. There are prescribed criteria but application differs considerably between departments and superiors. Target articulation and the process of pursuing achievements are often left to the officials for detailing. (Ramaswamy, 2000)

To motivate employees to put in their best effort, performance appraisal system has to be non-discriminatory and objective to the extent possible. Targets and goals to be achieved should not be left to officials for subjective articulation. Instead, they have to be related to the actual work content and all quantitative and qualitative aspects and measurements thereof should be included and worked out in consultation with workers prior to the commencement of the schedule for the year.

### 6.1.5 New Imperatives

There is the impact of the New Public Management paradigm to administrative theory and practice on performance appraisal. In the entrepreneurial era, the emphasis is on end- orientation, client- orientation, goal- orientation, innovation and customer satisfaction. There is a growing body of evidence suggesting a shift from ‘government’ to ‘governance’, in that the emphasis is on the relevance of multi-agency working, public-private partnerships and policy networks. The shift from ‘government’ to ‘governance’ referred above, raises new challenges both for democracy as a macro concern and effectiveness and efficiency (govern ability) of individual enterprises (at different levels along the macro-micro scale). The public sector primarily refers to 'the state' (that is, the national, local government). It also includes a large variety of 'other organisations' (Article 12 of the Indian constitution, for example, the health care sector, schools, housing corporations and public utilities), which, although private or non government, perform work of a 'public nature' or are involved in public tasks in varying degrees. The organisational and managerial problems faced by the public sector are a matter of concern in the political arena. The general complaint is that effectiveness, and responsiveness are lacking. The concern is how can public tasks be managed more effectively and efficiently? Since HR is strategically most important in securing organisational effectiveness, these issues are at the heart of the new public management. Civil servants have been accused of lackadaisical performance and evasion of accountability. In the new paradigm, there is an emphasis on ‘means’ adopted in pursuance of ‘ends’ in that there is emphasis on ethics in strategy.

New management orientation is encapsulated in the following chief paradigms:

- There is increasing emphasis on the economic dimension; better provision of choice, minimising ‘rent seeking’ in government operations, measuring by EVA or *economic value added* in that higher EVA means a better level of resource utilisation, assessing training, selection procedures by public choice paradigm, employing decentralised decision making techniques. Result based management (RBM) is the latest paradigm. Instead of result measurement and management by objectives (MBO), emphasis is placed on quality and flexible work processes for achieving desired quality of output. Comparison across jobs or units allows less for comparable standards
- There is encouraging inventiveness in work culture; a realisation that success is a *journey not a destination* and the realisation that “*there is no failure only feedback*” in performance appraisal;

- There is increase in scope of public management. There are new techniques being employed. *Contrastive analysis* involves contrasting similarities and differences between one situation and another to find “what difference makes the difference” *Benchmarking* is the approach of continuously measuring products, services and practices against standards set by competitors or leaders in the field;
- There is attention to detail to maximise efficiency. Method study is involved in performance measurement; and

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## 6.2 RELATED IDEAS

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Some of the significant ideas, which are related to performance appraisal, need to be understood for better appreciation of it as a tool for achieving desired organisational effectiveness. These are:

### 6.2.1. Performance Measurement

Performance measurement is based on the belief that performance can be measured by objective indices. Stress is not so much on ‘behaviour’ and ‘activities’ as ‘ends’ of behaviour and activities. Behaviour or activities are seen rather as ‘mean’ to the important ‘end;’ *results*. Emphasis is on *tangible* value- added measured in terms of tangible contribution to the organisation that can be expressed in numbers. This is known as performance measurement. The chief factor in performance measurement is development of objective measures for quantifying performance.

Performance measurement is necessary to enforce accountability to results. In government, accountability means the responsibility of a civil servant or unit for achieving a mission and the functions to support that mission. They have to be accountable to the tax player for prudence in expenditure. In other words the civil servants are to be responsible for their results, not just for their efforts.

Osborne and Gaebler (1992) have referred to the following as reasons for measuring performance:

1. What gets measured gets done.
2. If you don’t measure results, you can’t tell success from failure
3. If you can’t see success, you can’t reward it
4. If you can’t reward success, you are probably rewarding failure
5. If you can’t see success, you can’t learn from it
6. If you can’t recognise failure, you can’t correct it
7. If you can demonstrate results, you can win public support.

## **Limitations of Performance Measurement**

Stated below are some of the major problems in performance measurement:

- It may be difficult to measure phenomena as complex as performance. Results could be unreliable;
- Today's organisations are rapidly changing. Results and measures consequently get quickly obsolete;
- Translating human desires and interactions to measurements is impersonal and even heavy handed (Mc Namara, 2005).
- There may be employee resistance on the ground that the
  1. Job is either too creative to be measured; or
  2. Too professional; or
  3. Too diffused;
- As far as comparative performance evaluation of sections inside an organisation is concerned, it should be remembered that inadequate performance does not always indicate a problem on the part of the work unit. Performance standards may be unrealistic or a section showing sub optimal performance may have insufficient resources at its command or there may be other constraints. Similarly, strategies of the organisation or its means may be unrealistic or without the backing of sufficient resources (McNamara, 2005).
- Academics, today, do not avoid about using subjective and descriptive measures in performance evaluation. The guideline seems to create descriptive measures; do not stick to numbers; verifiability and reliability of measures instead of quantification is more important. Instead of avoiding subjective measures, innovative yardsticks could be employed. This is especially relevant in case of service-oriented organisations (such as in government bureaucracy) where measurement by numbers might seem far-fetched. (*ibid*)

### **6.2.2 Performance Management**

Performance management is a result oriented exercise. It brings into focus all organisational and sectional results, links them, brings them into perspective, relates them in terms of the larger picture, measures them, set up monitoring and feedback mechanisms, and finally, institutes development plans to improve upon results procured thus.

The result of the exercise depends on the focus of performance effort articulated through the mission statement and communicated as 'work-related objectives' to employees, the focus differing with the section involved and also with the differing perception of the authority in charge of carrying it out. For example, an economist would identify financial results, such as return on investment, profit rate, etc. as the

focus. An industrial psychologist might identify more human centric results, such as employee productivity and implications for industrial relations, and the like (Mc Namara, 2005)

Result measurement is not an end in itself. Setting up an on-going feedback mechanism with stress on informal work relations and use of positive social capital in performance management and periodic adjustments providing for flexibility of processes are more important than result measurement in numbers. Continuous review of performance, therefore, is understood as performance management. Performance managements is an ongoing activity, more in the nature of a learning exercise, whereas performance review or appraisal involve post-committal assessment of an activity or of the performance at a given task as a whole.

Performance management works by the systemic perspective. Besides focusing on performance of employees, it should also ideally cover:

1. The Organisation
2. Departments (computer support, administration, sales, etc.)
3. Processes (billing, budgeting, product development, financial management, etc.)
4. Programs (implementing new policies and procedures to ensure a safe workplace; or, for a nonprofit, ongoing delivery of services to a community)
5. Products or services to internal or external customers
6. Projects (automating the billing process, moving to a new building, etc.)
7. Teams or groups organised to accomplish a result for internal or external Hence systems paradigm is considered most suitable for performance management. customers (McNamara, 2005).

#### **(a) Basic Steps in Performance Management**

Performance management activities proceed in a logical continuum. Observing sequential steps may be critical for successful implementation of the process. The focus of performance management function could be the entire organisation, a single process, a sub-system or an employee. Subsystems could be a department, a program, a team or a group organised to accomplish a particular task. Performance is a complex whole which involves integrated effort of all units in a direction, that is, the organisational purpose.

Performance management activities are somewhat similar to several other major approaches in organisations, for example, strategic planning, management by objectives, total quality management, training as mentioned earlier etc. Steps in performance management are similar to those in a well-designed training programme. Trainers today focus much more on results of performance. This has given rise to a new genre of training consultants. Many trainers with this orientation now call themselves performance consultants (Mc Namara, 2005). The steps in performance management include:

1. "To set up the process successfully, steps should be followed as; articulate results objectively in terms of discrete units of performance; as, quantity, quality, cost or timeliness (result itself is a measure);

2. The performance management process often includes translating organisational goals in terms of results, which themselves are described in terms of quantity, quality, timeliness or cost. Therefore, the results of all parts of the organisation should be aligned with the overall preferred results of the organisation;
4. Prioritise desired results; break down results into component units and activities to the extent possible. Weighting results refers to prioritising, often expressed in terms of a ranking (such as 1, 2, 3, etc.) percentage; time-spent, etc;
4. Establish direct causal relationship between immediate ends leading to broader organisational purpose variously understood as ‘end’ or ‘value’;
5. Conduct ongoing observation and measurement to track performance;
8. Exchange ongoing feedback on performance;” (McNamara, 2005)

**(b) Key Benefits of Performance Management**

Some of the key benefits of performance management are:

1. Performance measurement focuses on results rather than behaviors and activities of employees. Value added to organisational performance is important. Accountability is enforced through performance management.
2. Alignment of organisational activities and processes in furtherance of the goal of the organisation imparts coherence to an organisation;
3. Cultivates a system-wide, long-term view of the organisation. These measurements have a wide variety of applications. ...in benchmarking, or setting standards for comparison with best practices in other organisations
4. It is a basis for Organisation Change and Development. Performance management provides a consistent basis for comparisons between temporal situations during internal change conflicts;
5. It cultivates a systems perspective in that the focus is on the relationships and exchanges between subsystems, e.g., departments, processes, teams and employees. Accordingly, personnel focus on patterns and themes in the organisation, rather than specific events;
6. It produces specificity in resource commitment and allocation;
7. It provides specificity for comparisons, direction and planning;
8. It improves coordination;
9. It encourages responsible behaviour on the part of employees and facilitates decentralised functioning;
10. Delegation is resorted to more often; and

11 Ethics of participation and team- work are facilitated;

## **Performance Development Plan**

A performance Development Plan is aimed at plugging the performance gap. It indicates specifically the problems behind below par result accomplishment such as, in what areas what correctives need to be administered, at what level; when performance is to be reviewed again and in what manner, by what methodology and such other relevant information.

### **(a) Key Features of Performance Development Plan**

Performance development plan entails:

- Strategic alignment which communicates strategic direction, goals and objectives;
- Learning oriented mechanism for reviewing and learning from the information provided by the measures adopted;
- Action oriented mechanism that stimulates action from the results of the ‘measures’; and
- Environmental impact assessment, considering value impingement from the environment; specifically government policy or directives emanating therefrom. (Mc Namara, 2005)

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## **6.3 METHODS OF PERFORMANCE APPRAISAL**

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There are two methods of performance appraisal. They are classified broadly, as traditional and modern methods.

### **6.3.1. Traditional Methods**

This classification contains a number of techniques:

1. Graphic Scale
2. Ranking
3. Forced Distribution Method
4. Critical Incident Method
5. Forced Choice Rating Method
6. Group Appraisal
7. Nomination

8. Work Sample Tests
9. Result-Oriented Performance Appraisal System
10. Confidential Reports.

### **Graphic Scale**

It is the most widely used technique of performance appraisal. In this method, articulated traits such as quality of work, quantity of work, dependability, attitudes and so forth are laid down. The rater places a check-mark on a form next to the word or phrase describing the degree of merit for each factor. Many scales designed by different technicians are available which can be modified to suit different situations. For example, J.B. Probst, former chief examiner of the St. Paul Civil Service Bureau adopted a comprehensive list which has been used in a modified form by different organisations. A major problem with graphic rating scales is that words like "excellent", "poor" and the like are general and do not convey the degree of merit relating to each specific factor with respect to an employee. The following should be kept in mind for selecting traits for merit rating regardless of the method that is adopted:

1. Traits should be *observable*, that is, can the rater actually observe this trait in action?
2. *Universality* of the trait under consideration is important, meaning, is it a relevant characteristic in relation to the job under study?
3. The trait under question should clearly be *distinguishable* as something different from another trait with a different name.

### **Advantages**

- (i) It is less subjective as it considers a number of different traits rather than a subjective whole.
- (ii) Traits are defined and uncertainty is minimised.
- (iii) It also shows the degree to which each desired trait is present; is therefore precise.

### **Disadvantages**

It is difficult to:

- (i) Decide on relative weights of different traits;
- (ii) Validate the opinions arrived at; and
- (iii) Ensure uniformity in trait articulation and consistency in rating, as they are likely to differ with raters.

## **Ranking**

Persons of similar cadre are ranked in the order of merit, for example, if there are eight lecturers in a college, they could be ranked, 1, 2, 3... It entails simple ordering which gets difficult when twenty or more cases are involved. One of the techniques of ranking used is *paired comparison*. In this method, the rater compares each employee with every other in the group. Final ranking is based on the number of times the employee is judged better than the others. The rater must make  $n(n-1)/2$  judgments where  $n$  is the number of men to be ranked. The method is not suitable where the group is large because number of judgments required, become unmanageable.

## **Forced Distribution Method**

In this system, a five-point scale of job performance is used. On one end of the scale are the best job performance and the other, poor job performance. Fixed percentage of employees is allocated to the *best*, *middle* bracket and *worst* ends of the scale. The supervisor is asked to allocate approximately ten percent of his men to the best end of the scale, twenty percent to the next category, forty percent to the middle category, twenty per cent to the bracket next to the low end and ten per cent to the low bracket.

The supervisor's opinion is taken as the final word. Despite subjectivity the method is relied upon for assessment of employee performance. This could be illustrated with the help of a table.

### Job Performance Scale

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10 per cent	20 per cent	40 per cent	20 percent	10 percent
Poorest	Poorer	Average	Better	Best

## **Critical Incident Method**

This method involves keeping a record of exceptionally good or bad incidents in the employee's work life with respect to the period under review. Such good or bad incidents can be examined to rate the fortitude and practical skills of employees. Bad incidents do not mean low ranking. It is how the particular employee rises up to the challenge and works his way through difficulty that is considered.

## **Forced Choice Rating Method**

The rater is asked to select one statement out of two or four which in his opinion is most characteristic of the employee and another which is least, or both. In effect, the forced choice system is an attempt to devise an objective method of arriving at the same answers that the top management would reach after a protracted and complicated process. To serve a practical example; the subordinate

- A. Commands respect by his actions → most characteristic
- B. Is cool headed
- C. Is indifferent → least characteristic (optional rating?)
- D. Is overbearing

Two of these are favourable and the other two, unfavourable. One of the two favourable terms checked as most characteristic gives plus credit whereas the other gives no or negative credit. However, articulation of these characteristics and the determination of the scoring key (most, least) are crucial in a just rating by this method.

### **Group Appraisal**

The appraiser group consists of three to four persons including the immediate supervisor who give their opinions collectively. Assistance from others also could be taken to cover aspects of employee performance and personality which may not have been noted by the immediate supervisors. For just assessment, members approached for appraisal must be people who have some contact with the subject. These members can be managers at high levels or colleagues or subordinates. It is apprehended that colleagues, if associated can work as either rivals or personal friends, which would create ‘biases’ in judgment. There can also be cliques of informal groups based on mutual benefit ties! As far as subordinates are concerned, they might not perceive the issue correctly and judge the person from their own narrow standpoints. They might also avoid airing views against the supervisor for fear of reprisals. Group appraisals therefore are advised to be used with caution. As practical concern it is better to involve superiors rather than colleagues or subordinates in group appraisals.

### **Nomination**

By this method, appraisers are asked to identify exceptionally good and exceptionally poor performers in the organisation. The latter group is singled out for correctives. Both groups are studied for academic knowledge about ‘organisational climate’ and specific ‘drivers’ of efficiency. Academic inquiry into poor performance is also necessary.

## **Work Sample Tests**

In this method, workers are administered work sample tests which form the basis of their assessment which they are evaluated. It provides important practical inputs for training and employee development programmes.

## **Result-Oriented Performance Appraisal System**

This technique evaluates the extent of attainment of targets in the context of overall objectives to ascertain the merit of personnel. *Value addition* on the part of an individual employee is considered which is attempted to be *quantified*.

### **Annual Confidential Reports (ACR)**

In most government departments and public enterprises in India, performance appraisal is done through Annual Confidential Reports (ACRs). Format of these reports differs from organisation to organisation and also with levels as per specific requirement(s) articulated. Casual attitude is alleged on the part of superiors writing remarks for subordinates. There is strong opinion in favour of confidential reports incorporating modern techniques of rating.

Confidential report is written for a year and relates to performance, ability and character of the person, for that specific period. The essential features of confidential reports of officers under the administrative control of the government are as follows:

- (i) Annual confidential remarks are recorded to judge the performance and efficiency of officers in public services.
- (ii) The objective of maintenance of character reports is to put an officer on the desired path by pointing out defects.
- (iii) Adverse entries should be communicated in time to enable him to rectify the defect.
- (iv) From December 4, 1946 until April 20, 1966, the practice of communicating both remediable and irremediable defects was followed. Since 1966, irremediable defects concerning integrity and morality are not being communicated as per express governmental directive to that effect.
- (v) Confidential character roll recorded by reporting officers is to be countersigned by the superior authority.
- (vi) Countersigning authority may take a view different from that of the reporting officer in which case the view of the former shall prevail.
- (vii) Until the countersigning authority gives his remarks, the character roll is not considered complete and is not to be acted on.

- (viii) Time schedules have been prescribed for recording remarks at different levels and their submission to the government for maintenance of confidential character roll.
- (ix) Representations against adverse remarks are not ordinarily entertained as the very purpose of such communication is to apprise the officer of his failings in order that he rectifies them for his own benefit. Such communication should not be regarded as a matter of argument or controversy.
- (x) In rare cases, however, where the remark is concerning specific acts or is the result of an error on the part of the reporting officer, representation lies (*Ventat Rao vs. State of Orissa; 1974 Lab. IC 1192:1975 SLS 267(1974) 2 SLR 899 (Ori)*).

### **Evaluation of Traditional Methods:**

Perceived faults of traditional methods are as follows:

Performance is not evaluated in terms of its impact on organisational objectives, goals and targets. It focuses attention on the personality of the subject rather than organisational results or the purpose of his joining the organisation. Appraisal goals are found to lack in reliability, verifiability, validity, and are most often, subjective. Besides, raters also (allegedly) display biases. Both the appraiser and the subject consider it an unpleasant exercise as no performance appraisal system can be claimed to be perfectly free of biases or prejudices. Annual performance review “leaves people bitter, dejected, depressed and in despair for months” (Deming)

Most administrators do not possess knowledge of the art and science of performance appraisal which results in adoption of different criteria of assessment for one employee by different administrators.

Appraisals are not always utilised to educate employees with regard to expected behaviour. Counseling the employee to influence his behaviour in the desired way should be the prime objective of performance appraisal.

Traditional performance appraisal techniques do not stress effective communication between the appraiser and subject as a necessary and desirable condition or even as a prerequisite. Information flow, top to bottom, is crucial as personnel are desired to know the criteria by which their performance is being assessed.

V.R. Buzzotta (1989) raises the following other criticisms of performance appraisal:

- (a) Appraisal process often gets confrontational as employees and supervisors work as two opposing poles of organisational effort; reconciliation may not always be possible. The appraisal process gets emotional in case participants sense adverse entries or anticipate confrontation. There may be outbursts of temper or even sarcasm which leaves parties hurt and resentful.

- (b) Appraisal process is often judgmental. This causes conflict because the manager is required to act in a dual capacity, as ‘judge’ and ‘counselor’ which he may not be trained or experienced to be just to.
- (c) The appraisal process gets ambiguous as managers do not fully appreciate their responsibility and also lack the psychological insight and interactive skills needed to appraise successfully.

### **6.3.2. Modern Methods: Management by Objectives**

Management by objectives (MBO) is a systematic and organised approach that allows management to focus on achievable goals to attain best possible results from available resources. It aims to increase organisational performance by aligning goals and subordinate objectives throughout the organisation. (business e- coach, 2005)

According to Odiorne (1965), result-oriented appraisals or MBO is “a system wherein the superior and the subordinate managers of an organisation jointly determine their common goals, define each individual’s major areas of responsibility in terms of results expected of him and use these measures as guides for operating the unit and assessing the contribution of each of its members.”

#### **Steps in the Process**

The main steps in the process are as follows:

##### **(a) Determination of Results**

The first step is to identify key areas in which positive results are desired. The general purpose of the organisation should be articulated in terms of meaningful objectives for each unit within the organisation. Once identified, the objectives should be delineated and should not normally be changed during the year. Objectives should be specific and achievable as short- term manageable targets. They should distinctly characterise the subject’s job; in other words be directly related to his job description. These should be tasks for which the subject is held accountable. They should be realistic and achievable, at the same time; challenging enough to make the employee stretch his potential for the organisation’s good.

Job design helps in goal setting for each level. It enables setting out targets quantitatively, for better performance measurement. The basic ideas behind written requirements for each position is, specification of duties, responsibilities, reporting relationships and qualifications (attributes or specifications) desired for achievement.

Each subordinate is required to establish short-term performance goals or targets. It is necessary that subordinates’ targets are discussed with superiors for better co-ordination and avoiding of role conflict and ambiguity. According to O.A. Ohmann (1957) this procedure gives subordinates an opportunity to make their own evaluation of target accomplishments and assess further scope for improvement. While discussing results, the subordinate actually appraises himself and gains further insight

for improved performance regarding his methods, attitudes and behaviour. MBO is hence, first a diagnostic tool for self appraisal, then an action programme for change and improvement, next, a tool for implementation.

The second step is to clearly lay down the requirements and expectations at every level regarding expected volume of output, quality stipulations, time and money investment required etc. The idea behind the exercise is that performance appraisal system has its genesis in the broad purposes of the organisation.

### **Recording Observations**

The appraiser records the performance of his staff members against norms articulated in well-designed appraisal forms. There is a formal provision for self-appraisal by the incumbent. Self-appraisal process enables self-assessment on the part of the employee. He analyses his present performance and identifies his strengths, weaknesses and potential for future growth, as well as craft plans for improvement.

### **Performance Progress Review Conference**

Once performance appraisal is completed, the next step is performance progress review conference for exchange of information between the appraiser and appraisee. The subject matter is progress review as per specified parameters. Should parameters be changed or retained in their original form? Does format of appraisal chart need reviewing? What section should be added to orient it towards desired end such as career planning or performance improvement or enhancing productivity etc.?

### **Individual Development Programme**

Based upon performance-appraisal reports, a plan can be developed jointly by the appraiser and appraisee identifying specific performance targets for development period under review and formulating a description of specific approaches under consideration for improving the performance of the subordinate.

### **Post-development Programme Review Conference**

Post-development review is designed to evaluate the results of the individual development programme and to establish new or modified targets for the ensuing review period.

MBO approach has limitations. The procedure may be impracticable in cases where the top personnel are simply not interested in involving subordinates in decision making. Besides, the approach stresses on tangible goals and not intangibles, like honesty, commitment of employees which actually determines performance.

### **Feedback to Employees**

One of the important aspects of performance appraisals is the provision of clear performance based feedback to employees (Rearce and Portee, 1986). Raters tend to inflate performance ratings when they know their reviews will be fed back to the raters (Antononi, 1994). Inflated feedback gives distorted information. The question

arises; is performance appraisal feedback necessary? Many Korean organisations are known to offer no performance appraisal feedback to raters. Performance appraisal is viewed in Korean organisations as bureaucratic red tape which no body really cares about. However, they do take performance appraisals into account for promotions. The application of the concept is culture specific (Lee and Shin, 2000).

It is also to be kept in mind that benefits of appraisals are not primarily regarding procedure. Benefits result only when procedure is supported by consistent and fair judgment and managerial acumen. W.B. Oastetter has rightly said that although “there is a considerable amount of knowledge and understanding required to plan, organise, implement and operate a performance appraisal system, the application of the process need not be complicated”. There is generally an inverse relationship between the amount of paper work involved in the appraisal process and its effectiveness. Consequently, the emphasis of the appraisal process should not be on an elaborate system of forms, procedures and reports. The focus of this approach is the self-development and ‘self actualisation’ of personnel. The basic focus is on employee development. Performance evaluation therefore is something of an executive art and science in itself.

#### **6.4 PERFORMANCE APPRAISAL OF PUBLIC SERVICES IN INDIA**

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The performance of the civil servants is commented upon by the controlling authority, which normally is the head of the department. He rates the incumbents on several parameters, such as competence, punctuality, efficiency, capability, ability to work with the team, leadership qualities, etc. Often efficiency rating is a matter of subjective assessment. Level of efficiency is rated; *outstanding, very good, good or fair*. Promotions give special weight to a consistent ‘outstanding’ grade. Assessing authority rates integrity as “*totally beyond reproach*”, “*of unquestionable integrity*”, “*beyond doubt*”, or as, “*nothing adverse has come to notice*”.

Performance appraisal system followed in public services in India is based on the limiting idea of efficiency. Unless ‘integrity’ is rated negative, this parameter does not matter in the process of promotion. In the prevalent climate, it has to be recognised that integrity is as much, if not more, relevant to public service efficiency. If we consider probity and integrity in public service as national assets, an integrity rating like “*of unquestionable integrity*” has to be given due weight for promotion. By doing so, we would place equal emphasis on both efficiency and integrity. (Reddy, 1990). Mere absence of negative rating does not imply ethical behaviour. In the prevailing climate, integrity is as tangible a value added as ‘efficiency’ and should be given due count. It need not be asserted that the present crisis in public personnel administration is due to lack of integrity. Integrity is built into the idea of effectiveness. Integrity needs to be studied academically; all its dimensions need to be brought out and the same incorporated as a *positive virtue* in performance appraisal charts. Responsibility and responsiveness may be tangible suggestions. Hence, the first priority of public personnel administration is to improve ethical standards with a view to rooting out corruption.

## **Weaknesses**

Despite all the efforts to make performance appraisal objective and useful, loopholes remain in the system as is practiced today. Some could be discussed as follows:

- (a) There is high degree of subjectivity in performance appraisal reports for employees at all levels. Performance appraisal is used more as an instrument of ‘subservience’.
- (b) Employees, especially if they are due for promotion have to “chase” the concerned reporting, reviewing and accepting authorities to ensure that their appraisal report is written on time.
- (c) It is a common complaint that appraisal reports are never written on time. Time lag means that reporting and reviewing authorities do not remember all benchmarks of performance for the period under assessment.
- (d) For employees who are transferred frequently in a year, proper assessment of performance is difficult. It becomes more an official directive complied with, than an activity aimed at management development.
- (e) It is difficult for secretariat employees, especially assistant level upwards to under-secretary, to write anything meaningful in their annual confidential reports against targets and achievements. It is also not possible to prescribe any targets for officials who are entrusted with only deskwork. Even for others, specific targets are not fixed by the superiors.
- (f) Assessment of employee made in terms of ‘satisfactory’, ‘good’, ‘outstanding’, differs from officer to officer and also department to department. Where output of work can be measured easily objectivity is facilitated, but in government departments which deal mostly with policy matters, quantification is difficult.
- (g) Only adverse remarks are communicated to the employees. Even this is not done on time in many departments.
- (h) Number of ACRs being reported or reviewed should be limited to the span of control lest it become a meaningless, routine activity.
- (i) In most states, the formats are uniform for all the employees regardless of the nature of functions. There are wide variations in the grading of civil servants between states and the linking of empanelment of civil servants to ACRs has led to politicisation of the processs. Effort should be made to revise and update the ACR format and incorporate more department-specific and objective feedback

## **Recommendations for Better Objectivity of Appraisal**

The Karnataka Administrative Reforms Commission in its interim report in 2001 examined the problem of performance appraisal and made suggestions for improvement. In order to improve performance appraisal, following changes have been recommended to be adopted;

- All information about the annual confidential reports of the employees must be computerised. The management should guard against missing reports or ‘level jumping’ in the process;
- There should be different formats for ACRs for secretariat, field, and public sector employees;
- Apart from adverse comments a copy of each year’s completely written ACR must be given to the employee. This will help the employee know how his or her performance is being evaluated. He might make necessary improvements for the next year. The ACR need not be ‘confidential’ in a liberal environment;
- As is done for the armed forces and central police organisations, a grading system on a 10 point or a 7-point scale to assess the individual traits and attributes could be introduced as a necessary facet of the ACR exercise;
- All levels of officers who have to write ACRs must be given proper training in writing ACRs objectively;
- Counseling may be introduced for employees who get repeated adverse remarks; and
- Action should be taken against officers who delay writing ACRs whether they are reporting, reviewing or accepting authorities.
- Time frame should be fixed for approval of ACRs by ministers. ACRs are delayed at this stage for several months.
- The comments in the ACR should be utilised as inputs for training, job assignments and career development planning.

Confidential reports have far-reaching influence on the career of an employee. These should therefore be handled prudently. It need not be emphasised that the remarks such as “good”, “very good”, “satisfactory”, “fair”, etc., are not made with precision. Each one of these has different implications and leads to unintended consequences for the employee’s career.

Suryanarayana and G. Prageetha Raju (1998) rightly state, that if training is provided meticulously at regular intervals for *both appraiser and appraisees* conceptual clarity will improve and appraisal process would become more acceptable to the organisation. Through training there is exchange of ideas and experiences. Stimulated role plays ensure better interaction in the hierarchy.

In this context, the recommendations of the Fifth Pay Commission are worth noting:

- A ten point grading scale should be used instead of the broad categories of good, very good, to consider finer and subtler distinctions among personnel. Benchmarks should be prescribed for performance.
- Transparency should be ensured through partial opening of the process by provision for communication of the final grading to the employees. In case of low grading, such communication would afford the employee an opportunity to represent against an assessment that may adversely affect his career advancement.
- Assessment and appraisal of employees' performance should be a continuous process. Officers responsible for reporting on their subordinates should maintain a weekly or monthly record of their impressions about the performance and contribution of subordinates, including, important achievements, shortcomings, adherence to schedules for completion of specified tasks, etc.
- Assessment of an employee should be in the context of the team and department as a whole since he does not operate in isolation but as member of a group. Appropriate weight for group work should be assigned in grading. Constraints should be clearly stated.
- The employee can opt to work under a different reporting officer in case of inconsistency or unfairness in review.
- Five years review should be taken into account for career advancement schemes.
- There should be quinquennial review of performance for Group A officers.
- Counseling of employees should form an integral part of performance appraisal.
- Delays should be minimised by adhering scrupulously to schedule prescribed and computerisation of data.

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## **6.5 PROPOSED IMPROVEMENTS**

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Improvements can also be made without much difficulty to improve the consultative nature of the ACR process and the feedback managers provide to staff. *A Performance Appraisal Model* will be of great use in reforming Annual Confidential reports.

Promotions should be merit based and the respective authorities have to benchmark the best practices and evaluate the performance of the civil servants both qualitatively and quantitatively along a variety of parameters. The performance appraisal of civil servants has to be according to these benchmarks and the necessary placement reward and punishments can be taken up by the authorities. (Misra, 1997)

The recent reform in Hong Kong Civil Services wherein it was mandated that the civil servants would be recruited on a permanent basis but their continuation in the job would be subject to verifying the performance indicators from time to time. This model can be replicated in India also. There may be periodic performance reviews or audits for civil servants, especially when they become 50 or complete a certain number of years in service. (Satish, 2005)

The Indian system fails to measure technical competence and their capability to carry out neutrally and impartially the policy directives of political decision-makers though this should be the spirit which guides their functioning. It is said that each profession should develop its own code of conduct and performance appraisal system. By this reckoning, the civil service system in India should also respond to the need for developing its own system of performance appraisal and code of conduct. No law can offer an all-time solution in these regards. Most of the Indian acts in their present form are adopted versions of their British editions. A perusal of such Acts clearly reveals that they were never intended to prescribe a code of conduct or a performance appraisal system. They only contained the powers and privileges, the service benefits, and the accountability mechanism which had to be followed by the civil servants (Morgan and Heady, 1997).

The Indian civil service allegedly lacks professionalism. As noted earlier, they act more as generalists and much less as specialists. The induction training has been designed in such a way that hardly any scope is left for giving a non-generalist orientation. Once they join the service, they are shuffled for short trainings from one to the other department, so much so that they hardly get an opportunity to develop an understanding of technical aspects of a problem or acquire a technical expertise. The inputs coming from civil servants can lead to a much higher value addition in certain areas if they could have an understanding of practical aspects related to them. For instance, professionalism of a high degree is required to handle complex tasks at the Ministry of Finance, Petroleum, Commerce, Power, Transport, Food and Agriculture, Irrigation, Communications, Atomic Energy, etc.

A study of the overall perception of the officers of the IAS by members of the Indian Police Service, politicians, technocrats, and academicians points out that they project themselves as experts on everything. Their concern for, and focus on their own career is very high. They are self-opinionated, power-hungry, shrewd and manipulative, procedure and rule-focused, arrogant, inaccessible, judgmental and critical, and having concern for minor details. They have been rated very low on positive traits such as commitment to organisation, trustworthiness, risk-taking, conscientiousness, innovativeness, and creativity. Most of the studies have rated them lowest as visionaries and transformational leaders. They are considered to be no-change agents. The self-perception of these officers (officers of the IAS) is exactly opposite. The thrust of the criticism of the Indian civil service system is on overstaffing, wastefulness, cautiousness, unfairness, and non-responsiveness, the last one being the most important of all, which could be seen from the fact that as per a recent decision of the government, discussions are being conducted on effectiveness and responsiveness of the Indian administration in the different parts of the country.

There is also an underlying Government concern about leadership skills in the Civil Service and elsewhere in the public sector. Largely in response to this, the Civil Service now has in place a six-pronged reform programme whose elements of

particular relevance to the Senior Civil Service include: (a) stronger leadership with clear sense of purpose; (b) sharper performance management; (c) a dramatic improvement in the diversity of staff; and (d) a service more open to people and ideas.

There has to be a regular appraisal of performance of public service providers at every level. As is done for the armed forces, a grading system on a ten-point scale to assess the individual traits and attributes could be introduced as a part of the annual confidential reports. Counseling may be introduced for those employees who repeatedly get adverse remarks. A time-frame should be fixed for writing the annual confidential reports as well as for their acceptance. It may be a good idea to provide a copy of each year's completely written annual confidential report to the employee concerned, to enable him to know how his/her performance had been judged and what improvements are required for better performance (Meenakshi Sundaram, 2005).

In the absence of standards, public service organisations get away with poor performance. The absence of an effective Performance Monitoring and Evaluation System makes it difficult to identify effective public service organisations from those which are unable to provide services. It is, therefore, necessary to set standards of public services and to ensure that the standards are adhered to by putting in place an effective performance monitoring and evaluation systems. (Administrative Staff College, 2005). However, with regard to specifying service quality standards, the following issues need to be considered:

- How can one take into account the diversity of circumstances across the country while developing service delivery standards;
- What should be the mechanism for enforcing standards of service ;
- Can financial allocations or payments be linked to service quality standards? How can one ensure equity in this regard, given that states start from different levels of competence and infrastructure ?; and
- Is there a meaningful way of establishing objectively verifiable service standards for achieving universal and quality primary education, reduction in infant mortality rate, and effective access to primary health care?

Since a large number of India's citizens live in rural areas, posing inherent difficulties in service delivery, special attention has to be paid to the improvement of service delivery in rural areas. Some of the problems associated with rural areas are the lack of credible institutions, poor resource base, and unwillingness on the part of public service workers to serve in rural areas, lack of accountability due to distance from the controlling unit, issues of local capture and information asymmetries. Following are some issues related to improvement of service delivery in rural areas:

- How can existing service delivery mechanisms in rural areas be reinvigorated to deliver services effectively;

- Can non-public sector delivery mechanisms backed by voucher payments offer an alternative to improving service delivery in rural areas;
- Can effective decentralisation lead to improvement in the delivery of services in rural areas;
- How can the tools of e-government be effectively used to improve service delivery in rural areas;
- Can performance evaluation systems based on citizen inputs help in improving the delivery of services;
- What level of local government should be the unit of service in rural areas, taking into consideration issues of economies of scale and accountability ?; and
- Will local economic growth help in improving the quality of public services in rural areas?

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## **6.6 CONCLUSION**

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An effective performance appraisal system is a continuous activity beginning with goal setting, progressing through periodic reviews and culminating in traditional year end evaluation. It is designed to improve overall functioning of an organisation. However, performance appraisal is still perceived as a fault-finding exercise which encourages favouritism and timidity and servitude on the part of employees. The final grading of an employee depends much more on personal loyalty than performance. Final grading is made a personalised decision. Besides, appraisal is arguably not taken seriously enough. Confidential reports are completed rather lackadaisically barely a few minutes before final submission indicating that supervisors take this actively casually.

Though meant to serve the three fold purpose of monitoring, evaluation, and control, the appraisal system has been reduced just to a control mechanism to secure submission and compliance of the employee rather than an instrument for improving the capability of the organisation and individuals. The proclivity is suggested by the term ‘annual confidential report’ or ‘confidential character role’ that is used to name performance appraisal chart in government. The two obvious characteristics of performance appraisal in government are secrecy and fairness. Whereas secrecy is maintained by strict hierarchical structures of the government and its impersonal character, the fairness of the system has also been called into question. Subjective attitudes, personal biases and outdated value systems have been pointed out as the faults plaguing the system. Finally, it is necessary to discuss how responsibility for performance appraisal can be made more meaningful (Sharma, Harinder and Dey).

- The employee should be made aware of the organisation’s expectations and norms used for evaluation
- The employee should have the right to raise his voice against unfair practices in rating. Such provision for hearing should be built into the

appraisal. Systemic evaluation and potential evaluation should be clearly distinguished for the benefit of the employee.

- Performance appraisal should ultimately become a development-oriented evaluation approach.

The focus of analysis in this Unit has been on appreciating all aspects of Performance appraisal. In order to get thoroughly sensitised to it, the discussion has been on performance measurement, performance management, etc., besides highlighting the performance appraisal in public systems.

## 6.7 KEY CONCEPTS

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**Indicators:**

Indicators are framed as per nature of a specific job. For example, indicators for a teacher and a civil servant would be different. Indicators enable progress (lack of) at a specific level.

**Measures:**

Measures provide specific information as to the extent of accomplishment of targets. Measures are both subjective and objective, as human performance cannot be judged by objective standards alone. The only condition is that measures should be amenable to a result- oriented assessment. Examples of measures include, time spent on specific activity, work hours, quantity of output etc.

**Performance Gap:**

Perceived difference between actual and desired performance is understood as performance gap. Human Resource Development activities are undertaken as per analysis or diagnosis of causes of performance gap. Performance gap is human and only indicates the needs for improvement and how the same should be affected for desired performance at that level.

**Performance Plan:**

Performance Plan integrates parts into the whole of organisational effort, including articulation of performance standards at each level, integration of performance and total measurement. The idea behind a performance plan is that each activity in an organisation is tied to the whole and should not be assessed in isolation. Missing links, causing sub optimal performance at a level should be discovered and taken care of to rectify whatever is creating shortfall at that level.

**Results:**

Desired final or specific outputs in terms of quality, quantity or money and time cost, and human resource indicators as stipulated for effective work performance. Due to cost constraint, measurement by results is needed to derive maximum benefit with minimum cost. Human Resource audit and performance management and

development are based on results measurement, or the extent to which desired performance has been approximated or elicited.

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## 6.9 ACTIVITIES

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1. Discuss the concepts of performance measurement, management and performance development plan. Can they be applied to improve civil service recruitment?
2. What are the shortcomings in Annual Confidential Reports? How can they be remedied?
3. What is Management by Objectives? Discuss the steps involved in MBO.

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## **UNIT-7 REMUNERATION / SALARY SYSTEM**

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### **Structure**

- 7.0 Learning Outcome
  - 7.1 Introduction
  - 7.2 Wages and Salary
  - 7.3 Principles of Remuneration
  - 7.4 Methods of Determining Salary Structure
  - 7.5 Role of Central Pay Commissions
  - 7.6 Conclusion
  - 7.7 Key Concepts
  - 7.8 References and Further Reading
  - 7.9 Activities
- 

### **7.0 LEARNING OUTCOME**

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On studying this Unit, you should be in a position to:

- Understand the principle of compensation administration;
- Understand the concept of minimum wage, fair wage and living wage; and
- Refer to principal recommendations of pay commissions in India.

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### **7.1 INTRODUCTION**

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Compensation is a broad term referring to financial rewards received by persons through employment relationship with an organisation. Compensation has two functions: the ‘equity’ function and the ‘motivational’ function. Individuals are likely to work effectively if they visualise that the prevailing reward system provides equitable remuneration for their efforts. Compensation functions as a motivator to future initiative human behaviour being highly complex with numerous motivational determinants. (Dwivedi, 1990) Specifically compensation is financial in nature because a monetary outlay is required to administer it. The importance of pay compensation is of high order for every employee. The standard of living and the social prestige of an employee depend on the pay he draws. A man chooses his job on the basis of the pay he expects to receive by it. (Leap and Crino, 1990)

From the point of view of the organisation, cost effectiveness is imperative. “Many OECD countries are examining ways of making public sector pay systems more flexible. For example, in the United States, Canada, Japan, Australia, New Zealand, France, Norway and The Netherlands, Spain, Switzerland and the United Kingdom performance based pay regimes have been operating. The premiums involved vary from less than 1 to 50 percent of the base salary.” (Yntema, 1993)

Quantification of HRM is being stressed as a desirable organizational practice. According to Yntema, the following activities help to quantify HRM; planning an annual human resources plan describing the staff not only in terms of size, ages, sexes, and races, but also in terms of levels of education, experience, performances, work preferences and potential. Such a plan can, for instance, help for effective replacement. Often the existing internal work force is not fully utilised to find replacement in case of vacancies. A similar systematic and detailed HRM databank on jobs or establishments in the organisation can also help inform which jobs are becoming obsolete, redundant or inappropriate.

Such monetary outlays may be 'immediate' (payable at specified time) or 'deferred' (in case of incentive plans). Accordingly, weekly or monthly pay is the immediate payment whereas a pension, profit sharing, or bonus plan, are examples of deferred payment.

Pay is related to motivation. Mason Haire (1969) remarks, "pay in one form or another, is certainly one of the mainsprings of motivation in our society." The health and vitality of services depend on the level of remuneration offered. Therefore, a salary system must be so designed as to attract, retain and motivate the best among staff. Undertaking challenging and arduous tasks gains momentum if the institution has the right number of employees, with the right level of talent and skills and right incentives.

Organisations establish their image as model employers through the salary contract. A model employer need not necessarily offer the highest rates of pay, but aim at creating such work environment within the enterprise which induces employees not only to have an economic stake with the unit but also abiding commitment which results from a sense of fulfillment through involvement with it. The true test of a model employer, as expressed in the Third Central Pay commission (CPC), should be, "whether the government is attracting and retaining the personnel it needs and if personnel are *reasonably satisfied* with pay and other conditions of service. The fulfillment of this test is an essential prerequisite for proper functioning of the administrative machinery."

An adequate and sound salary structure together with healthy physical and social working conditions is the '*sine qua non*' for organisational efficiency and effectiveness. Inadequate compensation has been "one of the major factors for strikes, inter-service tensions and rivalries, indifferent attitude to work, poor performance, frustration and low morale of the employees."

In other words, the aim of the organisation should be to create and maintain such condition whereby an employee feels like giving his best to the organisation, derives satisfaction out of his job and is suitably rewarded for his efforts. Under such conditions, the money spent is never 'cost'; rather, it is investment.

There is, however, no empirical evidence of direct proportionality between compensation and quality of job performance. According to Leap and Crino (1990), high levels of job satisfaction do not necessarily guarantee high levels of productivity. Conversely, dissatisfied employees might on occasions, unexpectedly exhibit high levels of job

performance. There is no direct correlation therefore, between job satisfaction (of which pay satisfaction is a major component) and performance. It is probably safe to say that compensation specialists have tried many different combinations to compensate employees better in order to motivate them to better standards of performance. In fact, no two organisations have the same philosophy and methods of structuring compensation packages in an attempt to draw extra effort from their employees. Deductions from researches so far have shown that:

1. Pay will generally serve to motivate employees if it is believed that good performance will lead to higher pay and if employees value pay as a 'motivator';
2. Organisations must articulate performance- pay relationship in organisational strategy to optimise benefits and reduce costs; and
3. Negative consequences associated with good performance and higher pay such as adverse peer pressure, negative social capital in informal organisation must be minimised. (Leap & Crino, 1990)

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## 7.2 WAGES AND SALARY

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The wage frequently expressed as an hourly rate, forms a payment for an individual's services while the salary relates to such payment frequently expressed as monthly rate. A wage or salary level relates to the average of the rates paid for the jobs in a given population that is industry, enterprise, region nation, etc, whereas a wage structure means a hierarchy of jobs where wage rates are embodied. (Dwivedi, 1990). While the traditional approach is limited to determination of wage structures and wage levels, the modern approach stresses the total compensation systems involving intrinsic and extrinsic rewards referring to endogenous and exogenous need satisfaction. With respect to wage, 'money wage' and 'real wage' can be different. Real wage relates to an employee's standard of living. Hence if there is price rise, his purchasing power and standard of living will fall if money income stays the same. Inflation has to be accounted for in periodic wage increases.

### Public Choice Implication

By *public choice theory*, free market is said to afford better rationality in *choice* to all concerned parties, viz. producers, employees as well as consumers. In controlled economies, there is simply a myth of consumer welfare, better provision of quality goods and services and employee welfare through social legislation. Workers' welfare can never be secured through welfare measures by the public choice argument, rather, by affording better choice to the workers regarding career decisions through the free market with provision of proper/adequate information. This places real effective bargaining power, through legislation, with the workers, who are then able to take their own welfare decisions. Hence public choice theorists are unflinching advocates of privatisation and the free market economy, which creates better 'choices' as per their argument, for all involved.

In free market economies, wages are determined by the free operation of demand and supply of labour. During cyclic business downturns, workers have little bargaining power; unemployment rises and wage levels reflect the iniquitous position. It is free operation of demand and supply in the market, which results in good employment options for workers, better labour policy for organisations and better quality goods and services provision for consumers. Controlled demand and supply of labour unnecessarily adds to production costs, confuses the workers regarding career choice and raises prices of goods while lowering quality. It also adversely affects competition, reducing ‘choice’ for consumers. New players cannot enter and exit the market freely, as per, economic expediency. It is rather policy that controls economics. In controlled economies, wage levels are fixed by legislation. The argument put forth by socialists is that because of surplus value appropriation by the employers, workers are never fairly compensated for the value addition to the organisation. They are compensated partially; *surplus value* appropriation implies exploitation of the workers by managements.

There is the other side to the picture. Since money compensation to employees forms ‘cost’ for the employer, collective bargaining has to be resorted to by workers to maintain wages at an equitable level. Argument of economic expediency is offered by managers in favour of low wages. It is argued that wage increase causes inflation by augmenting effective demand (purchasing power of workers) in the economy. In the long run, it leads to unemployment by, Keynesian argument (excess demand over supply makes management deliberately cut on supply which causes retrenchment of workers and hampers further business expansion). However researches have shown that such impact on unemployment is marginal or even negligible (Chapman, 2005). It is also to be noted, that differential wages as an incentive system promote productivity, though only to a limited extent (owing to criticisms of the carrot and stick approach). Besides, in developing countries like India, inflation and unemployment may not be always due to *excess demand* (purchasing power) *over supply*, but rather due to supply deficiency owing to supply bottlenecks caused by corruption, unfair price rise due to operation of cartels, infrastructure problems, etc. which lead to endemic underutilisation of capacity in organisations which create disequilibrium conditions in the economy. It is reconciliation of the two paradigms that is the challenge for developing *mixed economies* like India. Recent stress is on creating the *wage-productivity* link. Productivity rise will negate potential supply demand disequilibrium following rise in wages without consequent raise in productivity. Such link, it is hoped, would counteract price rise and prevent real wages of workers from falling. The stress on bonus and workers participation in management and other intangibles like higher order need satisfaction, employee empowerment, etc., are being considered to motivate employees to contribute enthusiastically to organisational productivity. While workers benefit from good wages, supply situation improves, unit cost decreases, prices get manageable with better productivity and utilisation of capacity of unit organisations and the whole economy is uplifted. International trade is also set to benefit. Good human resource management stemming from the initiative of the management is the imminent need. The Trade Union movement needs a new orientation in that recalcitrant tactics have to be replaced with an adaptive and accommodating attitude with respect to change policies and constructive schemes pioneered by the management.

## **Levels of Wages**

The course of collective bargaining was influenced in 1948 by the recommendations of the Fair Wage Committee that reported that three levels of wages exist - *minimum, fair, and living*. Minimum wage is fixed from the standpoint of employee health and well being and the nature of his work. It 'prevents sweating' of the employee and ensures a reasonable standard of living for him (Dwivedi, 1990).

The objective of the act of 1948 is to ensure employees, not only of physical subsistence but also maintenance of health and decency as would be conducive to the general health of the public. The fifteenth Indian Labour Conference, a tripartite body, in its meeting in 1954 defined precisely what the needs-based minimum wage was and how it could be quantified using a balanced diet chart. This gave greater boost to collective bargaining; many organised sector trade unions were able to achieve reasonably satisfactory indexation and a system of paying an annual bonus. It is now the law that a thirteenth month of wage must be paid as a deferred wage to all those covered by the Payment of Bonus Act. The minimum bonus payable is 8.33 percent and the maximum is 20 percent of the annual wage. Constant Relative Real Income Criterion has been considered most apt out of the various approaches for calculation of minimum pay. As per estimations of the National Productivity Council, the real per capita income grew by about 28% during the period 1986-87 to 1995-96. The Fourth Pay commission had adopted a norm of 20%. The Fifth pay commission has adopted this approach as against other approaches discussed, and adopted a compensation factor of 30.9% as being the increase in the per capita net national product during the period 1986-1995 (works out to Rs 574.4) The salary figure works out to approximately Rs. 2440(adding 574 to basis of 750 and dearness allowance if Rs. 1110 as on 1.1.96. Notably, the consumption unit was taken as three members as against 4 recommended by the NPC.

*Living wage* is defined and expressed by the formula, necessities plus (+) incentives. There is considerable debate about what constitutes a *fair wage*. Point of contention seems to be affordability on the part of management and justice for the worker which may not always be reconcilable. 'Capacity to pay' applies only to fair wage, which can be linked to productivity. (Dwivedi, 1990)

## **Minimum Wages Act 1948**

The Minimum Wages Act, 1948 empowers the government to fix minimum wages for employees working in specified employments. It provides for review and revision of minimum wages at suitable intervals, not exceeding five years. The central government is the appropriate agency in relation to any scheduled employment carried on by or under its authority or in railway administration or in relation to mines, oilfields or major ports or any corporation established under the central act. State governments are the appropriate agencies in relation to other scheduled employment. Enforcement of minimum wages in central sphere is secured through the Central Industrial Relations Machinery (CIRM).

## **Wages and Productivity**

The vicious circle of poverty and unemployment and low productivity can be broken only by a tremendous stress on the maximum possible contribution made by all the participants in the processes of production. For the workers no real advance in their standard of living is possible without a steady increase in productivity, because any increase in wages generally, beyond certain narrow limits, would otherwise be nullified by a rise in prices. Workers have, therefore, to insist on and not resist the progress of rationalisations in their own interest and in the larger interest of the country.

Industry is being called upon to meet, as rapidly as possible, the claims on behalf of the workers for a living wage, better living and working conditions, the needed employment opportunities and a fuller measure of social security. Productivity has many facets and it suffers because of a one-sided and rigid approach which is frequently adopted by both the employers and the workers. Rationalisation of effort in every direction is the true basis of productivity. The term has often been wrongly associated with increase in workloads and added strain on workers to swell the volume of private gains.

Large gains in productivity and an appreciable reduction in unit costs can be secured in many cases without causing any ill effect on the health of the workers or incurring any large outlays. Greater responsibility in this regard rests on the management which should provide the most efficient equipment, correct conditions and methods of work, adequate training and suitable psychological and material incentives for the workers. For several purposes, it will be more helpful to take the working group as a unit of activity rather than the individual worker, and the scheme of incentives should be aimed, at the group no less than at the individual. The industry, trade unions and the government should together ensure that every worker whether employed already or freshly recruited receives adequate training to acquire the requisite skill and efficiency. By proper organisation, it should be possible to supply the essential needs of the workers at reasonable cost without unduly increasing the burden on industry. Management has to give the lead by bringing about the maximum rationalisation in its own sphere and eliminating all unjustifiable practices which at present act as disincentives in drawing the best out of the workers.

Greater attention has to be paid to the training of management at various levels in the important aspects of employer-employee relations. Systematic studies need to be conducted for determining the individual wage differentials and the manner in which wages should be linked to productivity. Techniques for improving the managerial and supervisory skills and training in the higher productivity techniques besides carrying out field investigations like job evaluation and work load studies have helped in stimulating the interest of both management and workers. Further development in this field can be of considerable assistance in evolving rational wage policies.

### **Objectives of a Salary System**

Human resource managers are primarily interested in the impact pay has on individual performance and organisational effectiveness. Most compensation programmes are designed to attract quality job applicants to the organisation and motivate employees towards further improved performance. This succeeding part examines the issues of pay equity and job satisfaction and the effects of compensation on job performance, employee attendance and organisational effectiveness.

Determining wage and salary payments is one of the critical aspects of human resource management because: (1) the organisation's reward system affects recruitment, job satisfaction, and motivation of employees; and (2) wages and salaries constitute cost to the employer with implications for organisational efficiency. A carefully designed wage and salary programme administered as part of sound organisational policy and consistently applied rules is essential, if human capital is to be used effectively to achieve organisational objectives.

## **Objectives of compensation can be listed as:**

- To meet the needs of employees with emphasis on security and esteem needs;
- To motivate workers to achieve desired levels of performance;
- Cost-effectiveness based on affordability;
- To be competitive with other organisations in order to attract and retain quality human resource;
- To comply with wage and salary provisions in the labour contract and with federal and state laws and regulations; and
- To be fair and consistent throughout the organisation based on scientific criteria.( Wendell French)

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### **7.3 PRINCIPLES OF REMUNERATION**

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The factors which are taken into consideration for the determination of salary scales of services are as follows:

#### **I. Structure of Emoluments**

Structure of emoluments should be so designed as to ensure recruitment of persons with requisite qualifications and abilities at each level. Fairness and equity should be the two prime considerations. Job evaluation is done for the purpose of addressing the aforesaid requirements.

#### **2. Scales of Pay**

Scales of pay of the employees should be fairly comparable to the rates of remuneration prevailing outside the industry. With liberalisation and economic reforms in the public sector, the government may no longer be able to maintain tight control over compensation packages of public sector employees who have now been allowed to negotiate pay scales with their unions. Recent spurt in negotiated compensation packages for employees in the private sector is a result of *intense* competition among the large number of players that are in the picture. While the present boom in private sector salaries may be a transitory phenomenon and may be limited by its own parameters, there is need for a national wage policy to ensure uniformity and consistency in pay administration. For example, in Singapore, salaries in government have been benchmarked to salaries in the private sector. Salaries of permanent secretaries in the United Kingdom are comparable with salaries of chief executives in the private sector. In India, government employees enjoy perks which need to be quantified in rupee terms to facilitate comparison with private sector remuneration.

#### **3. Social Criteria**

Minimum salary should not be determined only on economic considerations but should also pass social tests. The subject of minimum wages ha evoked much criticism. The following appear to be some of the approaches for the determination of minimum wages (fifth central pay commission):

- (i) The need-based approach;
- (ii) Capacity to pay approach;

- (iii) Relative parities approach;
- (iv) Job evaluation approach;
- (v) Productivity approach; and
- (vi) Living wage approach.

The decision of pay commission on minimum wages reveals a harmonisation attempt between the need-based and the capacity to pay approaches. This has been essential because minimum wage which was found to be 'socially desirable' was not necessarily 'economically feasible'. Job evaluation and measurement of productivity was not found to be feasible as determining factors by the pay commissions.

Comparisons with the public and private sector were also not held desirable. Regarding living wages, it has been observed by the Fifth Pay Commission that a living wage is desirable and the state must endeavor to reach it as indicated by Article 43. The concept, however, is inherently elusive for living wage is not a static concept since it rises or falls with the differing prosperity level of the state. The fourth central pay commission was content with the state being a "good" employer as against a "model" employer.

#### **4. Equal Pay for Equal Work**

'Equal pay for equal work' is an important factor in pay determination. It is an endorsement of the fact that organisations should compensate the positions and not the individual. It may be mentioned here that the Canadian Human Rights Act had further amplified the concept to include "equal wages for equal *value* of work". Theoretically, nothing can be held against it; in practice however it is extremely difficult to define what equal work means because it's the person who works that makes the difference.

#### **5. 'Variations' in Compensation**

'Variations' in compensation should take into consideration the extent of experience of an employee, his background, skills, duties, responsibilities and hazards involved in work. If the work is hazardous, pay scales would need to be higher to attract and retain good employees.

#### **6. Level of Consumer Prices**

Prevailing consumer prices should be taken into consideration for fixing pay scales and determining other conditions of service. Inflation should be counted in periodic wage revisions.

#### **7. Social Considerations**

Social considerations deem that minimal disparities between the highest and lowest salaries should be maintained to ensure an equitable and a just social order. In India, the gap is rather wide.

#### **8. Making Salaries Commensurate with Personnel Requirement**

Making salaries commensurate with the kind of personnel the organisation requires helps attract good personnel. Fair wage determination has assumed increased significance in the 'knowledge era' where there is better bargaining power with the workers.

#### **9. Employer's Capacity to Pay**

Employer's capacity to pay employees is an important factor in the determination of salaries or wages. The central pay commission observed that if the economy is in a mess, the employees alone cannot have a good time. On the other hand, if there is a generally

upbeat mood in the country, government employees should also share in the general prosperity. An examination of the salaries of central government employees over the years has shown serious erosion on account of inflation, especially at the higher levels. The extent of erosion at the secretary level is as high as 71 per cent. This is all right, largely, but it has caused resentment among the civil servants of the union, state and local governments and also among employees of different states. The central government generally has the highest level of emoluments; the public sector undertakings are somewhat ahead of them and provide even better opportunities. On the other hand, are the local government, whose financial position is generally not good and their employees have to rest content with rather low level of pay. Quite often the opinion has been expressed that the government should seek to provide comparability in pay amongst the employees of the union government, the state governments, the local governments and quasi-government organisations.

## **10. Legislation**

Apart from the factors mentioned above, legislation plays an important role in determination of salary and wage rates e.g. minimum wage legislation. Political and economic maxims do not always coincide. Challenge of policy formulation is a reconciliation of political and economic theory. For example, state determination of wage though answers *social necessity*, militates against *economic equilibrium*. As explained earlier, a rise in minimum wage rates can potentially up prices and create inflation and unemployment in the economy.

## **7.4 METHODS OF DETERMINING SALARY STRUCTURE**

There is need to determine salary on the basis of inputs like education, training, experience, etc., Management has to ensure a wage structure which ensures equilibrium between the inputs and outputs pertaining to the individual and the organisation. This requires 'job evaluation' which is a process of assessing the relative worth of various jobs in an organisation so that differential pay may be administered for jobs of different worth.

In most new organisations salary structures are adopted from other organisations as job evaluation is always a costly exercise and difficult to keep up to date. Many top executives feel that job evaluation should be avoided as long as problems are not too pressing. However, job evaluation is an accepted methodology for determining pay structure. The focus of discussion in the subsequent text is on job evaluation for determining salary or wages. The focus of discussion in the subsequent text is on job evaluation for determining salary or wages.

### **Job Evaluation**

"The purpose of job evaluation is the establishment of rates of pay for various jobs on an equitable basis. It is intended to eliminate chance, favouritism and individual bargaining in determining wage rates and for establishment of fair and equitable wages. The basis of job evaluation programme is an *occupational description*, which indicates precisely the duties or tasks of the person holding the job. It gives facts related to work content as the hours of work, age, sex and educational requirements of the worker, value of material handled and danger of spoilage, value of tools and equipment used and danger of breakage, accident hazard to self and fellow workers possible damage to clothing, working conditions as dirt heat moisture, lifting, standing, walking, judgment attention adaptability, mental alertness, initiative and planning, required experience, necessary

quickness of expertness in coordination of sight and hearing with muscles of arms or feet..."(Miller, 1987)

## **Methods of Job Evaluation**

There are two methods for job evaluation:

### **I. Non-Analytical Methods:**

Non-analytical methods establish grade hierarchy but are non-quantitative while analytical methods are quantitative and can be expressed in some numerical form. Small organisations prefer non-analytical methods as compared to analytical which is used by large organisations. Non-analytical methods, that is, job ranking methods and job classification methods are discussed as follows:

#### **(a) Job Ranking Methods**

Ranking is a direct method of comparing jobs together so that they are ranked in the order of importance. Job ranking is one of the simplest methods to administer. Jobs are compared to each other based on the worth of the job to the organisation. The 'worth' of a job is usually based on judgments of skill, effort (physical and mental), responsibility (supervisory and fiscal), and working conditions of the job. Jobs are then ordered *as per* their relative importance. This technique simply lists the relative worth of the various jobs under consideration. Jobs are not divided up factor-wise but are considered as a whole. Such exercise may not be practicable in large organisations with multifarious nature of jobs and diverse processes. The other drawback is that the appraiser may not practice propriety in ordering jobs as he is not likely to be familiar with all the jobs in sufficient measure. In such case, ordering is likely largely to be a matter of opinion.

Job ranking also may not indicate the degree of difference between jobs. In some cases it might be too pronounced; in others, negligible, bringing the very rationality of the exercise in question. For example 1 and 2 may be relatively closer than 2 and 3. Rank does not bring out the measure of difference.

#### **(b) Job Classification Method**

Selection is made of one of two jobs from each level of the grading structure and standard descriptions of duties, responsibilities and requirements of these jobs are prepared. These jobs are known as *benchmark* or *key jobs*. Job descriptions are then examined for jobs which are classified into appropriate grades or levels. Since classification depends on the existing jobs for classification, it might become unrealistic since it cannot gauge into changes in job contents. Job grading is done by establishing labour grades. Jobs are matched against requirements of each grade. It is widely used in USA to grade various clerical administrative and professional jobs.

## **II. Analytical Methods**

Analytical methods comprise Factor Comparison and the Point Method.

### **(a) Factor Comparison**

The process entails identifying key jobs which are *assumed* to be paid properly. Total pay per hour is assigned and attributed to some key factors in these jobs. Some commonly used factors are mental requirements, responsibility, working conditions, physical requirements and skill requirements. Next step is to compare other jobs with key jobs. Pay is fixed according to attributes required in the assessed job in relation to the key job; for example, how much should be paid for physical requirements for job B if Rs.100 is paid for it in key job A. Accuracy of the method depends upon correctness of pay determination in key jobs and criteria adopted for judgment with regard to comparisons of other jobs with key jobs.

### **(b) Point Method**

It is an extension of factor comparison method. A set of *compensable* factors are identified as determining the worth of jobs. Typically the compensable factors include the major categories of:

1. Skill
2. Responsibilities
3. Effort
4. Working Conditions

These factors are further broken down into:

1. Skill
  1. Experience
  2. Education
  3. Ability
2. Responsibilities
  1. Fiscal
  2. Supervisory
3. Effort
  1. Mental
  2. Physical
4. Working Conditions
  1. Location
  2. Hazards
  3. Extremes in environment

Each factor is then divided into levels or degrees, which are then assigned points. Each job is rated using the job evaluation technique. The points for each factor are summed up to form a total point score for the job. Jobs are then grouped by total point scores and assigned to wage or salary grades so that similarly rated jobs are placed in the same wage or salary grade. Factors are agreed upon by industries in formal meetings and point values assigned for each factor. For example, experience may be a factor. Development of a factor, in this case, experience is traced as employee grows in experience and

compensation rises accordingly. For example, experience of three months or less, is experience of first degree, three months to one year, second degree and so on. The important condition is that there has to be an agreed definition of each factor to ensure parity/similarity as between industries. Though uniformity is difficult to achieve, some similarity has been possible through negotiations.

Point values justify a wage rate and helps attract employees. Employees are able to assess themselves and also compare available jobs according to personal need. Provision of choice in employment is welcomed by them. Job surveys can also be undertaken for wage determination.

Civil services and posts under the Central Government are at present classified as per 'rank classification' in India under groups as follows (fifth pay commission report).

Classification is not based on job evaluation or position description. The words gazetted and non-gazetted have been criticized as reflecting a feudal bias. Position description has been called for, for at least group c and d positions. (Jain, 1976)

S. No.	Description	Group
1.	A central civil post carrying a pay or a scale of pay with a maximum of not less than Rs. 4000	A
2.	A central civil post carrying a pay or a scale of pay with a maximum of not less than Rs. 2900 but less than Rs. 4000	B
3.	A central civil post carrying a pay or a scale of pay with a maximum over Rs. 1150 but less than Rs. 2900	C
4.	A central civil post carrying a pay or a scale of pay the maximum of which is Rs. 1150 or less	D

## 7.5 ROLE OF CENTRAL PAY COMMISSIONS

So far, there have been five central pay commissions constituted by the government of India. The third central pay commission emphasised three characteristics of a sound pay structure--*inclusiveness, comprehensibility and adequacy*. '*Inclusiveness*' implies that the broad patterns of pay scales that have been adopted for the civil services will be uniformly applied everywhere, especially in areas where some autonomy has been provided. A pay scale should be '*comprehensive*' to give a total picture of the emoluments of a post, rather than fragmented into a number of allowances. The third requirement is *adequacy*. Most government employees have a feeling that their emoluments are inadequate with respect to their skills, educational qualifications, experience, duties and responsibilities, and also compare unfavourably with peers outside the government sector. Thus there is need for a scientific basis for fixing '*adequate*' compensation to the employees. The commission was not in favour of literal comparison between government salaries and private sector salaries without examining the totality of prevailing circumstances. The commission wanted co-ordination among all sectors of public employment. The commission fixed the salaries on the basis of duties and responsibilities, difficulty and complexity of the task, qualifications, etc. The main contribution of the commission has been to rationalise the pay scales and to reduce the prevalent 500 scales to a mere 80. The disparity between the lowest and highest scales was reduced from 15.4 as on 1 January 1970 to 11.8.

The fourth pay commission recommended the following principles:

(a) The rates of pay and other conditions of service in private sector need to be considered, though disproportionate importance may not be attached to it;

(b) The principle of supply and demand is relevant but for unskilled labour, wages may be linked with essential physiological need;

(c) The government should not only be a 'model employer' but also a 'good' employer;

The main criterion stressed by the commission was, 'attracting' and 'retaining' the required and, that, they were reasonably satisfied with the pay and other conditions of service, taken as a whole. The fourth pay commission recommended thirty six scales of pay.

The minimum-maximum ratio of 1:10.7 which had been fixed by the fourth central pay commission has been retained. In its opinion, if this ratio cannot be increased, nor should it be allowed to get reduced. That is the reason why 100% neutralisation of cost of living at the higher levels has been recommended.

A number of scales have been merged because the existing scales were too close to each other. Some scales have been altogether done away with;

The increment in the proposed revised scale ranges between 1.64% to 3.44% with reference to the minimum of the scales and from 1.42% to 3.32% with reference to the mean of the scales. The increment of Rs. 40 at the lowest point of Rs. 2440- 40-3200 works out to 1.64% of the minimum of the scale at Rs. 2440 and 1.42 of the mean of the same scale at Rs. 2820. The increment of Rs. 275 in the scale of Rs. 8000-275-13500 works out to 3.44% of the minimum of the scale at Rs. 8000.

This can be done through performance related increment (PRI) scheme by the grant of an extra increment in addition to the normal increment in recognition of exceptionally meritorious performance.

Since it is proposed to introduce the performance related increment (PRI) scheme, it may not be necessary to continue with the system of efficiency bar. Thus, CFPC had recommended for its abolition.

If the economy is in a mess, the employees alone cannot have a good time. On the other hand, if there is generally upbeat mood in the country government employees should also share the general prosperity.

The examination of the salaries of central government employees over the years has sown serious erosion on account of inflation, especially at the higher levels.

The extent of erosion at the secretary level is as high as 71 %. In case, the numbers can be brought down, government can very well afford to pay its employees a decent salary.

Central fifth pay commission has done a good job by awarding good scales to employees but still expectations remain unanswered. Therefore, it would be wrong to say that money alone can bring the desired results. It is a combination of various factors such as work-culture, working conditions, work-ethics, leadership and commitment, etc. which determine collectively performance level of an organisation. Although individually speaking, salary or compensation forms a very critical factor in determining the commitment of an employee to his or her job.

The resources of the country being scarce and the development responsibilities huge, the government's personnel policy has to effectively balance the two. Scales have to be rationalised so that those who are retained are adequately compensated in lieu of high productivity at the job. The security of job and prestige attached to government service are some of the fringe benefits which are difficult to quantify and equate with the private sector. Similarly, the performance linked and competitive pay structure in a liberalised economy is bound to have its impact on public sector employment. Thus, a research and analysis wing needs to update itself with changes in the external environment and concurrently influence the pay policy and principles of remuneration, periodically.

A truly dynamic compensation system, which is flexible both laterally and vertically, could alone bring in the desired changes in organisational efficiency and effectiveness. It is also clear that no compensation plan can satisfy all the constituents. The true efficiency of the administrative system can be promoted only through the dedication and loyalty of the civil service to the national goals. Nehru rightly said, "The new India must be served by earnest, efficient workers who have an ardent faith in the cause they serve and are bent on achievement, and who work for the joy and glory of it, and not for the attraction of high salaries. The money motives should be reduced to the minimum."

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## 7.6 CONCLUSION

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The analysis in the Unit has enabled us to mention that:

1. Terms of employment are important to attract talented persons to jobs.
2. Terms of employment should be reviewed after every five years.
3. Attractive terms of employment would promote efficiency.
4. Central payment commissions have done good job to rationalise terms of employment.

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## 7.7 KEY CONCEPTS

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**Pay Commission:** Difference between a board and a commission is that in a board, responsibility is diffused while in a commission, each individual member has a separate charge with respect to a subject. Pay Commissions are appointed in India to study the structure of emoluments in government and make suitable recommendations. Pay Commissions have been criticised for a generalist approach to a technical issue and for lacking expertise in concerned areas like ergonomics, method study, work study and job analysis on which pay should be determined.

**Salary:** Salary is standard payment made to an employee on a monthly basis. Wages are usually used for remuneration at the shop

floor, while the term salary is used for employment at senior levels.

**Wage:** Wages is that which is received by a worker or paid by an employer for time on the job; money received or paid usually for work by the hour, day, or week, or month; a calculation or statement of money earned for a period of time from one hour (hourly wage) up to one year (annual wages).

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## **7.9 ACTIVITIES**

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1. Is the free market better for wage fixation? Discuss the public choice implication in the wage level determination.
2. Should wages be based on standard criteria on differential basis? Give reasons in support of your contention.
3. Discuss job evaluation. Explain its objectives and the methods employed in job evaluation.

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## **UNIT-8 REWARDS AND INCENTIVES MANAGEMENT**

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### **Structure**

- 8.0 Learning Outcome
  - 8.1 Introduction
    - 8.1.1 Motivation and Incentives
    - 8.1.2 Justification of Incentives
  - 8.2 Incentive Plans
  - 8.3 Social Security
  - 8.4 Shortcomings of Incentive Plans
  - 8.5 Conclusion
  - 8.6 Key Concepts
  - 8.7 References and Further Reading
  - 8.8 Activities
- 

### **8.0 LEARNING OUTCOME**

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On studying this Unit, the learners will be in position to:

- Understand the significance of incentives in achievement of motivation and group morale;
- Distinguish between material and non- material incentives and emphasise their significance to organisation in general and management in particular; and
- Refer to types of incentive plans.

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### **8.1 INTRODUCTION**

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The term ‘incentive’ is used to describe material and non-material benefits given to employees in addition to their normal salaries to induce them to go that extra mile towards promoting productivity and efficiency of the enterprise. It is generally felt that performance of personnel, either as individuals or as members of a group is below par when compared to their capabilities, skills and capacities. Finer, states that demonstrated performance generally never exceeds more than fifty percent of an individual’s innate ability. Most individuals tend to halt efforts around an estimation of costs expended (time and energy) and relative benefits procured from work. This is where incentive administration assumes significance. According to Wendell French (1997), the purpose of incentive plans is to increase the morale and motivation of employees to contribute to further the goals of the organisation.

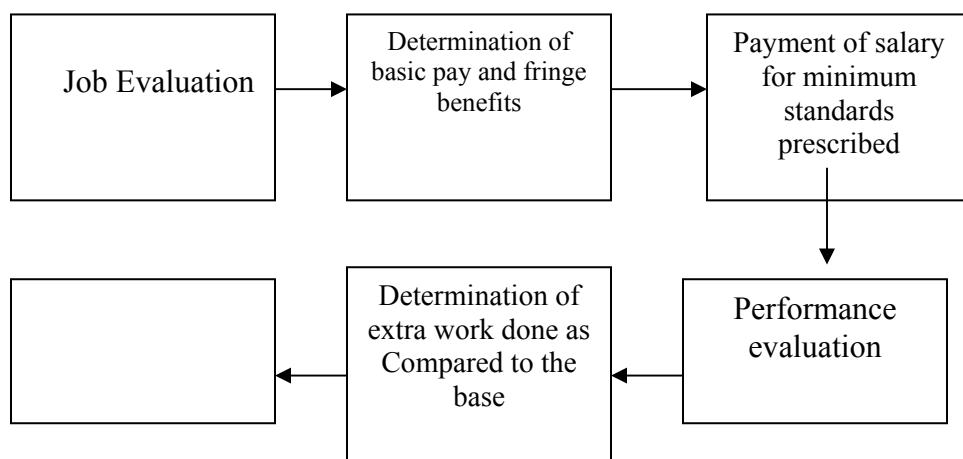
Incentive systems are meant both to motivate an employee to earn more by working hard and also reinforce positive behaviour on his part by rewarding good performance for healthier organisational climate. Hence incentive is to be understood both in the tangible and intangible senses, as aimed both at encouraging and sustaining better performance from employees. Material incentives may take the form of wage payments related to employees' performance in addition to the normal salaries given for standard work assigned, welfare related benefit programs, fringe benefits, rewards and recognition certificates.

Incentive administration must have a "base line" standard so that performance over and above the specified standard can be rewarded. These incentive plans are linked directly or indirectly to the standards of *productivity* or the *profitability* of the organisation or to both criteria. The study group of the National Commission on Labor, (1968) has recommended that, "under our conditions, a wage incentive is concerned with effective utilisation of manpower which is the cheapest quickest and surest means of increasing productivity. The only practicable and self-sustaining means of improving manpower utilisation is to introduce incentive schemes and stimulate human efforts to provide a positive motivation to greater output."

Megginston (1967) defines incentive wages as the extra-compensation paid to an individual for production over a specified magnitude which stems from exercise of more than the normal skill, effort or concentration when accomplished in a pre-determined way involving standard tools, facilities and' materials.

Currently, the emphasis in payment by results schemes is on team work more than individual effort.

Schematic diagram below depicts the process of incentive, offering financial inducements above and beyond basic wages and salaries.



### **8.1.1 Motivation and Incentives**

Reiterating the importance of motivation, E.F.L. Brech states, “the problem of motivation is the key to management action; and in its executive form it is among the chief tasks of the General Manager. We may safely say that the working of an organisation is a reflection of motivation from the top”.

On the basis of above definitions, it can be said that motivation is a tendency, which keeps a person attentively and purposefully engaged in achieving goals. Motivation arises from *obvious* and *tacit* factors that form employee psychology. It involves interactions and relationships in employee personal and work life referring to his existence as an individual, a member of society and a member of both the formal and the informal group of the organisation he works for. From a management perspective, motivation constitutes the base for management activities covering POSDCoRB functions. One of the biggest challenges to modern organisations is how to sustain productivity or efficiency standards while maintaining competitive advantage in the market place with emphasis on cost competitiveness. There is a danger of workers losing interest in work if they realise that extra interest or labour could not make any difference to them. Paul Rigors (1973) has rightly posed this challenge when he states, "a continuing challenge for management is how to share the gains from higher productivity in ways that will stimulate the interest of employees in improving their performance on-the-job and the productivity of the organisation as a whole." One of the challenges of motivation theory is investigation into pathological phenomenon.

Questions like, why some employees feel alienated in an organisation? Why some resist their own skills and capabilities? Do they encounter emotional blockages? What can the management do?; Is retrenchment the only solution? Or; is the best? Why is there inertia in hierarchy?; Why employees of one organisation work more efficiently than others?; and what makes certain employees achievement oriented and disciplined arise?;

These and such other questions have to be inquired into, if we have to grasp fully the meaning, nature and scope of motivation for both social and utilitarian purposes. It is obvious that mere possession of knowledge, skill and ability do not ensure best results as performance also depends on intangibles like human relations at work, motivation or will to perform. Empirical investigation into behavioural phenomenon is required to answer many of the questions addressed above to solve the perennial dilemma of motivation in management theory and practice. The most important task of the personnel department is to put across the point most emphatically and continually that personnel in an organisation are most important and also the key to development.

### **8.1.2 Justification of Incentives**

The economic theory of motivation is based upon the argument that people feel motivated when rewarded with money. This gives a utilitarian orientation to incentive management. There is an assumption of direct correlation between monetary reward and performance. Dale Yoder, (1969) rightly remarks, "However, fascinating the individual's job assignment in a public agency or private firm, the employee expects to be paid. His wage may (and it is generally assumed that it does) affect the way he works how much and how well." Guellerman (1963) too regards money as an important motivator when he states, "money may well turn out to be the costliest motivator of them all, but money may also prove to be the most potent motivator of all, at least in certain circumstances, and when used on a sufficient scale." Executives in organisations must look after material welfare of employees because despite human relations and behavioural assumptions, money is regarded as a potent motivator.

However to assume that financial rewards are the only sources of motivation would be an exercise in oversimplification. A positive incentive can be either financial or non-financial. Financial incentives satisfy primarily, employees' lower order needs viz., physiological, security, as per Abraham Maslow's (1954) theory and wins his calculative involvement, that is, the person feels committed only to the extent of doing a fair day's work for a fair day's pay. On the other hand, non-financial incentives for example, praise, competitions, participation, etc., provide higher order need satisfaction, catering to social and psychological needs of a person, which make him more committed to organisational goals. As a result, a person realises his full potential. To quote Barnard,(1938) "material rewards are ineffective beyond the subsistence level excepting to a very limited proportion of men; that most men neither work harder for material things, nor can be induced thereby to devote more than a fraction of their possible contribution to organised efforts. The opportunity for distinction, prestige, personal power, and the attainment of dominating position are much more important than material rewards in the development of organisations, including commercial organisations."

It has, therefore, been conceded that economic gain may not be sufficient incentive. In this vein Allport (1943) observes, "Employees in an organisation are 'not economic men' so much as they are 'ego- men'. What they want, above all else, is credit for work done, interesting tasks, appreciation, approval and congenial relations with their employers and fellow workers. These satisfactions they want even more than high wages or job security.

Non-material incentives take the form of recognition of good work through appreciation letters, merit certificates, medals, more meaningful involvement in decision making, opportunity for self growth('associational attractiveness' and 'ideal benefactions' by Barnard's terminology). Such awards benefit employees indirectly that is, aiding promotion or nomination to higher posts. However, this comparison is rather meaningless because management needs both types of incentives. The real question, therefore, is not what type of incentives is required, but rather how to integrate the two types of incentives successfully. What is needed is a contingency approach that considers needs of workers, type of jobs, and requirements in the organisational environment. Only then can an

optimum balance between financial and non-financial incentives be attained. (Tripathi, 2003)

R.K. Misra (1973) favours the judicious use of both monetary and non-monetary incentives to achieve productivity. While budgetary restrictions and temporary improvements in performance place a limit on the potency of financial incentives as motivators, non-financial incentives demand only human ingenuity as investment and also ensure relatively stable acceleration in output. Both are important and judicious mix of the two enriches organisational practice. The Administrative Reforms Commission (1968) has advocated the use of incentives to promote efficiency in organisation. Recommendation number 64 states:

1. Incentives for timely completion of a specific project may be provided through suitable awards such as a rolling cup or a shield. In individual cases, commendatory certificates may be issued;
2. Cash awards or one or two advance increments may be given to those who give valuable suggestions for simplifications of work leading to economy in expenditure or otherwise increase efficiency; and
3. Any exemplary or special achievement may be recognised by grant of medals as is practiced at present in the police department. It may now be in order to discuss incentive plans separately.

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## **8.2 INCENTIVE PLANS**

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The incentive plans are discussed under two types, that is, material incentives and non-material incentives.

### **A. Material Incentives: Individual Incentive Plans**

These plans award individuals or group of individuals, extra payment for the extra work performed. In order to encourage employees, different incentive plans have been designed. Some are recounted as; Taylor's Differential Piece Rate Plan, Gantt Bonus Plan, Halsey Plan, Emerson Efficiency Plan, Rowan Plan, etc. In these schemes minimum, daily or weekly rates of pay are guaranteed and personal effort and efficiency are linked with rewards.

Modern innovation metrics such as Return on Innovation Investment (ROI) aid in evaluating and rewarding new product teams and establishing a credible link between new product performance and corporate incentives

According to Louden, "the purpose of individual incentive plans is to offer financial incentive for a worker or group of workers to produce work of an acceptable quality over and above a specified quantity." According to Wolfe, "their primary purpose is to aid in obtaining minimum unit costs thereby contributing to enterprise profits." These

individual incentive plans can be categorised into piece rate plans and production bonus plans. There are, however, problems in instituting individual incentive plans. The most pressing is the criteria by which work performance standards are to be set. It has also to be kept in mind that differential payment schemes might adversely affect social capital and lower group morale. It can also potentially affect the quality of work. Differential annual payout may be determined by a subjective evaluation of each person's performance.

Advantage is that differential criteria is adopted to reward performance which is just to more meritorious employees and individual performance is given recognition apart from group. There may also be a significant one-time payout if an employee has an extraordinary accomplishment for a year.

Disadvantages are that the payout may be subjective. It can be divisive and adversely affect the working of the informal organisation. Suggestion proffered to get around the problem is to encourage employees to make suggestions through a suggestion box for promotion of productivity and reduction of costs. This would also encourage employee participation in decision making in an organisation. Suggestions given by employees would be effective as they are expected to understand the functioning of the organisation better than supervisory personnel. However, care should be taken that suggestion plans do not lead to unsavory interference or role dilution with respect to the management function specifically policy making. Supervisory and professional employees are excluded from such plans as this forms part of their job profile.

### **Merit Pay**

The merit increase program is implemented when funds are designated for that purpose by the institution's administration, dependent upon the availability of funds and other constraints. Its major advantages are that it allows administration of differential pay to high performers, allows estimation of individual and company performance separately with a view to judge impact fairly, and allows compensation for outstanding achievements. Main disadvantage is that assessment criteria employed may be subjective. Robert and Masvin (1966) observe that there are several specific common-sense considerations in establishing any such plan:

1. Ensure that effort and rewards are directly related. The incentive plan should compensate employees in direct proportion to their increased productivity. Employees must also perceive that they can actually do the tasks required. Thus, the standards have to be attainable, and the employer has to provide the necessary tools equipment and training;
2. Make the plan understandable and easily calculable by the employees. Employee should be able to calculate easily the rewards they will receive for various levels of efforts;
3. Set effective standards: This requires several things. The standards should be viewed as fair by subordinates. They should be set high but reasonable and there should be about a 50/50 chance of success. And the goal should be specific – this is much more effective than telling someone to “do your best”;

4. Guarantee standards: View the standards as a contract with your employees. Once the plan is operational, great caution is to be used before decreasing the size of the incentive in any way. Rate cuts have long been the nemesis of incentive plan;
5. Guarantee an hourly base rate: Particularly for plant personnel, it is usually advisable to guarantee employees base rate. Therefore, they will know that no matter what happens they can at least earn a minimum guaranteed base rate; and
6. Get support for the plan: Group restrictions can undermine the plan; get the work group's support for the plan before starting it.

## **Group Incentive Plans**

Because of the pressure of unions, these incentive plans often become unpopular.

Group incentive plans are increasingly put into use, for example, bonus schemes, profit sharing, etc. The purpose of group-incentive plans is the same as that of individual incentive plans except that incentives are paid to a group rather than individuals engaged in a particular plan or aspect of organisational work.

## **Profit-sharing Plans**

Profit-sharing plans are the most widely used incentive-pay programs. The purpose of profit-sharing is to distribute additional profit among employees as incentives in the form of bonus, which may be paid in cash or transferred to their account. The company contributes a portion of its pre-tax profits to a pool that is to be distributed among eligible employees. The amount distributed to each employee may be weighted by the employee's base salary so that employees with higher base salaries receive a slightly higher amount of the shared pool of profits. This is done generally on an annual basis. The amount credited to their account can be withdrawn only if the employees have worked for a minimum period of time. Profit plans work best at more established firms with relatively steady earnings. Large corporations widely employ profit sharing.

Advantages of a profit-sharing plan include, fostering team work, focus on profitability and sustainability to the enterprise. For smaller companies with erratic earnings, profit-sharing plans can frustrate and irritate employees by creating expectations that are not fulfilled. Criteria adopted for administering profit plans differs from organisation to organisation and need to be carefully defined in advance.

Wages received by employees are supplemented by payment of an annual lump sum called bonus, which is a type of profit sharing. Over the years, the concept of bonus has changed from one of profit sharing to one of deferred wages so that a minimum amount is payable irrespective of the profits. Bonus is regulated in India by the Payment of Bonus Act 1965, which is applicable to every factory and other establishments employing twenty (20) or more persons on any day during an accounting year. Newly set up establishments are not required to pay a bonus until they derive profits or for five accounting years following the year when they start selling their products on a regular basis, whichever is earlier.

The Payment of Bonus Act specifies a detailed method for computation of the bonus. Only employees drawing up to Rs 3,500 per month are entitled to a bonus under the act, but the bonus is calculated on the maximum salary of Rs 2,500 per month for a salary between Rs 2,500 and Rs 3,500. The amount payable varies from 8 percent (minimum) to 20 percent (maximum) of annual salary. However, the normal practice is to pay, ex gratia, some amount to employees drawing above Rs 3,500 per month also.

In addition to profit sharing and bonuses, some other incentive options are:

- *Salary-at-risk plans*; where employees receive their full base pay only if performance meets minimum goals, but a larger payout is possible; and
- *Gain sharing*, popular at some manufacturing firms, provides for a portion of increases in efficiency to be shared with employees. Gains are measured and distributions are made through predetermined formula. For example difference between actual and expected hours of work put in give hours gained. Since this pay comes into act only when gains are achieved, gain sharing plans do not entail extra cost burden.
- *Stock Options* entail the '*right*' to purchase stock at a given price at some time in the future. An option is created that specifies that the owner of the option may 'exercise' the '*right*' to purchase a company's stock at a certain price (the '*grant*' price) by a certain (expiration) date in the future. Usually, the price of the option (the '*grant*' price) is set to the market price of the stock at the time the option was sold. If the underlying stock increases in value, the option becomes more valuable. If the underlying stock decreases below the '*grant*' price or stays the same in value as the '*grant*' price, then the option becomes worthless.

Stock options provide employees the right, but not the obligation, to purchase shares of their employer's stock at a certain price for a certain period of time. Options are usually granted at the current market price of the stock and last for up to 10 years. To encourage employees to stick around and help the company grow, options typically carry a four to five year vesting period, but each company sets its own parameters.

### **Stock Options are of two types:**

1. *Incentive stock options*; (ISOs) in which the employee is able to defer taxation until the shares bought with the option are sold. The company does not receive a tax deduction for this type of option.
2. *Nonqualified stock options*; (NSOs) in which the employee must pay income tax on the 'spread' between the value of the stock and the amount paid for the option. The company may receive a tax deduction on the 'spread'.

The advantages of stock options are that they allow a company to share ownership with employees. Employees consequently feel more involved in organisational functioning. The disadvantage is that stocks are speculative with attendant risks, employee interference increases in the name of participation and their attention diverts to pecuniary matters rather than performance at work

Stock options are considered most suitable for small companies where future growth is expected and for publicly owned companies that want to diversify ownership.

Besides aforementioned schemes, other forms of incentives could be recounted as (HR Guide, 2005):

- Paid holidays
- Paid vacation
- Medical care
- Paid sick leave
- Life insurance
- Retirement plans
- Educational assistance
- Accident insurance
- Family benefits
- Paid personal leave
- Paid maternity leave

In addition to monthly salary or wages, various fringe benefits are also available to employees. Fringe benefits contribute significantly to the cost of hiring an employee. In general, it may be said that they represent approximately 50 percent of the monthly salary. The compulsory fringe benefits are as follows.

- 1 Annual bonus
- 2 Monthly contribution to a provident fund
- 3 Terminal gratuity
- 4 Contribution toward the employees' state insurance scheme.
- 5 House rent allowance to workmen.

#### **(B) Non-material Incentive Plans**

Non material incentive plans may take the form of appreciation letters, award of medals, certificates, etc. These incentive plans can be of great use in organisations where the service aspect is stressed more than the business or commercial aspect. In organisations, with welfare activities or law and order or defense functions, it may be difficult to compensate the hard work of employees with money. Here, one can make use of non-financial incentives, which sustain the morale of particularly hard-working employees.

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### **8.3 SOCIAL SECURITY**

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According to P.C. Tripathi (2003), the connotation of the term ‘social security’ varies from country to country along with changing political ideologies. In socialist countries, the avowed goal is complete protection of every citizen from the cradle to the grave. In

other nations, with less controlled economies, a measure of protection is afforded to all citizens with schemes evolved through the democratic process consistent with the resources of the state. According to the social security (minimum standards) convention number 102, adopted by the International Labour Organisation in 1952, following are the nine identified components of social security:

- (i) Medical care
- (ii) Sickness benefit
- (iii) Unemployment benefit
- (iv) Old-age benefit
- (v) Employment injury benefit
- (vi) Family benefit
- (vii) Maternity benefit
- (viii) Invalidity benefit
- (ix) Survivor's benefit

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## **8.4 SHORTCOMINGS OF INCENTIVE SCHEMES**

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Incentive schemes, if not properly implemented can create problems, for example, (i) there is a tendency amongst employees to improve quantity at the cost of quality; (ii) there is a danger that safety regulations might be disregarded by workers which result in higher accident rates; and (iii) there is a danger that workers undermine their health under strain of work; finally such schemes potentially generate misunderstandings and jealousy among workers because of differential earnings. Therefore:

- (1) Employees must be taken into confidence in design the rewards and incentive plans so that they are aware of all parameters by which to avail of benefits.
- (2) The plan should be simple and intelligible to all
- (3) The plan should be equitable and flexible.
- (4) The amount of rewards and incentives should be substantial so as to suit the stature of the person concerned.
- (5) A feedback of incentive audit must be obtained to assess the benefits of the scheme.

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## **8.5 CONCLUSION**

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The crux of the discussion is;

1. Rewards and Incentives are important to motivate employees towards excellence.
2. Rewards can be both material and non-material.
3. Non-material awards are easy to administer.
4. Awards and incentives must be based on well-defined principles.
5. Awards and incentives may be given only to deserving employees.

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## **8.6 KEY CONCEPTS**

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**Incentive:** Incentives are offered to motivate employees towards better work performance and improved commitment towards the organisational purpose. Incentives are both material and non material incentives. Examples of non material incentives include meaningful participation in work, recognition, team work and identification with the purpose of the organisation etc.

**Motivation:** “Goal directed behavior” is motivated behaviour. Motivation study analyses human needs, motives and drives which create an achievement orientation in an employee. As part of management strategy it implies positive reinforcement of desired organisational behaviour. The Classical School of administrative thought took a limited perspective to motivation in that it understood and appreciated it, in monetary terms only. The Human Relations and Behavioral Schools inquire into cognitive processes of human beings with a view to studying tangible and intangible motivators that determine employee psychology and shape up to organisational behaviour.

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## **8.7 REFERENCES AND FURTHER READING**

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## 8.8 ACTIVITIES

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1. Relate incentives with motivation. To what extent do material incentives motivate workers?

2. Discuss material and non material incentives currently in use.
3. What are the limitations of modern incentive schemes? List out the suggestions you would like to make for improvement.

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## **UNIT 9: EMPLOYEE BENEFITS**

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### **Structure**

- 9.0 Learning Outcome
  - 9.1 Introduction
  - 9.2 Meaning of Employee Benefits
    - 9.2.1 Examples of Employee Benefits
    - 9.2.2 Purposes of Employee Benefits
  - 9.3 Types of Employee Benefits
    - 9.3.1 Fringe Benefits
    - 9.3.2 Retirement Benefits
  - 9.4 Pension Scheme
    - 9.4.1 Kinds of Pensions
    - 9.4.2 Quantum of Pension
    - 9.4.3 General/Contributory Fund
    - 9.4.4 Gratuity
    - 9.4.5 Medical Allowance
  - 9.5 Voluntary Retirement
  - 9.6 Conclusion
  - 9.7 Key Concepts
  - 9.8 References and Further Reading
  - 9.9 Activities
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### **9.0 LEARNING OUTCOME**

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On studying this Unit, the learner will be in a position to:

- Understand the significance of employee benefits in the context of employee motivation;
- Understand various ways in which benefits are administered; and
- Discuss various types of benefits.

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### **9.1 INTRODUCTION**

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Honest, professionally sound and contended employees are a critical element of any programme. It is thus of utmost importance that the best brains in the country are attracted to the public services. They should not only be motivated to enter the services

but also serve in a professional and dedicated manner. This necessitates careful handling of all the major parameters of employee work –life, from induction to retention.

From top to the bottom, center to the periphery, it is employees that make the machinery of administration work. Bacon, philosopher and administrator, has rightly said, “It is vain for princes to take counsel concerning matter, if they take no counsel likewise concerning persons, for all matters are as dead images; and the life of the execution of the affairs lies in the good choice of persons.” Therefore, the first and foremost task is to pay attention to the administration of personnel, if we expect good performance from organisations.

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## **9.2 MEANING OF EMPLOYEE BENEFITS**

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The efficiency of employees depends substantially on the level of concentration of individual employees at work. Desired state of mind can be attained only if the employees are satisfied and relaxed. This requires beneficial measures both at the work place as well as at home, which can keep them relaxed and tension free. As a contented workforce, employees would develop physical, mental, social and spiritual health and happiness, imminent for success. Therefore, management must give priority to providing adequate measure of benefits to keep the employees contended and well balanced in outlook. The benefits of welfare programmes are as follows:

1. Efficiency in administration.
2. Commitment among employees.
3. Promote the productivity.
4. Happy families.
5. Harmonious relationship at the work place.

The concept of benefits is a dynamic one. Scope is a matter of interpretation in the context of forces which determine societal equilibrium form values. These forces, nonetheless dynamic, may be grouped as, social, economic, cultural, religious and political influence on ‘organisational climate’. The scope of employees’ benefits varies from time to time, organisation to organisation and with different governments.

Terry L.Leap and Michael D. Crino (1990) observe that employee benefit programmes have become an integral part of most compensation packages. Group life and health insurance programs, retirement programs, and vacations and holidays, prepaid legal plans, and dental and optical insurance coverage are among the types of employee benefits commonly found in private and public sector organisations. Today, employee benefits comprise approximately forty percent of the total compensation package.

A comprehensive array of employee benefits is generally believed to aid the organisation in attracting high-quality employees as well as increasing the morale, job satisfaction and motivation of current employees. As employees accumulate seniority in an organisation the employee benefit program may reduce turnover because of favourable group insurance rates and pension vesting arrangements that “time” quality workers to the firm. Finally, employees usually discover that benefits such as group life and health insurance are less expensive than they would be if purchased individually from local insurance

agents because of lower group insurance rates and employer subsidisation of administrative costs and premium payments.

### **9.2.1 Examples of Employee Benefits**

Employee benefits take the form of:

1. *Legally Required payments*
  - a. Old-age, survivors, disability, and health insurance (commonly known as social Security)
  - b. Workers compensation
  - c. Unemployment compensation
2. *Contingent and Deferred benefits*
  - a. Pension plans
  - b. Group life insurance
  - c. Group health insurance
    - i. Medical expense (hospitalisation and surgical)
    - ii. Disability income (short and long term)
  - d. Guaranteed annual wage (GAW)
  - e. Prepaid legal plans
  - f. Military leave and pay.
  - g. Jury duty and bereavement paid leave.
  - h. Maternity leave
  - i. Child care leave
  - j. Sick leave
  - k. Dental benefits
  - l. Tuition-aid benefits
  - m. Suggestion awards
  - n. Service awards
  - o. Severance pay
3. *Payments for Time Not Worked*
  - a. Vacations
  - b. Holidays
  - c. Voting pay allowances
4. *Other Benefits*
  - a. Travel allowances

- b. Company cars and subsidies
- c. Moving expenses
- d. Uniform and tool expenses
- e. Employee meal allowances
- f. Discounts on employer's goods and services
- g. Child care facilities

### **9.2.2 Purposes of Employees Benefits**

Let us mention the important purposes that can be served by encouraging staff benefits:

- i. Identification and development of personal interest with the interest of the organisation.
- ii. Achieving integration in organisational functioning
- iii. Creating will and determination among members of the services for work improvement and innovation.
- iv. Mobilising the available manpower for productive and useful activities in the organisation.
- v. Keeping the members of the organisation informed of latest developments in the sphere of employee benefits.
- vi. Organising informal clubs of youth, women, to serve as centers of discussion and expression of innovative ideas.
- vi. Providing an open forum for the employee to discuss problems and find indigenous solutions which may be efficient and economical for the organisations.
- (viii) Encourage the employee to adopt modern changes which can accelerate the efficiency of the organisation.
- (ix) Arranging extra curricular activities to generate social awareness through publicity.

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### **9.3 TYPES OF BENEFITS**

In addition to dearness allowance, house rent allowance, city compensator allowance; the following benefits are also available. Let us discuss some of the important benefits in detail:

#### **9.3.1 Fringe Benefits**

Fringe benefits refer to supplements to wages obtained by the employees at the cost of the employers. Fringe benefits are also called wage extras, hidden payments, non wage labour costs and supplementary wage practices. The list of fringe benefits covers numerous items such as pension and other agreed upon payments (employers share only) legally required payments(employer's share only)paid rest periods, lunch periods, etc. payments for time not worked and other items such as profit sharing payments festival or other special bonuses service awards, suggestion awards, free meals, tuition funds etc. Thus fringe benefits embrace both voluntary and involuntary programmes. These

programmes are intended to improve employer employee relations, minimise excessive labour turnover costs and provide a sense of individual security. Fringe benefits can be most effective if they are geared to the preferences of the employee as determined by research programmes. (Dwivedi, 1990)

Fringe benefits have been described as *welfare expenses*, *wage supplements*, *perquisites* other than wages, *sub wages* and *social charges*. Fringe benefits are also known as *non pecuniary incentives* i.e. visualising beyond money wages.

Fringe benefits can be categorised as under ( HR Guide, 2005)

- (a) Benefits without work                      Casual Leave, Earned leave
- (b) Benefits protecting against hazards      Provident Fund, pension, Gratuity, etc.
- (c) Facilitative programmes to ease routines of life      Working hours, Medical allowances, Leave travel concession, etc.
- (d) Recreational programmes                      Sports, Dramas, etc.

### **Definition of Workman**

Generally, government staff covered by the definition of “ Worker” as defined under section 2(1) of the Factories Act, 1948 and “ Workman as defined under section 2(s) of the Industrial Disputes Act , 1947, are classified as industrial staff and who do not fall within these definitions are classified as non industrial staff. Industrial employees are governed by labour laws. These give them substantial rights to form trade unions and to raise industrial disputes. The non industrial employees are governed by the rules applicable to Central Government servants in general.

### **Industrial Disputes Act 1947**

The Industrial Disputes Act 1947 was amended with effect from August 21, 1984 empowering the government to keep their industrial establishments outside the purview of the act, which implies that the industrial workers will have recourse to only to such of those rules as are applicable to other government employees for settlement of their grievances. The notification issued initially for the establishment of the Central Administrative tribunal had excluded the employees covered by the Industrial Disputes Act from the scope and jurisdiction of the Tribunal. However, by a subsequent amendment of the Administrative Tribunals At, 1985(no. 13 of 1985) in 1986 the relevant clause was deleted, thereby bringing the employees governed by the Industrial Disputes Act also within the jurisdiction of the Administrative Tribunal.

### **Demands for Parity**

Industrial employees of the Central Government have always been demanding parity in matters of leave entitlement, holidays, leave encashment and working hours with their counterparts classified as non-industrial employees. The leave entitlements of industrial workers were also examined by the earlier pay commissions. While the first three did not favour any increase in the leave entitlement of industrial workers in government, the fourth CPC recommended parity in leave entitlement and its encashment between the industrial employees in the Railways and those in other sectors of the central government. While the entitlements of industrial employees in the Railways to leave and its encashment are on par with those of non-industrial workers in the central government, their hours of work are substantially more than those of other industrial workers. The government did not accept the recommendation of the Commission. The matter was therefore referred to the Board of Arbitration in 1989. In terms of the award of the Board(April, 1991) the prerequisite of 240 days service for grant any leave with wages and the restriction on carry forward of leave only up to 30 days were removed. The maximum limit up to which leave could be accumulated was also increased to 120 days.

### **Recent Position**

There is now complete parity between the industrial and non-industrial employees in matter of entitlement to and accumulation of leave on half pay, extraordinary leave casual leave and certain special kinds of leave (maternity leave and hospital leave). However, the entitlement of industrial employees to earned/annual leave is determined with reference to their length of service and ranges between 17 and 27 days in year, as against 30 days in a calendar year to which all non-industrial employees are entitled. Further industrial employees can avail of earned leave only on six occasions in a year, whereas there is no such restriction in respect of non industrial employees. On the other hand, unlike non industrial employees holidays intervening during spells of leave of industrial employees are not counted towards leave.

### **Difference between the two Categories**

The nature and scope of the duties and responsibilities of the two categories of employees are totally different, as are their wage structure and terms and conditions of service as well as the nature of service s provided by them. These two categories are subjected to different types of stresses, strains and hazards in the performance of their duties. Industrial employees are entitled to certain other benefits like overtime allowance at twice the rates applicable to their counterparts in the non industrial sectors, exclusion of Sundays and holidays intervening during spells of leave, a higher age of superannuation etc. In the circumstances it may not be appropriate to consider in isolation, disparities in` the matter of leave alone. The Board of Arbitration has refused in the past to concede absolute parity in holidays and leave entitlement between industrial and non-industrial employees of the central government. All the earlier central pay commissions, (CPCs) barring the fourth had also negated such demands. Besides, the changing economic climate of the country also has to be taken into account while evaluating this demand. With the onset of liberalisation, all government sectors, including the industrial sector, has to compete with the private sector directly. Even at present, productivity and efficiency in the government sector cannot be considered to be of desired level. In this milie, any increase in the leave entitlement of industrial workers may lead to loss in

production, thus placing the industrial sector of the government at a further disadvantage in relation to the private sector.

### **Reduction of Work Hours**

The hours of work prescribed for staff employed in industrial units are longer than those in the administrative offices. However such a measure is necessitated on account of differences in the service conditions of the two categories of workers. Workshop staff is governed by the provisions of the Factories Act, which permits up to 48 hours of work in a week. The industrial staffs working in the central government are not worse off than their counterparts either in the state owned public enterprises or in the private sector. The public enterprises as well as the industrial units in the private sector follow the provisions of the factories act in regard to their industrial employees. An analysis of the weekly hours of work in other countries would show that even in these countries the hours of work prescribed for different categories of workers are not uniform. Industrial workers in Thailand work for as many as 13 hours more per week than non industrial staff. Similar differences are also discernible in other countries like Belgium, Canada, Israel, Japan, Malaysia, the Netherlands, Portugal, United States of America etc.

The question of ensuring uniformity in the working hours in all Government Establishments had been considered by the Second, Third and Fourth Pay Commissions. They did not recommend any uniformity as it was opined that work hours had evolved overtime in individual organisations as per requirements and convention. It would not be advisable to tamper with any organisations' schedule. The Fifth pay commission adopted two policy guidelines in this respect:

- Complete parity may not be justified
- Some revision could be suggested incorporating the best features of both the systems
- Changes may be so designed as to reduce absenteeism and improve productivity

The following was recommended.

#### **(a) Entitlement to Earned Leave**

Indicated revisions have been recommended to be carried out:

Length of Service	Present Leave Entitlement	Revised Leave Entitlement
One to Ten Years	17 days	20 days
Eleven to Twenty Years	22 days	25 days
More than Twenty Years	27 days	30 days

This would represent an increase of three days over the present entitlements. Simultaneously, Sundays and other holidays intervening during spells of leave should be

counted as leave availed of by the employee and debited to the leave account. These two measures would cancel each other out and not have any net impact on the whole leave entitlement.

#### **(b) Accumulation of Earned Leave**

Industrial employees may be permitted to accumulate up to 300 days of earned leave on par with non-industrial employees and to encash, out of the leave so accumulated, leave of up to 60 days earned by them during their entire service, while availing of leave travel concession for travel anywhere in the country.

Leave that can be taken on any one occasion should be reduced in the case of non industrial employees from 180 days to 60 days as such leave is often abused by workers in the vent of undesired transfer and also for the simple reason that such along spell of leave on one occasion is not required.

In the same vein, the maximum number of occasions on which earned leave can be availed of in calendar year by non-industrial employees should also be reduced to six as in the case of industrial employees.

The above steps are expected to achieve the twin objectives of rough parity and also enhance productivity of industrial employees as the proposed increase in the quantum of earned leave that can be accumulated combined with the introduction of the facility of in service encashment of leave in addition to encashment on superannuation is likely to reduce absenteeism and improve overall productivity.

#### **9.3.2 Retirement Benefits**

Most of the employees join government service at a young age and retire at the age decided by the government. The fifth central pay commission has fixed 60 years for retirement of central government employees and 62 years for university teachers. Most of them serve the government for thirty to forty years till retirement. It becomes incumbent on government to look after their retired employees when they are not in a position to work. They need be compensated during this period decently, so that they securely discharge their duties during active job span.

In fixing of the retirement age of employees, some of the important factors, which are taken into account, are life expectancy, health and morbidity, labour market conditions, stage of economic development, financial implications, social dimensions, etc. The age at which the productivity, efficiency and health of an employee begins to decline can be considered as the appropriate age for retirement.

There are three forms of retirement benefits: (a) *non-contributory* wherein the government is responsible for the retirement benefit; (b) *partly contributory* wherein the government and employee share the cost of retirement; *wholly contributory* wherein the employees contribute. In India, there are two main schemes for retirement benefits for employees, namely, the Pension Scheme and the Contributory provident Fund.

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## **9.4 PENSION SCHEME**

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The pension scheme involves cash disbursement to the retired employees in fixed monthly amounts. It provides them a safe source of living as long as they survive. There is provision for extraordinary pension like injury pension or family pension. The injury pension is paid to the employee in case of injury received in the course of duty while family pension is payable to the widow or minor children or in some cases to the parents of an employee if he is killed in the course of the discharge of his duties.

Central government employees on retirement are entitled to superannuation or retiring pension, retirement gratuity, encashment of earned leave and the facility to commute up to 1/3<sup>rd</sup> of their pension. The significant features of retiring or superannuation pension are that it is non-contributory and is subject to future good conduct of the pensioner. Pension can also be withheld under certain circumstances.

Pension is computed on the basis of length of qualifying service, reckonable emoluments and the pension formula. There are also orders prescribing minimum and maximum pension. The rules and regulations governing the above aspects are contained in the central civil services (pension) rules, 1972 (hereafter referred to as pension rules which have been modified from time to time with a view to bringing about improvements in the pension benefits of the employees).

As per article 366(17) of the constitution of India, pension means a pension, whether contributory or not, or any kind whatsoever payable to or in respect of any person, and includes retired pay so payable, a gratuity so payable and any sum or sums so payable by way of the return, with or without interest thereon or any other addition thereto, of subscriptions to a provident fund.

The Supreme Court of India has, in the landmark judgment of *D.S. Nakara and others vs. Union of India* (AIR 1983, SC 130) clarified all the issues relating to pension. While examining the goals that a pension scheme should seek to achieve the Apex Court held that; a pension scheme consistent with available resources must provide that the pensioner lives:

- (i) free from want, with decency, independence and self-respect; and
- (ii) at a standard equivalent at the pre-retirement level.

The Court felt that since determining the minimum amount required for living decently was difficult, selecting the percentage representing the proper ratio between earning and the retirement income was harder. We owe it to the pensioners that they live and not merely exist. The Court also held that pension is neither a bounty nor a matter of grace depending upon the sweet will of the employer. It is not an *ex-gratia* payment, but a payment for past services rendered. It is a social welfare measure, rendering socio-economic justice to those, who is in the heyday of their life, ceaselessly toiled for the employer, on an assurance that in their old-age, they would not be left in the lurch.

The Central fifth pay commission honored the observations of the Honourable Court in the Nakara case. It needs to be averred emphatically that pension is not in the nature of alms being doled out to beggars. The senior citizens need to be treated with dignity and courtesy befitting their age. Pension is their statutory, inalienable, legally enforceable right and it has been earned by the sweat of their brow. As such it should be fixed,

revised, modified and changed in ways not entirely dissimilar to the salaries granted to serving employees.

Central fifth pay commission started to build these bridges when for the first time in the history of the services, it was suggested in their report submitted in October, 1994 that an interim relief be granted to pensioners. When no action was taken on the same, it was followed up in their report presented in May, 1995 and suggested another installment of interim relief to pensioners. Fortunately, this time the government relented and granted both the installments of interim relief to pensioners. This established a principle and the grant of a third installment to pensioners consequent upon their report of August, 1996 evoked no surprise. It is hoped and trusted that this parity between the serving employees and pensioners with regard to grant of interim relief is now firmly established and will continue.

#### **9.4.1 Kinds of Pension**

As per 1972 Central Civil Services Rules, the following are the different types of Pensions

- (1) Superannuation Pension: It is pension granted to a person who retires on attaining the age of superannuation or compulsory retirement (rule 35)
- (2) Retiring Pension: It is pension granted to a public servant who retires voluntarily or is retired in advance of the age of compulsory retirement by giving the prescribed notice, and who on being declared surplus, opts for voluntary retirement (rule 36)
- (3) Invalid Pension: It is pension granted to a public servant who retires from service because of any bodily or mental infirmity, which permanently incapacitates him for the service, if so certified by the appropriate medical authority (rule 38)
- (4) Compensation Pension: It is pension granted to a government servant who is discharged owing to the abolition of his permanent post, while a suitable post of equal rank cannot be found for him or when such post is offered to him but not accepted by him. (rule 39)
- (5) Compulsory Retirement Pension: It is pension granted to a government servant when he is compulsorily retired as a penalty (rule 40)
- (6) Compassionate Allowance: When a government servant is dismissed or removed from service, he may if he so deserves, be given compassionate allowance on a special consideration, as he forfeits on dismissal or removal, his pension and gratuity (rule 41)
- (7) Extraordinary Pension: The central civil service extraordinary pension rules provide for:
  - Disability Pension: When he is permanently incapacitated on account of injury or disease attributable to government service.
  - Family Pension: To the widow and allowance to children if the death of the government servant is accepted due to government service.

Reduction of pension for unsatisfactory service: Rule 6 provides for such reduction by the appointing authority after giving opportunity to the employee to make his representation against the proposed reduction (Hidaytullah, 1986)

Proceedings can be instituted under Article 226 of the Indian Constitution in case of non compliance with the rules on the part of government.

#### **9.4.2 Quantum of Pension**

Quantum of Pension is based on the qualifying service of the government servant and his or her average emoluments for six months immediately preceding the date of retirement. Pension under government is payable to those who have rendered a minimum of ten years qualifying service.

With regard to the quantum of pension, there is no universally acceptable formula. Different countries give pensions ranging between 50 and 100% of last pay drawn. Some consultants have suggested that 67% of last pay drawn should suffice. The fifth pay commission felt that it would not be possible for government to fund this sudden increase in the quantum of pension from 50% to 67%. It was therefore suggested that while retaining the government's contribution of 50% the balance should be funded by employee's contributions. There would be some relief to pensioners by the reduction of the period over which emoluments are averaged towards the end of the career from ten to six months. Pensioners who have served the government for more than thirty -three years would also benefit if 0.5% additional pension is granted for every six months of additional service, over and above thirty three years.

With regard to family pensions, fifth pay commission has retained the quantum of 30% of reckonable emoluments as at present but this has been made uniform for all categories of employees. The ceiling has also been removed.

Fifth pay commission have attempted a major policy thrust, by suggesting a complete parity between past and present pensioners, while recommending a modified parity between pre-1996 and post-1996 pensioners. The formula will ensure total equity between persons who retired before 1996 and those who retired later. It also gives all pensioners at least the minimum pension appurtenant to the post-1996 revised scale of pay of the post they held at retirement.

#### **9.4.3 General / Contributory Fund**

Under this scheme there is a provision for employees to contribute to the provident fund to which government contributes an equal share. The employee gets the money at the time of retirement and has also the facility to draw loans out of it from time to time.

#### **9.4.4 Gratuity**

According to the definition in rule 3(1) of the 1972 central civil service rules, the term 'pension' includes gratuity except when the term pension is used in contradistinction to gratuity. Payment of Gratuity Act, 1972 provides for the payment of gratuity to employees with five years continuous service working in factories, mines, oilfields, plantations, and other establishments including piece-rate and seasonal workers where there are ten or more employees.

For the purposes calculating the period of employment, periods of maternity leave are included provided that the total period of such maternity leave does not exceed twelve weeks. The Payment of Gratuity Act, 1972 is applicable to factories, mines, oil fields, plantations, ports, railways, motor transport undertakings, companies, and to shops and other establishments employing ten or more workmen. The act provides for payment of gratuity at the rate of fifteen days wages for each completed year of service subject to a maximum of rupees two lakh. In the case of seasonal establishment, gratuity is payable at the rate of seven days wages for each season. The act does not affect the right of an employee to receive better terms of gratuity under any award or agreement or contract with the employer.

Gratuity has also been unnecessarily subjected to three kinds of ceilings. First is the rate of gratuity which is half-a-month's emoluments for every year of service put in. This is subject to a second ceiling of 16.5 months, irrespective of number of years of service. There is also a cash ceiling on top of the other two. The Fifth Pay Commission has tried to bring about greater equity in the system, between past and present retirees by making two suggestions; 1) removal of the cash ceiling and 2) computation of gratuity on pay plus the Dearness Allowance on the date of retirement.

The Fifth Pay Commission found considerable *ad hocism* in the treatment of employees dying while in service, with different departments treating their employees through varying formulae. The pay commission has tried to bring some uniformity in the *ex-gratia* rewards according to the nature of death in five different sets of circumstances, with the amount reaching up to Rs. 7.5 lakhs.

#### **9.4.5 Medical Allowance**

For pensioners not covered by the Central Government Health Scheme (CGHS), the Fifth Pay Commission suggested a medical allowance of Rs. 100 per month. It has also recommended a comprehensive medical scheme, providing complete health insurance both to employees and pensioners in non-CGHS areas.

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### **9.5 VOLUNTARY RETIREMENT**

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Currently we have a procedure for voluntary retirement. In the context of economic liberalisation and the need for right-sizing the government machinery, the question of liberalising the provisions of the present Voluntary Retirement Scheme (VRS) arose. After considerable thought and discussion the commission has evolved a two-pronged strategy on voluntary retirement as under:

- (a) Retain the existing VRS as it is, on a regular year round basis to take care of those who want to leave government service of their own volition. Here, the assumption is that they have weighed the pros and cons of their decision and have already lined up a job in all probability. For them, the normal provisions would be adequate.
- (b) Evolve a new special short-term Golden Handshake Scheme only for those who are identified by the government as surplus. Here it is the government, which is taking the painful decision of sending such employees home, although there may be no fault of theirs. The posts so vacated by the incumbents shall be abolished. The persons identified as surplus would be entitled to the following benefits:

1. Full commutation of pension by surrender of the right to receive monthly pension with an option to avail, instead of commutation up to the limit prescribed for employees retiring on superannuation and to receive monthly pension.
2. Ex-gratia amount of 1.5 months emoluments (Pay + DA) for each completed year of service or the remaining years of service left before the normal date of retirement, whichever is lower. The weight age allowed in qualifying service shall not count for the purpose of computation of *ex-gratia* amount. The employee shall be given an option to receive the amount of *ex- gratia* and retirement gratuity either in lump sum or in the shape of a monthly protection allowance, equivalent to the *ex-gratia*, gratuity and interest thereon at the rate applicable to GPF accumulations, spread over 60 months. This allowance could help the employee to pull on during the period of transition, by providing him with a substantial monthly income sufficient to cater to his basic needs at least.
3. Computation of pension and retirement gratuity by allowing a weight age of five years to the qualifying service on the date of relief.
4. Encashment of earned leave accumulated on the date of relief.
5. Payment of accumulations in the general provident fund.
6. Exemption of pension benefits including *ex-gratia* amount from Income Tax and Wealth Tax.

The purpose of providing pension and other retirement benefits to the employees by the government is to ensure that during their service, they work without the fear or apprehension about meeting their old-age requirements. A suitable compensation structure takes care of these material aspects of life, both while in the job and later on.

Most people in government service are oblivious of their personal finances, since there is a structured pattern of savings, investments and accruals. The successive Central Pay Commissions have given adequate attention to the interests of pensioners, both employees and their families. In addition, the landmark judgment of the Supreme Court in Nakara's case has firmly established the rights of pensioners to a decent pension in keeping with the changes in the price index etc. Although pensioners are not a vocal and organised lobby unlike their serving colleagues, it is the paramount duty of the State as the employer to give them their due in a dignified manner.

The union and state governments have provided many facilities to promote social, cultural and psychological inputs in the lives of employees to keep them active, alert and enthusiastic. However, in practice, we find that only a fraction of employees take advantage of the programs initiated by the government at the union and state levels. We have to make the employees aware of these schemes so that they develop positive attitudes and feelings towards their work. In modern times, most of the employees are stress prone and are inflected by drudgery of life leading to evils like smoking, liquor consumption, etc. the purpose is to divert their interest to extra curricular activities both within the working places and at home.

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## **9.6 CONCLUSION**

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We can conclude by summarising the benefits of employee benefits scheme as follows:

1. Employees Benefits are an integral part of the salary system.
2. Employees' benefits take care of the employees of their present as well as future needs.
3. Employees' benefits raise productivity of employees.
4. Employees' benefits keep employees motivated as they feel relaxed and secure.

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## **9.7 KEY CONCEPTS**

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**Employee Benefits:** Salary and perquisites may not be enough to elicit desired behaviour from employees. Fringe Benefits are added benefits, like travel concession, leave, commutation of leave, provision of crèches for female employees etc., which are given for a worker's facility to enable him to perform comfortably and with convenience.

**Retirement:** An employee retires after reaching the age of superannuation. The age of superannuation is fixed in each country by legislation. The demographic profile of the country and, life expectancy, climate, work culture and general health levels are some of the factors determining the retirement age in a country.

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## **9.8 REFERENCES AND FURTHER READING**

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## **9.9 ACTIVITIES**

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1. What are the purposes of employee benefits?
2. Discuss types of employee benefits.
3. Discuss different kinds of Pensions.

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## **UNIT-10 TRAINING AND DEVELOPMENT**

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### **Structure**

- 10.0 Learning Outcome
- 10.1 Introduction
- 10.2 Meaning of Training
- 10.3 Training, Development and Education
- 10.4 Importance of Training
- 10.5 Assessment of Training Needs
- 10.6 Learning & Teaching
- 10.7 Steps in Training Programme
- 10.8 Training Methods
- 10.9 Causes for Failure of Training
- 10.10 Evaluation of Training
- 10.11 Conclusion
- 10.12 Key Concepts
- 10.13 References and Further Reading
- 10.14 Activities

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### **10.0 LEARNING OUTCOME**

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After reading this Unit, the learner will come to know:

- The meaning and importance of Training and Development;
- The significance of assessment of Training needs;
- The relevance of Training Methods; and
- The causes of failure of Training.

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### **10.1 INTRODUCTION**

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Every organisation needs to have well trained and experienced people to perform the activities required to be undertaken. It is necessary to raise the skill levels and increase the versatilities and adaptability of employees to the requirements of an organisation in the changing world. Inadequate job performance results in a decline in productivity of changes. Job redesigning or a technological break-through require some type of training and development effort. In a rapidly changing society,

training and development is not only an activity that is desirable but also an activity that an organisation must commit resources for maintaining a viable and knowledgeable workforce.

All types of jobs require some sort of training for efficient performance. Therefore, all the employees, new and old, should be trained or retained. Every new employee regardless of his previous training and experience needs to be introduced to the work-environment of his new Job and taught how to perform specific tasks. Moreover, specific occasions for retraining arise when an employee is transferred or promoted or when jobs change. Training is valuable to the new comer in terms of better job security and greater opportunity for advancement. A skill thus, acquired by the new entrant through training is an asset to the organisation.

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## **10.2 MEANING OF TRAINING**

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Training is the process through which employees are made capable of doing the jobs prescribed to them. According to Flippo, “Training is the act of increasing the knowledge and skills of an employer for doing a particular job”.

According to Dale Yoder, “Training is the process by which man-power is filled for the particular jobs it is to perform”. Beach says, “Training is the organised procedure by which people learn knowledge and skills for a definite purpose”.

The trainee will acquire new manipulative skills, technical knowledge, problem-solving ability and or attitudes, etc. Training is not one-step process but it is a continuous or never-ending process. Training makes newly recruited workers fully productive in the minimum of time. Even for old workers training is necessary to refresh them and to be conversant with required techniques. In short, training is the act of improving or updating the knowledge and skills of an employee for performing a particular job.

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## **10.3 TRAINING, DEVELOPMENT AND EDUCATION**

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“Training”, “education”, and “development” are the three terms frequently used. On the face of it, there might not be much difference between them, but when a deep thought is given, there appear some differences between them. In all “training” there is some “education” and in all “education” there is some “training”. And the two processes cannot be separated from “development”. Precise definition is not possible and can be misleading but different persons have used these activities in different ways.

**Training:** It is a process of training, a sequence of programmed behaviour. It is application of knowledge. It gives people an awareness of the rules and procedures to guide their behaviour. It attempts to improve their performance on the current job or prepare them for an intended job.

**Development:** It is a related process. It covers not only those activities which improve job performance but also those that bring about growth of the personality, help individuals in the

progress towards maturity and actualisation of their potential capacities so that they become not only good employees but better men or women.

In organisational terms, it is intended to equip persons to earn promotions and hold greater responsibility. Training a person for a higher job is development. It may well not only include imparting specific skills and knowledge but also inculcating certain personality and mental attitudes. In this sense, development is not much different from “education”.

**Education:** It is the understanding and interpretation of knowledge. It does not provide definite answers, but rather, it develops a logical and rational mind that can determine relationships among pertinent variables and thereby understand phenomena. Education must impart qualities of mind and character, understanding of basic principles, synthesis and objectivity. Usually, education involves a range of skills and expertise, which can be provided only by educational institutions. An organisation can and does make use of such institutions in order to support and supplement its internal training and development efforts.

### **Distinction between Training and Development**

#### **Training**

It is a short-term process utilising a systematic and organised procedure by which non-managerial personnel have technical knowledge and skills for a definite purpose.

#### **Development**

It is a long-term educational process utilising a systematic and organised procedure by which managerial personnel learn conceptual and theoretical knowledge for general purpose.

Training refers only to instruction in technical and mechanical operations while development refers to philosophical and theoretical educational concepts. It is designed for non-managers, while development involves managerial personnel. Campbell has observed that training courses are typically designed for a short-term, while development involves a broader education for long-term purposes.

Training and development differ on account of “what”, “who”, “why”, and “when”.

<b>Learning Dimensions</b>	<b>Training</b>	<b>Development</b>
Who?	Non-Managerial Personnel	Managerial Personnel
What ?	Technical and mechanical operations	Theoretical Concepts or ideas
Why?	Specific job-related purpose	General Knowledge
When?	Short-term	Long-term

## **Training and Development**

Employee training is distinct from management development or executive development. While the former refers to training given to employees in the areas of operations, technical and allied, the latter refers to developing an employee in the areas of principles and techniques of management, administration, organisation and allied areas. It could be more appropriately understood through the following:

- Training is meant for all individuals, that meant for operators or non-managers is often called learning: Training and all other developmental activities meant for executive are considered as executive development activities;
- The aim of training is to develop specific abilities in an individual. The aim of development is to enhance the total personality of the individual;
- Training is a specific activity or one-shot affair aimed to imparting specific job-related information and skills. Development is a continuous process;
- Training is mostly a preparation to meet an individual's present needs. It can thus, be seen as a reactive process. Development is a preparation to meet his future process having long-run objectives; and
- the initiative for training largely comes from management, the initiative for development comes from the individual himself, and it is a result of internal motivation. Various activities, planned and unplanned, formal and informal, initiated and carried out by individual and the organisation, come under development.

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## **10.4            IMPORTANCE OF TRAINING**

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Training enables the employees to get acquainted with jobs and increase their aptitudes, skills and knowledge. It helps the newly recruited to be productive in minimum amount of time. Even for the experienced workers, it is necessary to refresh them and enable them to keep up with new methods, techniques, new machines and equipments for doing the work. According to Dale S. Beach "Training is vital and necessary to activity in all organisational and plays a large part in determining the effectiveness and efficiency of the establishment". Training is advantageous not only to the organisation but also the employees.

### **Advantages to the Organisation**

The major advantages of training to organisation could be referred to as:

- 1) *Follow up of selection procedure:* Training is a follow up of selection procedure. It helps in choosing the most appropriate individuals for different jobs. Training can be used in spotting out promising persons and in removing defects in selection process;
- 2) *Better Performance:* Training is about improvement of the quality of output by increasing the skill of the employee. This makes the fresh and old employee acquire more skills and thus, be accurate in performance of their work;
- 3) *Reduction in Cost Production:* Training personnel is to make better and economical use of materials and equipments besides decreasing wastage. In addition, the rate of accidents and damage to machinery and equipment is at the minimum by the well trained employees amounting to lesser cost of production per unit,

- 4) *Reduced Supervision:* If the employees are given proper training, the need of supervision gets lessened. A well trained employee is self-reliant in his work as he comes to know what is to be and how. Under such situations, close supervision is not much required. Leaving the scope for the management focus its attention on other basic and important functions;
- 5) *Increased morale:* The morale of the employee gets boosted, if they are given proper training. As a common objective of the organisation, training programme moulds its employees' attitude to achieve support for organisational activities and obtain better cooperation and greater loyalty. With the help of tiny dissatisfaction, complaints, absenteeism and turnover can also be reduced among the executives. Thus, training helps in building an efficient and cooperative work force; and
- 6) *Organisational Stability and Flexibility:* Training increases the stability and flexibility of the organisation. Creation of a reservoir of trained replacements increases the stability of the organisation that is; the organisation is able to sustain its effectiveness despite the loss of key personnel.

### **Advantages to the Executive**

The incumbents on executive position have advantages to their credit through training. It could be reflected as follows:

- 1) *Increase in wage earning capacity:* Training helps the executive in acquiring new knowledge and job skills. In this way, it increases their market value and wage earning power leading to increase in their pay and status.
- 2) *Job Security:* Training can help an executive to develop his ability to earn make the official adaptive to new work methods, besides learning to use new kinds of equipment and adjusting to major changes in job contents as well a work relationship; and
- 3) *Chances of Promotion:* Training also qualifies the executives for promotion to more responsible jobs.

### **Limitations of Training**

Every coin has two sides. The other side of training, that is, its limitations are as such:

1. Training is a costly affair and expensive process making organisations to spend substantive amount, taken out of other organisational commitments.
2. Training may result in dislocation of work and loss of output because regular office work is likely to be interrupted or delayed because of the time of trainees spent in training;
3. Sometimes, it is difficult to obtain good training instructors and leaders; and
4. Self-reliance and capacity for new ideas might be stifled.

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## **10.5 ASSESSMENT OF TRAINING NEEDS**

Training needs are identified on the basis of organisational analysis, job analysis and man-power analysis. Training programmes, training methods and course contents have to be planned in keeping with the training needs. Training needs are those aspects necessary to perform the job in an organisation in which executive is lacking attitude/aptitude of knowledge and skills.

The following methods are used to assess the training needs:

- 1) Organisational requirements and weaknesses;
- 2) Departmental requirements/weaknesses;
- 3) Job specifications and employee specifications;
- 4) Identifying specific problems;
- 5) Anticipating future problems;
- 6) Management's request;
- 7) Observation;
- 8) Interviews;
- 9) Group conferences;
- 10) Questionnaire Surveys;
- 11) Tests or examinations;
- 12) Check lists; and
- 13) Performance appraisal

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## **10.6 LEARNING AND TEACHING**

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The training programme will not be effective if the trainer is not properly equipped with the technical aspects of the content or if he lacks aptitude for teaching and teaching skills. Training comprises of mainly learning and teaching. Training principles can be studied through the principles of learning and teaching.

Some of the significant principles and assumptions of learning include:

- 1) All human beings can learn
- 2) An individual must be motivated to learn
- 3) Learning is active and not passive
- 4) Learners may acquire knowledge more rapidly with guidance. Feedback ensures improvement in speed and accuracy of learning
- 5) Appropriate material (like case studies, tools, problems, readings, etc) should be provided
- 6) Time must be provided to practice learning
- 7) Learning methods should be varied. Variety of methods should be introduced to off-set fatigue and boredom

- 8) Learners need reinforcement of correct behaviour
- 9) Standards of performance should be set for the learner
- 10) Different levels of learning exists
- 11) Learning is an adjustment on the part of an individual
- 12) Individual differences play a large part in effectiveness of the learning process
- 13) Learning is a cumulative process
- 14) Ego factor is widely regarded as a major factor in learning
- 15) The rate of learning decreases when complex skills are involved.
- 16) Learning is closely related to attention and concentration
- 17) Learning involves long-run retention and immediate acquisition of knowledge
- 18) Accuracy deserves generally more emphasis than speed.
- 19) Learning should be relatively based
- 20) Learning should be a goal-oriented

### **Learning Patterns**

Trainees need some understanding of the patterns in which new skills are adopted. The executive is likely to find himself unusually clumsy during the early stages of learning. This can be called discouraging stage. After the executive adjusts himself to the environment, he learns at a faster rate. A “fatigue” develops after the lapse of more training time due to loss of motivation and lack of break in training schedule. The trainee reaches the next stage when he is motivated by the trainer and the training process restarts after some break. The trainee at this stage learns at a fast rate. Special repetition of the course leads the trainee to reach the stage of over-learning.

### **Learning Curve**

- Learners Job Proficiency
- Discouraging first stage
- Increasing Returns
- Fast fatigue
- Peak Proficiency
- Over-learning period

Thus, it is clear that learning partly takes place at a constant rate. It varies according to the difficulty of the task, ability of the individual and physical factors. However, the rate of learning varies from one individual to another.

### **Characteristics of Learning Process**

Learning Process has the following characteristics

- 1) Learning is a continuous process
- 2) People learn through their actual personal experience, simulated experience and from others' experience
- 3) People learn step by step, from known to unknown and simple to complex
- 4) There is a need for repetition in teaching to inculcate skill and to learn perfectly
- 5) Practice makes man perfect. Hence, opportunity should be created to use and transfer skills, knowledge and abilities acquired through learning. It gives satisfaction to the learner
- 6) Conflict in learning arises when the trainer knows or has developed some habits which are incorrect in terms of the method being learned.

### **Learning Problems**

The trainer has to be familiar with the subject and its applied area. He should have the knowledge of the possible learning problems like:

- 1) Lack of knowledge, skill and favourable attitude
- 2) Knowledge and skill not being applied
- 3) Existence of anti-learning factors: Most operational situations contain a number of elements which will restrict the development of elements regardless the methods employed of learning
- 4) Psychological problems like fear and shyness
- 5) Durability to transfer of learning to operational situation
- 6) Heavy dependence on repetition, demonstration and practice
- 7) Unwilling to change
- 8) Lack of interest about the knowledge of results
- 9) Absence of self-motivation

### **Teaching Principles**

In addition to learning principles, teaching principles should also be taken care for effective training.

- 1) The executive must be taught to practice only the correct method of work
- 2) Job analysis and motion study techniques should be used
- 3) Job training under actual working conditions should be preferred to class room training
- 4) Emphasis should be given more on accuracy than speed
- 5) Teaching should be at different time intervals
- 6) It should be recognised that it is easier to train young workers than old workers due to their decreasing adaptability with the increase in age.

### **Principles of Training**

A sound training programme should be based on the following principles

- 1) Designed to achieve pre-determined objectives
- 2) Less-expensive
- 3) Developed for all
- 4) Pre-planned and well organised
- 5) According to size, nature and financial position of the concern
- 6) Flexible
- 7) Conducted by an experienced supervisor
- 8) Coverage of theoretical as well as practical aspects
- 9) Interests of executives and employees
- 10) More than one method
- 11) Training followed by reward
- 12) Sufficient time for practice

### **Area of Training**

Organisations provide training to their personnel in the following areas:

- Company policies and procedures
- Specific skills
- Human relations
- Problem solving
- Managerial and supervisory skills and
- Apprentice training

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### **10.7 STEPS IN TRAINING PROGRAMME**

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Training programmes are costly affair, and time consuming process. Therefore, they need to be drafted very carefully. Usually, in the organisation of training programmes, the following steps are considered necessary:

- 1) Discovering (or) Identifying the training needs
- 2) Getting ready for the job
- 3) Preparation of the learner
- 4) Presentation of operation and knowledge
- 5) Performance try-out
- 6) Follow-up and evaluation of the programme

## **10.8 TRAINING METHODS**

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There are a number of methods through which the trainees are trained. The methods normally used for training of operative and supervisory personnel are classified into “on the job” and “off-the-job” training methods.

### **A. On the Job Training Methods**

The worker by these methods learns to master the operations involved, on the actual job situation, under the supervision of his immediate boss who undertakes the responsibility of conducting training. On-the-job training has the advantage of giving first hand knowledge and experience under the actual working conditions. The emphasis is placed on rendering services in the most effective manner rather than learning how to perform the job.

- 1) **On Specific Job:** The most common or formal on-the-job training programme is training for a specific job. Current practice in job training was first designed to improve the job performance through job instruction. On-the-job training is conducted through:
  - a) *Experience:* This is the oldest method of on-the-job training. But as an exclusive approach, it is wasteful, time consuming and inefficient. It has been observed that it should be followed by other training methods to make it more effective. On-the-job problem-solving and colleague interactions were prompted as most important for professional growth.
  - b) *Coaching:* On-the-job coaching by a superior is an important and potentially effective approach, if superior is properly trained and oriented. The supervisor provides feed-back to the trainee on his performance and offers him some suggestions for improvement. Often the trainee shares his thoughts, views and apprehensions about the duties and responsibilities with the boss and thus gets relief and relieves him of his burden. A limitation of this method of training is that the trainee may not have the freedom of opportunity to express his own ideas because the trainer happens to be his immediate boss.
  - c) *Understudy:* The understudy method is considered a somewhat different approach from those described above, that a certain person is specifically designated as the heir-apparent. The understudy method makes the trainee an assistant to the current job holder. The trainee learns by experience, observation and imitation of the style of the person he asked to work with. The trainee is informed about the policies, methods, techniques etc. The advantage of this method is that training is conducted in a practical and realistic situation.
- 2) **Position Rotation:** The major objective of job rotation is the broadening of the background of trainee in the organisations. This type of training involves the movement of the trainee from one job to another. The trainee receives the job knowledge and gains experience from

his supervisor or trainer in each of the different job assignments. This method gives an opportunity to the trainee to understand the operational dynamics of a variety of jobs. There are certain disadvantages of this method. The productive work can suffer because of the obvious disruption caused by such changes. Rotations become less useful as specialisation proceeds, for few people have the breadth of technical knowledge and skills to move from one functional area to another.

- 3) **Special Projects:** This is a very flexible training device. Such special project assignments grow ordinarily out of an individual analysis of weaknesses. The trainee may be asked to perform special assignment; thereby he learns the work procedure. Trainees not only acquire knowledge about the assignment activities, but also learn how to work with others.
- 4) **Selective Readings:** Individuals in the organisation can gather and advance their knowledge and background through selective reading. The readings may include professional journals and books. Various business organisations maintain libraries for their staff. Many executives become members of professional associations and they exchange their ideas with others. This is a good method of assimilating knowledge. However, some executives claim that it is very difficult to find time to do much reading other than absolutely required in the performance of their jobs.
- 5) **Apprenticeship:** Apprentice training can be traced back to medieval times when those intended of learning trade skill bound themselves to a master craftsman to learn by doing the work under his guidance. In earlier periods, apprenticeship was not restricted to ascertainment, but was used in training for the professions including medicine, law, dentistry, teaching, etc. Today's industrial organisations require large number of skilled craftsmen who can be trained by this system. Such training is either provided by the organisation or it is imparted by governmental agencies. Most states now have apprenticeship laws with supervised plans. Such training arrangements usually provide a mixed programme of classroom and job experience.
- 6) **Vestibule Schools:** Large organisations are frequently provided with what is described as vestibule schools, a preliminary to actual shop experience. As far as possible, shop conditions are duplicated, under the close watch of the instructors. Vestibule schools are widely used in training for clerical and office jobs as well as for factory production jobs. Such training is through shorter and less complex but is relatively expensive. However, the costs are justified if the volume of training is large and high-standard results are achieved.

## B. Off-the-job Training Methods

In these methods, trainees have to leave their work-place and devote their entire time to the development objective. In these methods development of trainees is primarily and any usable work produced during training is secondary. Since the trainee is not instructed 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 methods are as follows:

- 1) **Special Course and Lectures:** Lecturing is the most traditional form of formal training method. Special courses and lecturers can be organised by organisations in numerous ways as part of their development programmes. First, there are courses which the organisations themselves establish to be taught by members of the organisations. Some organisations have regular instructors assigned to their training and development departments. A second approach to special courses and lecturers is for organisations to work with universities or institutes in establishing a course or series of courses to be taught by instructors of these institutions. A third approach is for the organisations to send personnel to programmes organised by the universities, institutes and other bodies. Such courses are organised for a short period ranging from 2-3 days to a few weeks.
- 2) **Conferences:** This is an old but still a favourite training method. In order to escape the limitations of straight lecturing many organisations have adopted guided-discussion type of conferences in their training programmes. In this method, the participants pool their ideas and experiences in attempting to arrive at improved methods of dealing with the problems, which are common subject of discussion. Conferences may include buzz sessions that divide conferences into small groups of four or five for intensive discussion. These small groups then report back to the whole conference with their conclusions or questions.
- 3) **Case Studies:** This technique, which has been developed and popularised by the Harvard Business School, USA is one of the most common forms of training. A case is written account of trained reporter or analyst seeking to describe an actual situation. Cases are widely used in a variety of programmes. This method increases the trainee's power of observation, helping him to ask better questions and to look for a broader range of problems. A well chosen case may promote objective discussion, but the lack of emotional involvement may make it difficult to effect any basic change in the behaviour and attitude of trainees.
- 4) **Brainstorming:** This is the method of stimulating trainees to creative thinking: this approach developed by Alex Osborn seeks to reduce inhibiting forces by providing for a maximum of group participation and a minimum of criticism. A problem is posed and ideas are sought. Quantity rather than quality is the primary objective. Ideas are encouraged and criticism of any idea is discouraged. Chain reaction from idea to idea is often developed. Later, these ideas are critically examined. There is no trainer in brainstorming. Brainstorming frankly favours divergence, and this fact may be sufficient to explain why brainstorming is so little used yet in developing countries where new solutions ought to carry the highest premium. It is virtually untried even though its immediate use is limited to new ideas only, not change in behaviour.
- 5) **Laboratory Training:** Laboratory training adds to conventional training by providing situations, which the trainees themselves experience through their own interaction. In this way, they more or less experiment the conditions on themselves. Laboratory training is more concerned about changing individual behaviour and attitude. It is generally more successful in changing job performance than conventional training methods. There are two methods of laboratory training namely simulation and sensitivity training as explained under:
  - a) **Simulation:** An increasingly popular technique of management development is simulation of performance. In this method, instead of taking participants into the field there can be simulated in the training session itself. Simulation is the presentation of real situation of organisations in the training session. It covers situations of varying complexities and roles for the participants. It creates a whole field organisation,

relates participants through key roles in it, and asks them deal with specific situations of a kind they encounter in real life. There are two common simulation methods of training: role-playing is one and business game is the other.

- i) **Role-playing:** Role-playing is a laboratory method, which can be used rather easily as a supplement to conventional training methods. Its purpose is to increase the trainees' skill in dealing with other people. One of its greatest uses is in connection with human relations training but it is also used in sales training as well. It is spontaneous acting of realistic situation involving two or more persons under classroom situations. Dialogue spontaneously grows out of the situation, as it is developed by the trainees as suited to it. Other trainees in the group serve as observers or critics. Since people take role everyday, they are somewhat experienced in the art, and with a certain amount of imagination, they can project themselves into roles other than their own. By this method, a trainee can broaden his experience by trying different approaches. Role-playing also has weaknesses which partly offset its values. It is time consuming and expensive. It requires experienced trainers because it can easily turn sour without effective direction. Nevertheless, these weaknesses do not undermine the strengths of this method.
  - ii) **Gaming:** Gaming has been devised to simulate the problems of running a company or even a particular department. It has been used for a variety of training objectives, from investment strategy, collective bargaining techniques, to the morale of clerical personnel. It has been used at all levels from the top executives to the production supervisors. Gaming is a laboratory method in which role-playing exists but its difference is that it forces attention on administrative problems, while role-playing tends to emphasise mostly on interaction. Gaming involves several teams each of which is given a firm to operate for a specified period. Usually, the period is a short one, say one year or so. In each period, each team makes decisions on various matters such as fixation of price, level of production, inventory level, and so forth. Since each team is competing with others, each firm's decisions will affect the results of all others. All the firm decisions are fed into a computer, which is programmed to behave somewhat like a real market. The computer provides the results and the winner is the team which has accumulated largest profit. In the light of such results, strengths and weaknesses of decisions are analysed.
- b) **Sensitivity Training:** It is the most controversial laboratory training method. Many of its advocates have an almost religious zeal in their enhancement with the training group experience. Some of its critics match this fervour in their attacks on the technique. As a result of criticism and experience, a somewhat revised approach, often described as "team development" training, has appeared. It was first used by National Training Laboratories at Bethel, USA. The training groups are called T-Group. Sensitivity training is a small-group interaction under stress in an unstructured encounter group which requires people to become sensitive to one another's feeling in order to develop reasonable group activity. T-Group has several characteristic features: (i) T-group is generally, small, from ten to twenty members; (ii) the group begins its activity with no formal agenda; (iii) the role of trainer is primarily to call attention from time to time to the on-going process within the group; and (iv) the procedure tends to develop introspection and self-examination, with emotional levels of involvement. The objectives of such training are concern for

others, increased tolerance for individual differences, less ethnic prejudice, understanding of a group process, enhanced listening skills, increased trust and support.

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## **10.9 CAUSES FOR FAILURE OF TRAINING**

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Training effort in most cases in many organisations becomes a failure due to weaknesses in policies, procedures, practices concerning training activities. Some such important causes for the failure of training, in general, are:

- 1) Top management does not have complete faith basically in HRD philosophy and has little confidence in training as an important method for ensuring development of human resources.
- 2) The training objectives or not clear, specific and not understood by all.
- 3) Training policy is not clear, lacks comprehensiveness and does not have proper linkage with other HRD policies.
- 4) Organisational arrangements, budgetary allocations, staff resources, aids, etc. are not adequate and properly placed
- 5) Training staff lacks coordination with other staff and personnel
- 6) In various aspects relating to training, such as identification of needs, selection of trainees, sponsoring candidates for training, using trainees on the job etc., there is not adequate seriousness to ensure effectiveness of training. It is felt that procedures are adopted as a mere formality
- 7) In conducting training activity, absence seriousness to involve the trainees in learning affects the training outcome. Besides, lack of expertise in using the methods, aids, resources, etc. hampers the expected results.
- 8) Lack of efforts to make better utilisation of the trainees and unfavourable environment to the trainees in applying their enhanced abilities and in rewarding their improved performance.
- 9) Lack of evaluation of training at various stages. The outcomes of training programmes are not monitored.

Efforts to overcome the weaknesses mentioned may help the organisation in improving the effectiveness of training.

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## **10.10 EVALUATION OF TRAINING**

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A desirable characteristic of all training programmes is built-in-provision for its evaluation to find out whether the objectives of training activity or programmes are achieved or not.

Notable dimensions of training evaluation are:

- 1) **Evaluation of Contextual factors:** Training effectiveness depends on not only what happens during the training, but also on what happens before the actual training and what happens after the training has formally ended. Thus, there is need for both pre-training and post-training evaluation of contextual factors.
- 2) **Evaluation of training inputs:** This involves the evaluation of training curriculum, its sequencing, trainers abilities, facilities, aids and resources used.
- 3) **Evaluation of training process:** The climate of training organisation, the relationship and interaction between participants and trainees, attitudes and approaches of the trainers, training methods used, and involvement of the trainers in learning are some of the important elements of the training process, which need to be evaluated.
- 4) **Evolution of training outcomes:** It involves measuring the results of the training in terms of what has been achieved on account of training programme. Pay-offs from training is intangible, slow and not clearly identifiable with the specific activity.

In evaluation of outcomes, four categories of outcomes can be measured:

- i) **Reaction:** Evaluation of trainee's reaction to the programme
- ii) **Learning:** Evaluation of what trainees have learnt
- iii) **Behaviour:** Evaluation of change in the behaviour of trainee due to training
- iv) **Results:** Evaluation of results achieved due to training in various areas such as production, human resource utilisation, performance tests, general job and organisation environment and cost-value relationship.

### **Principles of Training Evaluation**

If evaluation in any form is to be effective, it must be done in accordance with some of the following principles:

- 1) Evaluation must be planned, which is to be evaluated, when, why, by what means and by whom must be determined in advance
- 2) Evaluation must be objective. It should not be a mere formality or eyewash or for name-sake
- 3) Evaluation must be verifiable. Results can be compared by the same or different means
- 4) Evaluation must be cooperative. It must involve all those part of or affected by the training programme. It is not a contest between the evaluator and the subject of evaluation.
- 5) Evaluation must be continuous to ensure effectiveness at every step.
- 6) Evaluation must be specific. It should specify the strengths and weaknesses for further improvement but should not make out vague statements or generalisations
- 7) Evaluation must be quantitative. All measurements should aim at quantifying the changes in different performance variables.

- 8) Evaluation must be feasible. It must be administratively manageable
- 9) Evaluation must be cost effective. The results must be commensurate with the costs incurred.

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## 10.11 CONCLUSION

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Every organisation needs to have well-trained and experienced people to perform the activities that have to be done. Training is the process through which employees are made capable of doing the job prescribed to them. In a rapidly changing society, employee training and development is a desirable activity. All types of jobs require some type of training for their efficient performance and therefore all employees new and old should be trained or retrained.

The basic needs and objective of training programme for a particular level differ from that of other level. Thus, a particular training programme would be more suitable to a particular group of people. Moreover, within a particular group, an individual may use a particular training while others may need some other programme. The determining factor would then be the level of individual in organisation and his personality characteristics.

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## 10.12 KEY CONCEPTS

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**Education:** Knowledge attainment which develops or progresses, both as an inadvertent virtue and as part of deliberate policy is understood as education. Education is more than information sharing and imparting. It implies approximation to truth in the specific area of learning.

**Learning:** Learning is the process of knowledge attainment or the tool with which knowledge is attained. Learning and development proceed in tandem and as complementary processes as each refurbishes the other. Learning leads to development of cognitive processes.

**Peak Proficiency:** Proficiency is understood as the ability, talent, aptitude, adeptness, or expertise in a given subject area. Peak proficiency implies operating at optimum capacity. Maximum capacity may not be possible due to physical and cognitive limitations to human capacity.

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## 10.13 REFERENCES AND FURTHER READING

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## **10.14 ACTIVITIES**

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1. Explain the meaning and importance of Training with suitable illustrations.
2. Write an essay on Methods of Training.
3. List out the shortcomings and the limitations of Training.

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## **UNIT 11 REDEPLOYMENT AND RESKILLING**

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### **Structure**

11.0	Learning Outcome
11.1	Introduction
11.2	Understanding Redeployment
11.3	Redeployment: Guiding Principles
11.4	Redeployment: Key Issues
11.5	Redeployment Policy Framework
11.6	Redeployment in India with special reference to VRS and NRF
11.7	Reskilling: Meaning and Importance
11.8	Reskilling Process
11.9	Reskilling through Distance Mode
11.10	Conclusion
11.11	Key Concepts
11.12	References and Further Reading
11.13	Activities

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### **11.0 LEARNING OUTCOME**

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After reading this Unit, you shall be able to:

- Understand the importance of personnel as an asset;
- Explain the concept, meaning and process of redeployment;
- Understand the key issues involved in redeployment;
- Know about redeployment in India with special reference to VRS and NRF;
- Explain the meaning and importance of reskilling; and
- Understand the process of reskilling.

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### **11.1 INTRODUCTION**

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Organisations are formed collectively of individuals. The success or failure of any organisation, by and large, is attributed to the commitment, zeal, enthusiasm or laziness, lethargy and demotivation of the personnel. It becomes imperative for any result-oriented organisation, public or private, to enhance the productivity and performance of its human resource besides focusing on reducing duplication and fragmentation. Goal oriented organisations work towards enhancing their ability to attract and retain talent, which could be diverse as well as capable. To this effect, reengineering has been defined as “the

fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical, contemporary measures of performance, such as cost, quality, service and speed" (Hammer and Champy, 1993). Thus, one finds that the move for being in terms with required contemporary measures for better performance, the human resource is of crucial importance. Along with reengineering, restructuring of organisation also contributes to making an organisation effective. Restructuring measures are undertaken in a broad policy framework in respect of loss-making manufacturing organisations. It is done for introducing measures, which could lead to better performance and to do away with redundant existing operations and their modalities. Through business process reengineering, many organisations come up with substantive performance improvement, especially in productivity, quality, profitability and above all customer satisfaction. James P. Ware in his paper "The Process Redesign Imperative" has highlighted the following positive lessons which have emerged from experiences with this radical approach: dramatic redesign can produce dramatic outcomes, dramatic performance improvement requires dramatic leadership; it is central to process redesign; process redesign efforts change the nature of work; the nature of management itself also changes". By and large, the Principles for restructuring process in public organisations aim at

- Protecting and creating quality employment within the public service
- Supporting the key objectives of transformation of the State
- Improving delivery of services to the community, enhancing productivity and performance of public service to meet the national objectives
- Supporting all stakeholders' rights to have information to assess the impact of transformation
- Promoting good governance values amongst public servants and in this way building the morale of public personnel
- Improving the skill base of the public service (Public Service Job Summit, 2001)

As referred to above, for making an organisation to have best performance, employees at all levels play a crucial role. In fact, to say that they are the greatest asset of any successful organisation will not be out of place. It is through their efforts that rather extraordinary achievements could be on cards and it is equally true that lack of employees commitment can drag an organisation and keep its performance down.

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## **11.2 UNDERSTANDING REDEPLOYMENT**

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An opportunity to be innovative is being provided through redeployment. It enables for complete use of the skills, knowledge and expertise of the employees at various levels and enables them to cope up with the challenges coming their way. An organisation going for redeployment needs to aim at achieving the best use of skilled personnel, while offering learning opportunities to all. "Redeployment is the process at securing alternative employment for staff displaced as a result of organisational change, service modernisation, capability or ill health. The process by which staff accesses different forms of redeployment may vary and individual staff entitlements within this may differ". (Redeployment Guideline, 2005).

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## **11.3 REDEPLOYMENT: GUIDING PRINCIPLES**

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An employee declared ‘surplus’ maybe redeployed to a position within the department (or another department) where there is a similar match of skills between the employee and the skill requirements of the position.

An overriding principle that is applied to redeployment is that the earlier contribution in the organisation is of value and working towards retaining such experiences would provide opportunity for capability and capacity building. Taking example from Public Service Reform in New Zealand, in the present era of challenges and need for efficient functioning, redeployment options certainly march towards improving change management process and helping the organisations to:

- Retain people who are familiar with organisational networks, culture and behavioural and ethical standards
- Retain institutional knowledge and specialised competencies
- Promote the organisation as an employer of choice
- Reinforce work ethos and commitment to the spirit of service
- Provide both a symbolic and a tangible gesture that the organisation offers employees unique opportunities, such as multiple career pathways and opportunities for development

Regarding guiding principles of Enhanced Redeployment Process, the above quoted document, has referred to the following as additional principles for redeployment.

- The employee is to be consulted on any proposed appointment
- Chief executives and where applicable the union, undertake to encourage surplus employees to seek voluntary redeployment within the wider public service when placement is not available in the employing department
- Individual employee’s entitlement to privacy must be respected throughout the process and information about them can only be released with their agreement.
- Any redeployment process must fit easily within the overall restructuring programme and be easy to understand and administer within a reasonable time”.

Some of the major reasons for redeployment include internal reorganisation and restructuring adhering to an employees request for redeployment to another post, the post occupied by the incumbent becomes redundant, incapacity of an employee for performing assigned duties, an employee being declared as incapable to perform the assigned role, etc.

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## **11.4 REDEPLOYMENT: KEY ISSUES**

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In a learning organisation the focus is also on redeployment for the purpose of retaining and developing experienced staff having required skills. Redeployment facilitates the process of organisational development and modernisation besides adjusting to service changes by safeguarding the skills, experience and motivation of personnel. In any given redeployment

situation, the following have been identified as the key issues (Redeployment Guideline, 2005)

**i) Pre- Redeployment situation**

- a) Total cooperation of all parties and stakeholders
- b) Local Redeployment policy in place
- c) Appointment on temporary basis, if required, until regular and substantive posts are available
- d) Appointment of Redeployment Coordinator (It is the responsibility of the Redeployment coordinator to check: the post or elements of the post are close in nature to that previously held by the employee in the organisation; agreed and required training has been imparted, and any other factors considered relevant by the superior, employee, or Trade union representatives).

**ii) During Redeployment**

- a) Redeployment opportunities sought in Partnership with Trade Union
- b) Displaced staff given preferential consideration for post
- c) Redeployment coordinator co-opted into the area partnership forum
- d) Opportunities for training or retraining accessed
- e) Managers required to provide written reasons for not appointing displaced staff
- f) Redeployment coordinator will liaise between employees
- g) Monitoring arrangements

**iii) Post- Redeployment**

- a) Relocation costs, where appropriate, paid by redeploying organisation
- b) Protection costs, where appropriate, paid by redeploying organisation
- c) Individual Redeployment assessment
- d) Focus groups

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## **11.5 REDEPLOYMENT POLICY FRAMEWORK**

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It goes without saying that any forward-looking organisation is always committed to attract and retain excellent, sincere staff. It has care for the knowledge, experience and skills of the employees.

The exchange of ideas, skills and knowledge, and its promotion through staffing policies and procedures is integral to the organisational work. It leads to the movement of staff between different sub-units of the organisation and benefits the individual and the Unit as a whole.

The changing needs of the organisation and the pro-active management of change mean that staff may need to be considered for redeployment from time to time, either on an individual

or a group basis. In these circumstances, it is recognised that the staff concerned have a body of experience and expertise which shall enable them to continue to contribute to the success of the organisation, given suitable opportunities to do so.

There is a need for an organisation to develop Redeployment Policy suiting its needs, circumstances, resources, challenges and constraints. It calls for an organisation to put on use all reasonable efforts for its staff to work effectively in a redeployment situation whereby both the staff and the organisation stand benefited.

The effective operation of this Policy shall be dependent on the full co-operation of staff and managers in the process and the provision of all necessary and relevant information to support assessment and decision making. For redeployment to be successfully achieved, staff is expected to undertake appropriate training and to exercise flexibility in considering available opportunities.

For a Redeployment Policy to be effective there is need for un-stinted support and cooperation of all concerned. Detailed information about the staff, organisational objectives, past performance record of personnel, future vision of organisation, etc., is a must to carve out a Redeployment plan. It is also necessary to make enough space fro training and reorientation of the staff to be redeployed so that the purpose of the policy, including the following, is achieved.

- To follow a consistent and unbiased mechanism in administration of Redeployment
- Proper skills to be inculcated and knowledge to be imparted to the Redeployed staff in the interest of work efficiency
- To make sure that the redeployed staff owe allegiance to the organisation
- To motivate the redeployed staff and recognise their contribution.

The Redeployment Policy needs to be designed in such a way, wherein the personnel in the organisation are provided with the opportunity to have alternative employment within the organisation. The Head of the sub-unit in the organisation shall have the onus to find avenue for a person within the same sub-unit so that the earlier acquired skills and experience could be made use of. In case, the opportunity for after native employment is not available, efforts are to be made for Redeployment of the staff in other sub-units, of course, in keeping with the nature of work, quantum of work, and specialisation of the member to be redeployed. The organisational management should ensure that the person being redeployed is in the same grade or a grade below so that the person redeployed is not demoralised and demotivated.

In the interest of fair and considerate ethics, it shall be responsibility of all concerned that the policy is implemented without being unfair and biased towards such employees who are otherwise considered eligible to be redeployed. Further more it shall be the responsibility of all concerned to work towards successful implementation of the Policy. (For more details, Redeployment Policy of the University of Sheffield may be consulted at [www.shef.ac.uk](http://www.shef.ac.uk)).

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## **11.6 REDEPLOYMENT IN INDIA WITH SPECIAL REFERENCE TO VRS AND NRF**

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In India, industrial restructuring as an essential component of economic reforms was introduced in July 1991 in the name of New Economic Policy. Structural adjustment as a global phenomenon relied heavily on manpower rationalisation for its success. Shedding surplus workers under the programmes of structural reforms was initiated in many countries.

It is in this context the voluntary severance, in various forms and contents, has emerged as the most commonly accepted policy option for tackling labour redundancy all over the world. The experiences of different countries though varied in its content and effect, the impact was very severe as millions of workers, employees have lost their jobs with certain wage compensation and without any thing to offer to the retrenched employees, where the IMF/World Bank aided programmes were implemented in Pakistan and Bangladesh. In China also the experiment of labour redundancy took place in a different manner, where in China emphasised on absorption of surplus labour through expansion and diversification of various industries (Guha, 1996). The World Bank in its Golden Shake Hand programme conceived that the Voluntary Retirement Scheme (VRS) is based on with a planning to offer attractive package and counselling assistance for redeployment both inside and outside the bank.

In the wake of New Economic Policy, it is widely apprehended that the drastic measures of reforms are bound to lead to serious problems of mass retrenchments and displacement of labour. The Government through NEP repeatedly assured the country that the structural adjustment will be made with a human face and only with consultations (Both bi-partite and tri-partite) and co-operation. The Government reiterated its commitment to protect the interest of labour, enhance their welfare and equip them in all respect to face the technological change.

### **Exit Policy**

The logical corollary of the economic reforms is a liberal exit policy. It deals with the closure of the loss making units and retrenchment of labour. It is felt that an effective exit policy is necessary, for the speedy implementation of structural reforms. “Golden Hand Shake” is a management term for exit. It is also known as “retrenchment without tears” by managers and “forced retirement by labour”. Voluntary Retirement Scheme (VRS) has become the basic component of labour adjustment strategies adopted by management in both public and private sectors.

Exit policy means freedom for the employers to close down the sick and loss making units and retrenches the surplus labour. Among other things the objective of exit policy is to increase the potential for further growth of job opportunities.

The exit policy intends to provide a “right to shrink” in various ways such as: reducing the operations, retraining and redeploying surplus labour force, expanding the operations through diversification or even the closure of the industry as a final alternative.

With the establishment of National Renewal Fund (NRF) exit policy has become more pronounced. NRF is designed to be the safety mechanism, to provide training of workers who are adversely affected by structural adjustment programme (SAP). The trade unions have not reconciled with the idea of exit policy and vehemently opposed to the use of NRF for retrenchment benefit to the workers.

The New Industrial Policy affected all the vulnerable section of the society either directly or indirectly. Workers have to accept wage restraint, redeployment and retrenchment.

Some expert and the supporters of the SAP believed that in the long - term there will be an overall improvement in employment and in the medium – term employment will grow in the organised sector, and short-term employment growth would be very less.

Whatever may be, the exit policy played havoc with the employment generation and social commitment of the planning, through diversion effect and displacement effect. The policy

created insecurity and uneasiness in the Indian Labour World. Therefore, the Government has a special responsibility to save the workers.

The economic reforms threatened to create substantial additional unemployment since a sizable quantity of surplus labour had been carried over from pre-reform days. Unemployment due to restructuring is expected to arise from the closure of some of the economically non-viable enterprises, downsizing of the workforce in other weak units and adjustments in labour force necessitated by technological innovations.

### **Estimates of Labour Redundancy**

The labour redundancy arising from two sources:

- (i) Closure of the non-profitable, terminally sick units; and
- (ii) Workforce rationalisation for securing long-term viability of currently loss-making units.

According to one estimate that two – thirds of the employment in all sick enterprises is taken to be redundant. 17-18 per cent of workers in the 58 public sector units “chronically loss making” is also redundant, which will be about 3.3 million and altogether about 27.8 per cent of the total employment in the Central PSUs is found redundant which is estimated 0.614 million in 1988-89. Employment in the 81 enterprises of the employment, the sick subset, was 0.53 million or 64.6 per cent of the employment in all non-profitable enterprises.

According to another estimate one – third (33 per cent) of the sick Central PSUs will be wound up. Half of the sick private enterprises will be closed down and they will shed down 25 per cent of their workforce and 35 per cent in the central PSUs.

The following table will show the extent of labour redundancy during 1990-91 in millions for various reasons:

	Central PSUs	Private organised Sector
Total redundancy	0.381	0.992
Per cent of Total employment	17.9	12.9

Redundancy in other sectors is estimated as under:

Central Government	:	0.610 millions
State Governments	:	1.273 millions
Local bodies	:	0.414 millions
Quasi-Governmental Organisations	:	1.114 millions
Public Sector	:	3.411 millions
Private Sector	:	0.992 millions

These estimates suggest that 75.6 per cent of redundant labour is found in the service sector. Indeed, public services account for more than 66 per cent of all potentially redundant labour, much of this surplus labour exists at the level of state and local Governments.

### **Voluntary Retirement Scheme**

The new industrial policy decided to reduce a sizeable redundant labour without causing much dissatisfaction to the outgoing labour. Therefore, instead of painful retrenchment, a better option, which will be more acceptable to the workers, was thought to be introducing

the Voluntary Retirement Scheme (VRS). VRS offered attractive package of benefits, therefore, it enabled a firm to rationalise labour strength, attain cost effectiveness.

Throughout the world, various countries like USA, Canada, UK, Japan, and Scandinavian countries, China, Pakistan, and Bangladesh etc introduced some kind of voluntary retirement or voluntary severance schemes. The developed countries provided adequate social security measures like the unemployment insurance. In these countries, before the introduction of VRS, there were free and transparent discussions between the workers and their trade unions.

In India, the management tried to tackle the problems of business recession, industrial sickness, technology induced labour redundancy by adopting voluntary retirement strategy as a means to reduce the labour cost.

### **Guidelines for Voluntary Retirement**

Guidelines for voluntary retirement for the employees of public sector enterprises were issued on 5<sup>th</sup> October 1988, by the Bureau of Public Enterprises. Following are the main conditions for opting for VRS:

- i. 10 years of service or 40 years of age.
- ii. The terminal payments available to employee seeking VRS are:
  - a. The balance in the Provident Fund
  - b. Cash equivalent of accumulated earned leave as per the rules
  - c. Gratuity as per the gratuity Act.
  - d. Ex-gratia payment equivalent to 1 ½ months pay + DA for each completed years of service left before normal date of retirement which ever is less.

Later on, the scheme was made much more flexible to benefit the workers.

In November 1995, the planning and Economic Affairs (BPE) Department issued a circular recommending guidelines for introduction of VRS in the state public sector undertakings as in the Central Government Public Sector undertakings.

The conditions for VRS are:

1. The posts which are allowed to avail the VRS should be abolished.
2. The expenditure should be met by the Public Sector undertakings themselves.
3. The other conditions, which are applicable to Central Public Sector undertakings.

### **The Causes for Taking VRS in the Industries**

The reason for taking VR were many but the main reasons were classified under eight major heads (Guha, 1996)

1. Apprehension of closure of unit (30%)
2. Poor health of workers (24%)
3. Debt clearance (11%)
4. Marriage and Education of Children (10%)
5. Setting up of children in Business (4%)
6. Anticipation of good career/business (3%)
7. Return to native place (2.3%)
8. Constructing house or purchase of land (2%)

9. Other reasons (15%) (The figures in brackets are percentages of VR workers according to reason)

### **VRS in the Government of India**

Based on recommendations of the Expenditure Reforms Commissions (ERC), a Liberal Voluntary Retirement Scheme was introduced in the Government of India in February 2002 to downsizing, rightsizing or restructuring for optimising the Government Staff strength. Detailed guidelines to this effect were issued to all the Ministries/Departments by the Ministry of Personnel, Public Grievances and Pensions and Training.

### **The Features of Special VRS**

1. All permanent employees rendered surplus irrespective of age and service can opt for VRS.
2. Ex-gratia payment to VRS employee, equal to basic pay plus DA on the basis of length of service at the rate of 35 days for each completed year and 25 day for each remaining year.
3. Ex-gratia will be to a minimum of Rs. 25,000/- or 250 days of emoluments.
4. The Ex-gratia will be paid in lump-sum
5. The Ex-gratia amount up to Rs. 5.00 lakhs will be exempted from Income Tax.
6. The post held by the retiring incumbents should be abolished.
7. The VRS will be made applicable as per the order of Government issued in April 1989, "steps for identification of surplus staff".

Thus, the Government of India announced to reduce their staff by 10 per cent in four years, and effect economy in Government expenditure. It has decided to retire 25 per cent to 50 per cent of the officers at the age of 52 to 55 as it is done in the army.

Many other drastic measures were taken ruthlessly to reduce the expenditure. The All-India State Government Employees Federation, Central Government Employees Confederation and All India Defence Employees Federation and other organisation vehemently opposed the Governments move against the welfare of the employees.

No opposition could stop the reduction measure taken by the Central/State PSUs, Private Industry/Central Government and Banking sectors. In fact, the initial opposition based on certain apprehensions could not be sustained due to lucrative benefits and the lump-sum amounts offered through the VRS. There are no proper statistics but millions of employees took to VRS on a competitive basis, which led to closure of the units completely, and thousands of crores of rupees were paid to VR workers through National Renewal fund. Many things unwanted happened due to the defective VRS and faulty estimates of NRF.

### **The Impact of VRS on VR Workers**

An in-depth analysis of the impact may not be possible. For not many studies are made on this aspect. However, certain findings can be noted:

1. The expected benefits of rehabilitation were not available to a large number of employees who took VRS.
2. 10% of VR workers did not show any interest in any kind of rehabilitation. They were mentally upset.
3. 20% were not eligible for any kind of rehabilitation facilities as they were 55 years of age and above.

4. 5% of the VR workers had some confidence in the Government Programmes for Training and Redeployment.
5. The Success and failure of the VR workers depended on the interest of the workers as well as on the attitude of the PSEs and the Government in providing retraining and deployment.

### **Redeployment in Central Government**

A scheme of redeployment of surplus staff has been in operation in Government of India since 1966. The work relating to redeployment and readjustment of surplus officials belonging to group A, B and C is handled by the Central (Surplus Staff) cell located in the Department of Personnel and Training, while that relating to group D staff is handled by the Director General of Employment and Training (DGET) of the Ministry of Labour. Till 1989, there was a provision for compulsory retirement of all those surplus officials who neither opted for voluntary retirement nor could be redeployed within six months of being declared as surplus. This provision was discontinued in 1989. So far, of the 9214 group A, B and C officials accepted in the Central Cell, 8662 are reported to have been redeployed, 72 retrenched or resigned, 235 retired voluntarily or on superannuation, while 245 are awaiting redeployment of the 6211 group D personnel declared surplus, 5559 were placed / nominated in alternate jobs, the rest are still awaiting deployment at the end of June 2000.

Now, the personnel declared surplus would be transferred to the surplus cell, now called division for Retraining and Deployment for Retraining and Redeployment.

### **National Renewal Fund (NRF)**

The new Industrial Policy announced by the Government of India on July 24, 1991 that “the government will fully protect the interest of labour, enhance their welfare and equip them in all aspects to deal with the inevitability of technological change. Government believes that no small section of society can corner the gains of growth, leaving workers to bear its pain. Labour will be made an equal partner in progress and prosperity. Workers’ participation in management will be encouraged to participate in the packages designed to turn around sick companies. Intensive training, skill development and up gradation programmes will be launched”.

The concept paper on National Renewal Fund (NRF) prepared by the Department of Industrial Development (January 1992) assured that labour will be retrained, their technical skill upgraded and surplus labour will be suitably redeployed. During discussions on the paper it was agreed that the labour will not be thrown out of employment in the name of modernisation.

Thus, the NRF was constituted on February 3, 1992 but became operational only in early 1993. On May 5, 2000 the NRF in its original form was abolished accordingly. At present, the budgetary support for implementation of VRS in Central Public Sector undertakings has been made available directly to the concerned administrative Ministries by Ministry of finance from the financial year 2001-2002 and funds required for retraining / rehabilitation of employees availing VRS has been placed with Department of Public Enterprises from 2001-2002.

### **Objectives of NRF**

NRF has three objectives:-

1. “to provide assistance to cover the costs of retraining and redeployment arising as a result of modernisation, technology up gradation and industrial restructuring”.

2. “to provide funds, where necessary, for compensation of affected by restructuring or closure of industrial units, both in the Public and Private Sectors”.
3. “to provide funds for employment generation schemes both in the organised and unorganised sectors in order to provide a social safety net for labour”.

The NRF was envisaged in two parts:

1. The National Renewal Grant Fund (NRGF)
2. The Employment Generation Fund (EGF)

## **I. National Renewal Grant Fund**

The funds are expected to be disbursed in the form of grants for assisting employees affected by technology up gradation, modernisation, restructuring and revival of industrial undertakings specifically for approved schemes relating to:

- i. Counselling, retraining and redeployment of displaced workers,
- ii. Workforce reduction through retrenchment and voluntary separation and
- iii. Soft loans for labour restructuring by weak industrial units.

## **II. Employment Generation Fund**

It provides funds for approved employment generation schemes for both the organised and the unorganised sectors such as:

- i. Special programmes designed to regenerate employment opportunities in areas affected by industrial restructuring.
- ii. Employment generation schemes for the unorganised sector in defined areas.

The NRF assistance was extended to workers rendered jobless after July 1991 through the following institutional structures:

- i. Employee Resource Centre (ERC)
- ii. Employee Assistance Centre (EAC)

### **Employee Resource Centre**

ERC screens the rationalised workers providing identity cards indicating their skills, experience profile and preference for the future. The ERC is located in the industrial unit itself where from the employees outflow takes place. It is the first agency which comes into contact with displaced workers. Therefore, its role is very important in the final rehabilitation of rationalised workers. The ERC provides a range of services/counselling involving guidance about retraining facilities.

The ERC rebuilds morale by psychological counselling. A self-help guide along with the details of opportunities of jobs available in the labour market are provided to help the workers to resettle without much worry and make productive use of their time and the money they got through VRS.

At the end of 1996, there were 47 Central Public Sector units, out of 61 receiving NRF assistance were having ERC units, managed by the funds and the staff of the industrial units. They extended counselling facilities only to about 15 thousand workers out of about one lakh workers who took VRS. The statistics indicated that only a few ERCS functioned well and only 10 per cent workers were counselled.

### **Employee Assistance Centre (EAC)**

A network of EACs in the cities of sufficient worker outflows aimed at equipping the workers with input for wage-employment or self-employment. EACs surveyed displaced

rationalised workers, possible job avenues, skills in demand and training infrastructure available and counselling / retraining redeploying the affected workers. Retraining is imparted in capsule form for skill up gradation or skill formation. Workers are provided entrepreneurship training. They are guided in getting finances and raw materials and supported in running the business in the areas of marketing, taxation, environmental conditions etc.,

### **Pilot Project**

The Department of Industrial Development of Government of India set up five pilot projects. These pilot projects were entrusted to five nodal agencies in Ahmedabad, Kanpur, Mumbai, Kolkata and Indore.

The Nodal Agencies were asked to set up Employee Assistance Centres to assist Employee Resource Centres set up in the enterprises needing rehabilitation services. The EACs have to conduct systematic survey of workers targeted for assistance, identify their training needs, and locate suitable centres to provide retraining in vocational skills as are in demand in the local area. As most of the VRS workers possessed low levels of education and advanced age, the training courses that are given to these need to be designed to impart practical skills. In practice, they have taken the form of part-time courses spread over three to five months. Workers who are not interested in vocational skills were to be provided training entrepreneurship development to enable them to start business of their own.

The nodal agencies prepared action plans in early 1994 and they were provided funds in September 1994 to undertake counselling, retraining activities and provide escort services to needy workers to obtain funds from banks for their self – employment.

All the Employee Assistance Centres formulated Annual Action Plans on the basis of surveys. Groundwork for retraining by Employee Resource Centres has benefited about 10,000 employees.

Besides, the nodal agencies, EACs, ERCs the Directorate General of Employment and Training of Ministry of Labour Government of India has also offered vocational courses, through six advanced Training Institutes (ATIs) and 15 Industrial Training Institutes (ITIs) all over India.

Employees Assistance Centres were in operation in about 50 centres. To an estimate by the end of 1997, the centres surveyed (60,416) workers (60,416), counseled (29,220), retrained (19,334) and redeployed (4,488). The response from the displaced workers for these short term training was poor, as only 10-15 per cent workers showed some interest.

### **Assessment of NRF**

Though the economic reforms were initiated in June 1991, the NRF was set up 1992 but it came into operation in 1993. It was delayed in the beginning. The NRF package was designed with unemployment insurance scheme was yet to be finalised, special employment programmes are yet to be designed, area regeneration activities are yet to be taken up and retraining facilities were not fully organised. The initial delay caused adverse impact on employment.

The NRF covered mainly the permanent workers who have opted for voluntary retirement under VRS, belonging to:

- a. The Central Government Departments and CPSUs
- b. State PSUs and

c. Large private industrial enterprises.

It was observed that the NRF package is not comprehensive enough to take care of the interest of workers. The components of the safety net of the package are limited and inadequate as it left out the unorganised sector.

The quantitative dimensions of the NRF are also far from adequate in terms of coverage of PSU workers and insignificant in terms of training, retraining and redeployment. NRF emerged as a haphazard cosmetic measure, which failed to give human face to the reforms. The NRF also could not promote restructuring of units and could not facilitate their closure. The retraining and reskilling measures undertaken under NRF were not effective as they are not planned in the light of the needs of the labour market. Thus, the meaningful counseling, retraining and redeployment activities remained a distant dream.

On the other hand, NRF almost came to a halt due to the cost increase as the increasing numbers of managerial staff opted for “Golden Shake Hand” from the Central PSUs only to take better paid jobs in the private sector. This was not the objective of NRF to allow the flight of managerial talent for lucrative personal gain.

Thus the general picture is the NRF made some progress in involving VRS. Even this only scratched the surface of the problem it was expected to solve. The NRF programmes could not be fully successful for want of past experience and it is designed on inappropriate assumptions in assessing the stock of surplus labour and the amount of cost involvement for VRS. The NRF must have taken care to prevent the flight of talent to reduce the cost increased and to retain the talent.

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## **11.7 RESKILLING: MEANING AND IMPORTANCE**

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It is almost imperative for any organisation, which endeavours to achieve targets effectively, to find, retain, develop, deploy, redeploy and reskill its workforce. To keep pace with the newer challenges and to overcome existing constraints, it becomes essential that matching skills are inculcated amongst the organisational personnel. The employees, which are an asset, need to reorient leading to appropriate management of the intellectual capital for competitive advantage. Thomas A. Stewart in his book, Intellectual Capital, has defined intellectual capital as “intellectual material-knowledge, information, intellectual property, experience-that can be put to use to create wealth”. In other words, the intellectual capital can help in not only achieving the fixed targets on time but also developing and executing such plans whereby the organisation could do not only the best but also to the satisfaction of all concerned.

Ellen H, Julian and Christopher Boone (2001) have stated that it is rather an expensive way to have skilled employees. It is a fact that integrated recruiting and training approach has been a success but it also quite challenging because any error in recruitment or proper training could make an organisation to pay a dear price because an improper selection or lack of required training / orientation could make an employee rather than an asset, a liability, which could stand in the way of accomplishing pre-fixed goals and objectives. “Reskilling internal resources have emerged as an exceptional method of both maintaining productivity and developing talent. However, utilising a learning management system will be critical to understand the training and individual involvement to make reskilling appropriate. Reskilling continually develop employees’ skills can be a complete process. Reskilling enhances job satisfaction, reduces employee turnover, and lessens the needs to outsource or hire contract labour” (Julian and Boone, 2001). It is also worth mentioning here that reskilling provides an opportunity to the employees to proceed towards a new career path with the same employer. It enables both the employees and employers to be in an advantageous position as both get in

position to have more trust and commitment. It further provides a chance to the personnel to make use of their already acquired skills in conjunction with the newer opportunities and challenges faced by the organisation.

It is often said that organisations must attempt to retain the talent having been invested in and developed over the years. But it has to be understood with the assumption that employees who have not been working properly could either be fired or retrained/reskilled. Certainly, the later option is more beneficial. The point has been stressed by Zia Askari (2002) in the write-up ‘Reskill to Retain’ as ‘polish your most critical assets, your people with utmost care. Be quick to train them when they need it, in areas most profitable to you. It’s time to brush away the dust.....’. The write-up has come out with the following six-point agenda of reskill to retain.

- Reskilling employees should be an ongoing process
- Reskilling keeps top performers cognizant of new tools available in the market
- Let high performers focus on what they do best for the firm
- Conduct quarterly follow-ups with employees to accelerate skill development
- One-to-one monitoring accelerates total personality development, especially with team leaders
- Training should avoid unrealistic expectations like creating superheroes or replicas of the boss.

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## 11.8 RESKILLING PROCESS

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Each successful organisation reviews the performance of its employees in a meaningful manner not with a negative end to punish the defaulters but with a positive goal to improve those who are not up to the mark and further strengthen the ones who are best performers. Moreover, the competitive environment calls upon organisations to continually up-bringing their employees, who in turn contribute in developing required infrastructure. Inculcating skills to the new recruits is as much important as it is to impart and inculcate new skills among the employees. If one looks at the reskilling process in totality, probably the take-off stage is to conduct an effective employee audit. The staff audit helps in: updating the employees records; identifying and initiating steps to do away with such employees who are on the payroll but actually are only shadow employees; chalking out plans for better accuracy of subsequent workforce analysis; and reviewing job positions and assigned duties. It thus brings to light that staff audit provides not only information on personnel but also gets information on strength of employees on different positions in different sub-units; employees performance record; employees skills, etc. It paves the way for a through assessment of employees skills primarily with focus on elements like current skill levels assessment; highlighting and forecasting future skill requirements; identifying gaps between current and likely required skills for surfacing areas of skill surplus and skill shortage (Labor Tool Kit, 2002).

The managers and other superiors in the organisation normally are aware of the skill level of the subordinate and also the required level of skills in order to meet with the targets. It is for the operational managers to update the top management about the existing gaps and also to suggest ways for abridging the hiatus. In every organisation, there are Key Performance Areas or Key Result Areas which need to be given more attention as lack of required performance on count of KRAs can be dangerous for the efficacy of the organisation. Therefore, it becomes essential to list out the critical skills and efforts need to be put in to

reskill the workforce in those areas to avoid disappointment and failures at a later stage. The Plan of Action for reskilling needs to pay attention to certain points, viz. proper listing of required skills and its prioritisation; effective identification of the personnel to be reskilled in specific areas. Framing of such training / orientation programme which matches with immediate job requirements; tailor-made reskilling exercises for future needs of the organisation; proper identification of trainers; periodic monitoring of the effectiveness of the training imparted for reskilling purpose; identification of gaps between retraining and actual job performance; through evaluation of reskilled activities; and updating the reskilling framework process.

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## **11.9 RESKILLING THROUGH DISTANCE MODE**

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Especially, in civil services the number of employees engaged in different organisations at various levels has increased substantively. It has become almost impossible for any cluster of organisations to periodically retrain and reskill the employees in a face-to-face mode. Thus, over the period of time, the idea of retraining / reorienting / reskilling employees in public, private, and non-governmental organisations through distance mode is gaining currency. Rather fast and innovative developments in telecommunication and satellite technology have provided significant support to the idea of constantly retraining the workforce. There is sufficient interest being shown by the government, business and industry to make use of audio/video conferencing, electronic performance systems, and online web-based programme for the purpose. To be effective in reskilling employees through distance mode, the role, responsibility and performance of the Training Institutions become much important. It requires to have through analysis of the job/business needs, identification of strategic training programmes, conceiving a training programme having conceptual knowledge and practical components, demonstrating how to perform a given task in assigned time, focussing on delivery tools by developing organisational technology plan and suggesting ways for its implementation, designing mechanism for ensuring required implementation support, encouraging trainees at the receiving end to raise their concerns and queries and responding to the same in a satisfactory manner, asking for online feedback on implementation, advising superiors to periodically review the effectiveness of the skills imparted and seeking their suggestions for further improvement in content and delivery of retraining / reskilling exercises. The underlying assumption of reskilling through distance mode is to enable a large number of employees in different organisations to develop cognitive strategies for self-learning and independent critical thinking. All said and done, the purpose is also to remove the mental blocks and bring attitudinal changes in the employees besides increasing their motivation and boosting their morals (Schreiber and Berge, 1998).

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## **11.10 CONCLUSION**

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Employees are the greatest asset of any organisation. At times, it is due to structural adjustment programme and the consequent economic reforms, number of them lose their jobs besides sizable number become inappropriate to keep pace with the newer challenges faced by the organisations and thus being laid off. It is very much essential to estimate labour redundancy properly. The Voluntary Retirement Scheme, the Exit Policy and the Golden Shake Hand in India, not only allowed the surplus labour to go but also permitted the flight of managerial talent from Public Sector to the Private Sector. The Voluntary Retirement Scheme and the National Renewal Fund were not properly designed. Many managerial staff enjoyed the fruits of VRS and NRF, and only the poor, aged, uneducated were the ones who suffered for want of effective retraining and redeployment facilities. There was no proper

planning in estimates of the out go and the cost involved to pay them as VR compensation. Thus, the NRF could not be imaginative and effective in solving the problem. An attempt has been made in this Unit to highlight the positive side of redeployment and reskilling whereby both the employers and the employees benefit.

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## 11.11 KEY CONCEPTS

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**Reorganisation:** By reorganisation is meant to take up steps for bringing new initiatives in the organisation. It is an act of organising the structure and work differently in comparison to the on-going practices and modalities. It calls for extensive and innovative changes in the organisational working and culture.

**Reorientation:** Organisations in the contemporary market-driven global economy often encounter reduced revenues, market compulsions, growing competition, financial crunch, mass layoffs, customers'/clients' expectations,etc. The management attempts to find out ways for coping with the emerging challenges and regain solid footing by realigning and refocusing employees for positive and forward-looking performance. It can be achieved by revisiting, solidifying, and communicating a forward-looking vision, equipping leaders and managers to connect individual employees with the organisational vision and shared goals, framing and executing open communication plan, etc.(Reviving up the Word "P" Productivity).

**Restructuring:** It has become quite important in the contemporary period, mainly due to technological advancements, globalisation, knowledge society, replacement of industrial society with information society, changes in demography, substantial growth in Foreign Direct Investment, etc.

**Skills:** Almost performance of any duty requires skills. Thus, skills help the employees to solve problems, achieve goals and accomplish targets timely. Skills may be innate or acquired. Normally, the skills of an employee are improved with practice

**Staff Redundancy:** Redundancy is defined as a dismissal of an employee either because of the employer's decision that the job done by an employee is not required to be performed or because of employee's lack of capacity to perform the job. Often, when the job is declared redundant, it is obligatory on the part of the employer to comply with severance allowances and other related separation benefits, which are over and above all other dismissal requirements.

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## 11.12 REFERENCES AND FURTHER READING

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## 11.13 ACTIVITIES

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1. Discuss the importance of redeployment by quoting references from such organisation in your area, which has used it.
2. Do you think reskilling can prove to be beneficial to both the organisation and the employees, if yes, substantiate with suitable examples.

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## **UNIT -12 LEARNING AND DEVELOPMENT**

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### **Structure**

- 12.0 Learning Outcome
- 12.1 Introduction
- 12.2 Meaning of Learning and Development
- 12.3 Need for Learning and Development
- 12.4 The Nature of the Learner
- 12.5 The Outcomes of Learning
- 12.6 Theories of the Process of Learning
- 12.7 Elements in the Process of Learning
- 12.8 The Concept of Development
- 12.9 Conclusion
- 12.10 Key Concepts
- 12.11 References and Further Reading
- 12.12 Activities

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### **12.0 LEARNING OUTCOME**

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After reading this unit, you should be able to:

- Know the concept of the Learning and Development;
- Understand the need for Learning and Development in an organisation;
- Find the nature of Learner; and
- Note the relationship between Learning and Development.

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### **12.1 INTRODUCTION**

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Learning is a continuous process and invariably, those involved in different activities in various organisations need to get themselves engaged in learning and development processes for the purpose of *reorienting* and revisiting the knowledge gained and expertise acquired in the past. It is understood that a large number of organisations, in the contemporary period, have started providing unstinted support and importance to the learning and development of their employees. In order to get maximum benefits out of

learning and development, it becomes imperative to have a proper understanding of the concepts of ‘learning’ and ‘development’.

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## **12.2 THE MEANING OF LEARNING AND DEVELOPMENT**

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Learning is a process through which an individual goes through qualitative changes in comparison to what has been conceived by him or her earlier in life (Burgoyne and Hodgson, 1983).

Learning is a process within the organism which results in the capacity for adjustment in changed periods which can be related to experience rather than maturation”. (Ribeaux and Poppleton, 1978)

Binsted (1980) has referred to learning process as not just a cognitive process, which involves the assimilation of information in symbolic form, but also as an effective and physical process. In keeping with this view, it could be stated that an individual’s emotions, nerves and muscles are involved in this process, which can be effectively undertaken and which brings forth changes for the learner. Certainly, with *conscious attention*, learning can be much more effective.

Development is mesmerising and soothing concept. Everybody wants it, many chase it, but only a few get it. Those who get it are the ones who make conscious efforts towards it and do the needful to regulate the changes. It is worth mentioning here that change is imminent; whether one likes it or not, it is bound to happen. Of course, change can be towards the development of an individual, if properly regulated. It will not be wrong to mention that development, by virtue of learning and maturation, has emerged as a process of increasingly complex nature, quantitatively elaborate and sufficiently differentiated.

Differentiation and increasing complexity in organisations paves the way for newer potentialities actively responding to the organisational micro and macro environment. It brings forth and furthers opportunities to learn and the process continues. Thus, learning could be stated as the pathway to development. Of course, it is not its synonym but without learning, it becomes difficult to develop.

Primarily, it is the thinking pattern of the individual, which is, based on the results of his/her learning and development. Individuals’ retrospection of self-concept and self-esteem, besides their responsive capabilities make them to work for learning and development. It has been stated by Daloz (1986) that “learning and development is a journey that starts from the familiar world and moves through ‘confusion, adventure, great highs and lows, struggle, and uncertainty…………. towards the new world’ in which nothing is different yet all is transformed, and its meaning has profoundly changed”.

On going through the viewpoints of scholars and practitioners on learning and development and distinguishing between learning and development, it becomes amply clear that learning and development are significant *for both individuals as well as organisations*. (Refer Unit 10 for more details on the concepts of Learning and Development).

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## **12.3 NEED FOR LEARNING AND DEVELOPMENT**

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Organisations crave for excellence, therefore, the use of concepts of learning and development for properly equipping their personnel are gaining currency. It is an

established fact that such moves of the organisations make personnel more effective and pro-active. They are able to cope with the existing challenges and plan for future strategy implementations appropriately.

To keep pace with change, organisations are emphasising quality along with regular improvement, coupled with flexibility and adaptability in order to enable the personnel to be conversant with the new work requirements and work relationships instead of focusing on erstwhile training and inculcating required skills among the work force. The focus now is on developing employees towards work-oriented thinking and standards. It calls on them to learn how to think, what to think, when to think, why to think, and under which circumstances to think for forwarding the organisation on the path of development with the help, cooperation and support of the management to make the organisation a truly, ‘learning organisation’. For an organisation to be committed to learning and development, the concepts of quality and flexibility occupy the place of prime significance.

### **A. Quality**

Public or Private organisations have quality of service to be provided to their clients on the top of their agenda. It becomes very much difficult to ensure quality in work and service without meeting the expectations of the clients and by ignoring the prevailing circumstances and competition without gearing to a much called for focus on continuous improvement in the structure, processes, products and services (Hodgson, 1987). Quality cannot be in place unless there is consistent effort made by all concerned in the organisation in the right direction. It thus ensures that employees make quality as the core-part of the work assigned and responsibility assumed by them. Total Quality Management (TQM) is on cards in almost every organisation so that it could ensure clients’ satisfaction, stress on required initiatives in the process and product, personnel involvement and participation needed, free-flow of communication, teamwork, updated management information system, periodic review of personnel performance, reorientation of employees and reskilling of the workforce, etc. To be on the podium of quality, there is the much required need for thorough and timely learning and development in organisations. In the present market-driven global economy, it is rather difficult for organisations to shine by emphasising on training and retrieving or reorientation of employees for quality operations to be in place (Unit No. 15 of this course deals with TQM at length).

### **B. Flexibility**

Organisations, for the purpose of fulfillment of their mission and timely accomplishment of targets, cannot afford to adopt a rigid posture. They have to be flexible in their approach. Crofts (1990), has stated that one of the pre-requisites for an organisation to be flexible is a body of highly skilled officials, which stake a human resource direction for the enterprise. To be on the advantageous end in the prevailing competitive settings, it becomes necessary for the organisations to make ample use of the human resource, which need to be multi-skilled for efficient and effective performance to be on cards. It is a fact that organisations adhere to set norms and established practices. Along with it, there is the important need for organisations to leave enough space for the participants in its workforce to get involved in thinking process. This is expected to enable them to coin out new ways of dealing with the work at hand besides contributing to the development of organisation for future challenges and growth. Gone are the days when workers were given responsibilities based on ‘daily defined tasks’. The workers are to be treated as assets which requires their participation and meaningful involvement in organisational decisions, which is probably not possible through a rigid approach and by making the

functioning rules, regulations oriented, and strictly as per pre set processes set earlier. Thus, flexibility is much in place in comparison to rigidity because through it the commitment of the personnel can be ensured. However, it does not mean than rules, regulations, processes, etc., formulated in the past should not be regarded but it means constant revisiting of the established norms and practices for achieving greater success.

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## **12.4 THE NATURE OF THE LEARNER**

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Learning is not only a continuous process but is also natural. Since learning affects the individuals, it is not just a cognitive activity and all of us remain engaged in it, almost all through the life.

### **Learning and Development throughout Life**

Individuals right since birth keep on learning and a majority of them craves for more and more learning for excelling in walks of life. We learn and develop in the environment around us, may it be family, community, school, college, work place, religious organisation, etc. Various agencies of socialisation, as referred to above, facilitate the learning endeavors of the individuals, who use the knowledge gained and skills inculcated, for the advantage of the organisation, formal or informal, public or private, big or small, etc. The process of learning never ends and the more we learn, the more is the quest for acquisition of better knowledge and constructs. At times, people do not get the required encouragement from the outside environmental forces, yet it does not kill their instinct for learning. However, it could be affected by discouragement but will reappear when the circumstances favourably improve. Irrespective of the setting; office or home, people tend to learn and accordingly grow.

It is an admitted proposition that individuals, who are endowed with thinking potentials by the nature, have to their credit a lifetime experience of being learners, though some of them may not have been satisfied and happy with the situations around. It is also in place that not all of them may be able to possess required competence or confidence. From the analysis made above, it becomes clear that life long learning means regular and continuous adaptation. It is through the increased knowledge and improved skills that the individuals are capacitated for adapting to the existing environment and for making changes in the environment, wherever required. It is through learning that far reaching changes are generated in the individual and thus the development through learning is promoted. The process of learning and development is not always smoothly conducted, as at times there are barriers to learning and development. The subsequent table refers to such barriers.

## **Barriers to Learning and Development**

With middle and top-level managers in focus, Mumford (1988) has identified the following significant blocks to learning:

### **Blocks to Learning**

Perceptual	Not seeing that there is a problem.
Cultural	The way things are here.
Emotional	Fear or insecurity.
Motivational	Unwillingness to take risks.
Cognitive	Previous learning experience.
Intellectual	Limited learning styles. Poor learning skills.
Expressive	Poor communication skills.
Situational	Lack of opportunities.
Physical	Place, time.
Specific environment	Boss/colleagues unsupportive

Since each coin has two sides, there are positive results of learning and development, and there also exist a number of barriers to the same, which have been referred to above. However, in order to be more conversant with different types of learners in varying age groups, it shall be worthwhile to analyse each group of learners, as explained in the succeeding text.

#### **A. Adult learners**

Primarily, it is understood that it is the young minds that need to be imparted instructions and knowledge for doing the things rightly. Other than the young people, there are the adults, which have different needs and experiences. With regard to adult learners, Knowles (1984) has suggested that:

- “The adult learner is self-directing;
- Adult learners have experience on which to draw and learning events need to consider this. They may have developed poor learning habits, and may be defensive about their habitual ways of thinking. However, their former experience is a source of self-identity and so must be approached sensitively and with respect;
- Adults are ready to learn when they become aware that they need to know or do something so that they can be more effective: they ‘do not learn for the sake of learning’. Learning experiences, therefore, have to be as per needs and situation;
- What motivates people most are their needs for ‘self-esteem, recognition; better quality of life, greater self-confidence, and self-actualisation’.

#### **B. Older Workers**

It is said that old habits die hard and the work practices, one gets used to, become difficult to be changed or discarded overnight. Thus, there is a need for older workers to be properly imparted knowledge, skills and instructions for development. Further more, the older workers at times attempt to seek re-employment. Thus, to be in consonance with the job requirements, it becomes imperative that the stereotyped thinking process of the older workers gets overhauled. In this category, there could be some workers, who demonstrate their desire and ability to learn continuously throughout their lives. It becomes possible only with the support of the employers and other fellow colleagues.

#### C. Other Classes of Workers

It is being felt that employees from women, differently abled people, cultural and ethnic minorities etc., are socialised and educated in a manner, which at times does not go alone with the requirements of the organisations. By virtue of the treatment given to them, some of them are at low expectations and aspirations. It has been argued that women look at their world as ‘a web of relationships’ in comparison to men who look at their world as ‘a hierarchy of power’ (Gilligan, 1977).

It is, therefore, required that all employees, men or women, strong or weak, belonging to minorities or majorities, etc., are to be put on path of learning so that they can contribute towards organisational growth and development.

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### **12.5 THE OUTCOMES OF LEARNING**

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Learning is an exercise and a process that never goes wrong. It always results in positive benefits to the individuals and organisations. The following outcomes of learning are of much concern to Human Resource Managers, who have the responsibility to develop the workforce for accomplishing organisational goals and targets.

#### A. Skill

Skill is required for performance of almost any work. It amounts to not only efficient but also effective performance of the assigned task. It is, thus, required for old skills to be refurbished and new skills to be inculcated. Skills are required at not only the shop floor level but also at the middle and top management levels. It is through skills that competence of the individual gets sharpened and renewed. Different steps are initiated by different organisations for inculcation of skills among employees. Thus, there is need to appreciate the variety and different levels of skills. Learning can take place through various levels of thinking skills, viz., knowledge, comprehension, application, analysis, synthesis, evaluation etc.

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### **12.6 APPROACHES OF THE LEARNING PROCESS**

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As explained above, learning, which is a continuous activity, is a process. Two major approaches of the learning process are as follows:

### **A. Behaviourist Approach**

Learning evokes specific and particular response. The Behaviourist Approach postulates that learning stimulates and leads to experiences, desirable or undesirable.

It can amount to two kinds of conditioning:

- (a) Classical conditioning (it occurs when a stimulus amounts automatically to a response, for example, an individual having liking for a particular food, gets attracted with its flavour); and;
- (b) Operant Conditioning (such conditioning follows a desired response, which gets revitalised and increases the chance of the similar response being repeated on recurrence of the stimulus).

### **B. Information Processing Approach**

Learning has been referred to as an information processing system by this approach. It is enunciated by this approach that a signal on information is transmitted to the receivers. Of course, its receipt is subject to the communication barriers like noise and disturbance, etc. It is necessary for the sender to encode the information and for the receiver to decode it before making use of the same. The emphasis in the approach is that in learning the signal containing data or information is filtered through the senses, which are recognised by the receiver, decoded accordingly through the interpretive process of perception and put in action by selecting required responses. Much success of the learning effectiveness depends on the amount of attention attributed to the relevant component of stimuli, efficient choice of adequate response, and providing periodic feedback on data about its positive or otherwise effect on the system. There is possibility of system breakdown at any of these phases.

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## **12.7 ELEMENTS IN THE PROCESS OF LEARNING**

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After having discussed the need of learning, outcomes of learning and approaches of learning, it is required to understand other significant elements of the learning process, which plays an important role in formulating, imparting or facilitating learning. These are as follows:

### **A. Feedback**

It has been pointed out that any high achiever has four characteristics, that is, moderate risk taking, perceived occupational level, satisfaction with accomplishment, and, need for immediate feedback. No learner can be regarded to be on the path of effective learning unless he is informed of what has been learned, what has not been acquired, what are the advantages of the learning imparted or which other steps need to be in place for better performance, etc. A learner can get internal as well as external feedback. Based on the knowledge imparted and skills inculcated, a learner gets the response from within regarding whether the job is performed in the way it should be performed. Learners also get external feedback from the fellow workers, bosses, clients being served, etc., as to whether they are performing as being told or taught or trained for. The feedback received by the learners has to be taken up by them in the proper stride and they should not consider the same as their criticism. It is equally important for the boss to be positive in his approach while giving feedback to the performer and not being unnecessarily negative or for being so for the sake of it.

### **B. The Choice of Whole or Part Learning**

We often wish that whole knowledge were imparted in a single shot. It is not possible in all circumstances that the entire process of learning takes place in one go. In fact, it depends on the circumstances, level of participants, comprehension of participants, maturity and art of trainers, etc., which could determine whether the whole or a part of learning is to be accomplished. In cases, where the complexities involved are rather high, it becomes difficult to go in for whole learning. Of course, if the temporal dimensions do not permit and exigencies have to be met immediately, the choice of part learning is not worthy of consideration.

### C. Role of Memory in Learning

Learning is imparted to the living beings. The human beings, who have the potential of becoming, are, though keen to learn, yet at times have their attention on other issues, which stand in the way of acquiring through the process. The individual, who is bestowed by nature to think and rethink, often stores such information, which is considered important, in one's memory. It has been on record that memory involves three kinds of information storage. The sensory memory receives and stores the data sensed or event seen just for a couple of seconds and unless it is transferred to the short-term memory or primary memory, the data sensed gets lost. The primary memory stores the information received for about thirty seconds unless specific and required attention is paid to the information received. In comparison to the limited capacity of the short-term memory, the long-term memory has unlimited capacity and can hold data or information for years together. It is, therefore, essential for those engaged in making others learn to adopt such mechanism and strategies whereby the learners not only understand what is being told but also are also able to retain it in the long-term memory. Since the human mind gets involved in social, economic, personal aspects, etc., and not exclusively in the organisational functioning, it, at times, becomes difficult for properly understanding, comprehending and retaining whatever is imparted. Depending on the context, at times, it becomes difficult to record and retain the aspects and techniques as being seen or told. Furthermore, the individual's mind filters the concepts told and draws own inferences for elaborating further on them in his own way.

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## 12.8 THE CONCEPT OF DEVELOPMENT

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Development is holistic in nature and is an on-going process. Unless dissuaded by certain prevailing circumstances, the individuals crave for development. Development is significant for both the employees and employers. It is irreversible and adds on to people's comprehension and change adjustment through life. A planned approach to development facilitates the participants to acquire such possessions, which could contribute to the betterment of their life and functional styles. There is no end to the process of development and like learning; it goes on all through the life of an individual. The advantage of being developed is reflected through the methods used and techniques adopted for performing the job assigned. It spreads through all levels in the organisation and so to feel that it is only the lower level or middle level of management, which has to be developed, is wrong. In fact, more developed top or middle management, can develop the potential of the middle or lower level management in a profound way. Thus, one does not talk only of lower echelons to be developed, as one does not say that it is for the developing or under-developed nations to be on the path of development, and not that of the developed countries. In fact, those who stand developed today could get redundant if they do not attempt continuous and periodic development. It is necessary to keep the pace of development going on for accomplishing the pre-fixed targets and for drawing

agenda for the time to come. Lack of such efforts will stand in the way of organisations to compete with others in the contemporary global economy. Through development of human resources, the organisations look for development of infrastructure, processes, goal fixation, job designing, organisation change and development, etc. It also certainly leads to more confident, capable and responsible workforce in place in an organisation.

It is understood that individuals develop all through their lifespan. It leads to achieving greater degree of confidence and transformation. There is need for development achieved to be sustained also for all times to come or at least until newer and better initiatives are put in place. For sustaining developed human resource, it is required for organisations to focus on motivation, communication, promotion, feedback, participation, control, and so on.

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## 12.9 CONCLUSION

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It is possible to have learning process in a continuous manner. It makes the organisational personnel to gain required knowledge and skills, as per the needs of the work. Learning helps the staff members to develop in their overall interest and in the interest of the organisation.

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## 12.10 KEY CONCEPTS:

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**Learning Styles:** Choice of right learning style is also a matter of administrative decision. It may not be proper to arrive at an a priori choice regarding the learning style preferred with respect to a particular programme. The appropriate learning style may be

**Life Span Development:** Life Span Development is an important component of employee capacity building strategies. Looking after the health and strength of workers is part of corporate social responsibility. The extent to which such intervention would be successful depends on a number of factors some of which may be outside the ambit of organisational coverage. Researches have shown that life span development strategies, dealing with employee health and safety measures have been successful in ameliorating the state of organisational health.

**Nature of Learners:** Good listening capability is a prerequisite for success of a learning process or exercise. By means of attitude surveys, employees' could be categorised as per aptitude or proclivity shown towards learning. Desired behavior changes could then be induced or encouraged by means of positive reinforcement to aid development of proper and required aptitude for learning a specific programme. on- the- job learning with regard to a specific case and likewise.

**Process of Learning:** Cooption of knowledge imparted is understood as the process of learning. This process is both an inadvertent and a conscious deliberate process through which proceeds the process of knowledge attainment. Right learning process in a given set of

circumstances or for a particular subject is a policy decision which might determine the success or otherwise of a learning process.

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## 12.12 ACTIVITIES

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1. Explain the need for Learning and its advantages towards better work performance.
  2. What are the outcomes of Learning and how these help organisations' functioning?
  3. Critically examine the concept of Development.

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# **UNIT 13 MANAGEMENT DEVELOPMENT**

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## **Structure**

- 13.0 Learning Outcome
- 13.1 Introduction
- 13.2 Meaning and Definition of Management Development
- 13.3 H.R.M. and Management Development
- 13.4 Approaches to Management Development
  - 13.4.1 Piecemeal Approach
  - 13.4.2 Open System Approach
  - 13.4.3 Unified Approach
- 13.5 Considerations for Effective Management Development
  - 13.5.1 The Context of Management Development
  - 13.5.2 Organising and Implementing Management Development Programmes
- 13.6 Management Education and Training
  - 13.6.1 The Management Learning Process
  - 13.6.2 Coaching and Mentoring
- 13.7 Issues and Controversies in Management Development
  - 13.7.1 The Ethics of Management Development
  - 13.7.2 The Future of Management Development
- 13.8 Evaluating Management Development
- 13.9 Conclusion
- 13.10 Key Concepts
- 13.11 References and Further Reading
- 13.12 Activities

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## **13.0 LEARNING OUTCOME**

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After reading this unit, you will come to know:

- The meaning and nature of management development;
- The significance of management development;

- Various approaches to management development; and
  - Contemporary issues in management development.
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## 13.1 INTRODUCTION

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Before exploring the concept of management development, we need to be clear about the word ‘management’. Management is described as ‘making organisations perform’. (Smith et al. 1980) Management is concerned with:

- *Individuals* to manage work;
- *Activities* for achieving goals;
- *A body of knowledge* represented by theories and frameworks about people and organisations;

The general assumption is that management education and training themselves constitute management development, but they do not. When we educate managers we seek to introduce, extend or improve their learning and understanding about the managerial world they occupy. Management training is primarily concerned with teaching managers the skills to perform their jobs more effectively.

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## 13.2 MEANING AND DEFINITION OF MANAGEMENT DEVELOPMENT

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Management development is defined as

- A conscious and systematic process to control the development of managerial resources in the organisation for the achievement of goals and strategies. (Molander, 1986)
- An attempt to improve managerial effectiveness through a planned and deliberate learning process. (Mumford, 1987)

That function which from deep understanding of business goals and organisational requirements, undertake (a) to forecast need, skill mixes and profiles for many positions and levels (b) to design and recommend the professional, career and personal development programmes necessary to ensure competence (c) to move from the concept of ‘management’ to the concept of ‘managing’. (Beckhard, 1989)

Although such definitions represent useful starting points, they tend to constrain the notion of development to processes that are seen as formalised, planned and deliberate. It is true that many aspects of development are like that, but development is also a continuous, dynamic process where managers often learn through informal, unplanned experiences.

To achieve a more comprehensive view of development, there is need to incorporate additional aspects such as:

- Framework for setting, linking and balancing individual and organisational objectives;
- Systems for identifying and selecting managers;

- Structures to support, motivate and reward;
- Plans to enable career progression;
- Mechanisms to measure and evaluate performance.

This wider, more holistic perspective on management development will be the theme running throughout the rest of the unit.

### **13.3 HRM AND MANAGEMENT DEVELOPMENT**

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Human resource management is about the effective management of people in organisations. It involves the integration of people with organisational goals and strategies. It views people as assets to be developed and utilised in a productive way rather than costs to be minimised or eliminated. People influence effectiveness and success is seen as significant for the organisation. What is therefore is the *way* people are managed, and the way people are managed within a given organisational context is the outcome of two important and interacting sets of variables:

- The philosophies, ideologies, values and beliefs of management that operate and dominate within the organisation.
- The practices, policies and management style that managers employ in their managerial role.

A ‘harder’ approach to human resource management emphasises a rational economic perspective where people, although acknowledged as important to an organisation’s success, are viewed as a resource to be used alongside and in conjunction with capital and plant. They are deployed in a seemingly calculative, instrumental way for economic gain, people are a means to an economic end.

The role of management is therefore seen as maximising the efficient use of labour to meet the economic goals of the organisation. This implies a ‘scientific management’ approach where managers tightly control employees with minimum scope for decision-making. Tasks and jobs are highly specialised and bounded by rigid rules and procedures. Performance in the job is carefully monitored. Motivation is based largely upon reward and punishment (‘carrot and stick’ approach).

In the ‘softer’ form of human resource management, a more humanistic perspective is adopted where organisational goals are achieved with and through people. People are seen as valued resource to be nurtured and developed. The emphasis for managers changes, and they become more concerned with measures to improve cooperation, communication, consultation, participation, job satisfaction and the quality of working life. The manager’s role shifts to one of gaining commitment, facilitating and encouraging participation, training and developing people to their full potential, motivating through techniques such as appraisal and job enrichment.

#### **Some Implications for Management Development**

A number of implications for managers and their development are:

- Managerial values and attitudes: If strategic HRM is to operate effectively, managers must possess a set of attitudes and values that are congruent with the notion that people are central to the organisation’s success.

- Other significant development is the improvement of links between the providers of management education and employers. There is also evidence of greater flexibility amongst employers, business schools and consultants to meeting the needs of practising managers.
- Managerial roles and relationships with employees: One of the most profound implications for management development contained in HRM philosophy is the need to persuade managers to accept and adapt to new managerial roles and forge new relationships with their employees.

### **Devising a management development policy**

Developing effective managers begins with the formulation of a detailed management development policy. '*Management development will fail if there is no clear policy*' (Margerison, 1991).

Guidelines for preparing a management development policy:

1. Link development plans and activities to business strategies, human resource planning and employment policies.
2. Determine responsibilities for developing managers.
3. Decide the characteristics for an effective manager within the organisation context.
4. Identify the managerial competences required to implement strategy.
5. 'Map out' the organisation's cultural philosophy with regard to management.
6. Communicate the organisation's strategic goals and objectives to managers and those involved in manager development.
7. Ensure development links to the reality of what managers do, not what the organisation thinks they do.
8. Develop a flexible approach to management development that can accommodate both organisational and individual needs.

Policy statements are useful because they express an organisation's commitment to development and clearly set out a framework within which it can take place. What is sometimes less clear is the extent to which they are prepared to implement them and how effective they are. Like other areas of management development, this is difficult to evaluate.

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## **13.4 APPROACHES TO MANAGEMENT DEVELOPMENT**

Having determined its policy guidelines, the next step for the organisations to consider how it should *approach* the development of its managers. Management development can be approached in different ways. Mumford (1987) describes three types of approaches, which are broadly representative of management development at the present time. They are:

### **Type 1: 'Informal managerial'—Accidental Processes**

#### **Characteristics:**

- Occurs within manager's activities

- Explicit intention is task performance
- No clear development objectives
- Unstructured in development terms
- Not planned in advance
- Owned by managers.

### **Type 2: ‘Integrated managerial’—Opportunistic Processes**

#### **Characteristics:**

- Occurs within managerial activities
- Explicit intention is both task performance and development
- Clear development objectives
- Structured for development by boss and subordinate
- Planned beforehand and/or reviewed subsequently as learning experiences
- Owned by managers.

### **Type 3: ‘Formalised development’—Planned Process**

#### **Characteristics:**

- Often away from normal managerial activities
- Explicit intention is development
- Clear development objectives
- Structured for development by developers
- Planned beforehand or reviewed subsequently as learning experiences
- Owned more by developers than managers.

#### **13.4.1 Piecemeal Approach**

Programmes that have characteristics similar to Type 1 and Type 3 development tend to lead to piecemeal approaches, which in turn lead to inefficient and ineffective development. There are a number of reasons why organisations might choose or be forced to adopt these approaches. Some of them are:

- Resource constraints
- A lack of awareness about linking management development to organisational strategy on the part of those responsible for initiating or delivering development;
- Groups who seek to exert control over development

### **Characteristics of this approach:**

- No management development infrastructure. Development is not linked to business strategy.
- Development often focuses on the needs of the organisation and fails to meet the learning needs and aspirations of individuals and groups.
- There is tacit support for management education and training because it is seen as a ‘good thing to be doing’ irrespective of organisational needs
- There is lack of common vision among those responsible for management development.
- It is difficult to evaluate the effectiveness of a piecemeal approach that lacks clear direction and established objectives.

### **13.4.2 Open System Approach**

If organisations can be persuaded to adopt an open systems perspective of management development they are likely to overcome many of the problems created by the piecemeal approach. Instead of looking at management development in isolation, it becomes an integral part of a wider organisational system, and more importantly, is linked to the ‘reality’ of management work. Viewing management development in open systems terms recognises and focuses attention on the following:

- It is composed of identifiable parts or components, which act together in an organised way. A range of inputs is transformed in the management development process to produce a range of outputs.
- The management development process interacts, influences and is influenced by variables from other environmental and organisational subsystems (social, technological, cultural).

### **Benefits of open systems approach:**

- The notion that if you develop the manager, you develop the organisation and vice versa, become apparent. An open systems view identifies the way management development contributes to overall organisational effectiveness.
- Viewing management development in open system terms reveals the full extent of its influence on the organisation and is likely to lead to more detailed and objective assessment of performance and overall effectiveness.

### **13.4.3 Unified Approach**

In a unified programme, management development is located at the very heart of the organisation’s philosophy, mission, business goals and human resource strategy. The process is integrated and coherent across all functions and hierarchies. Manager performance is measured and development activity can be linked clearly to the organisational values and the achievement of strategic goals.

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## **13.5 CONSIDERATIONS FOR EFFECTIVE MANAGEMENT DEVELOPMENT**

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It was stressed that unified approach based on open systems model overcome many of the

problems associated with a fragmented, piecemeal approach. But there are a number of important considerations, they are:

- Management development programmes are presented as *rational* and *mechanistic* in orientation. They utilise universal blueprints and frameworks to guide the ‘production’ of effective managers. There is a systematic and logical process with clearly identifiable stages. Managers are selected for training and development using ‘pseudo-scientific’ techniques. Developing managers in this way offers a number of benefits, but there are limitations and drawbacks. There is often failure to take account of and deal with the irrational side of human behaviour, i.e. the conflict between personal and organisational goals .A more rational, mechanistic approach may also neglect or fail to come to terms with the complex, contextual and multi-faceted nature of a manager’s job.
- Attitudes and awareness: Different attitudes and degrees of awareness with regard to management development will exist at different levels within the organisation and influence the approach that is adopted.
- Differing goals and objectives: Different organisational groups and individuals will influence and shape management development approaches. Each will have its own set of aims and objectives.

### **13.5.1 The Context of Management Development**

Context can be thought of as a complex network of variables with which managers interact, and out of which they are able to construct a social reality with sense and meaning. It is context, which shapes and influences the way development is formulated and enacted. Some of the important contextual variables are:

- The individual
- The management team
- Environmental factors
- The organisation

#### **The complex and ambiguous nature of management development**

Research has revealed the complex nature of management development. Some

Issues that have created difficulties are:

- Clarifying what is management development
- Defining business needs and requirements
- What do managers want from developers
- Evolving and changing individual development needs
- The need for different managerial styles
- Selecting the most appropriate method of development
- Measuring and evaluating the benefits

### **13.5.2 Organising and Implementing Management Development Programmes**

With a clear set of policies, objectives and approaches established, the organisations now in a position to consider the best way to organise and implement the development programme.

To organise an effective management development programme, even a modest one, requires considerable effort. This may partially explain why programmes have a tendency to become piecemeal and fragmented, why line managers often leave it to personnel and training specialists to organise. Certain decisions have to be made within the context of the organisation's strategic plans and environmental influences.

If a development programme is to be successfully planned and implemented, there has to be clear and unambiguous allocation of responsibility and a willingness to accept that responsibility. Traditionally, responsibility for development has rested with the personnel function with some input from the manager's boss. The individual manager was essentially passive in the process: they were only required to 'turn up and be developed'. More recently, organisations are adopting and promoting a tripartite view where responsibility is shared between the personnel specialist, the boss and the individual.

The effective development of managers requires the full involvement and participation of all three parties.

An active process of discussion and negotiation usually results in all parties accepting and owning a share of responsibility for development objectives, planning and implementation.

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## **13.6 MANAGEMENT EDUCATION AND TRAINING**

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Management education and training forms the core component of the management development programmes. Many of those involved in management education and training appear to have broadly welcomed the moves to a competence approach which is practical and work-based and encourage employers to increase investment in management education and training. Management education and training comes in a variety of forms. A great deal of it is formalised, planned and structured. It can take place 'on-the-job' or 'off-the-job'.

Within these and other programmes, we find a diverse range of formalised learning methods. These methods have tended to evolve through a pragmatic process of trial and error. Research by Burgoyne and Stuart (1991) reveals the following methods to be used as learning methods.

- Lectures
- Games and simulations
- Projects
- Case studies
- Experiential (analysis of experience)
- Guided reading

- Role playing
- Seminars
- Programmed instruction

Weaknesses that have been identified in formalised management education and training are:

- A clash between academic culture/expectations and managerial culture/expectations (Cunnington, 1985)
- Difficulty in transferring and applying knowledge to the ‘reality’ of the workplace (Newstrom, 1986)
- The relevance of course material to the needs and wants of individual managers and organisations.

### **13.6.1 The Management Learning Process**

Attention is now focusing on linking education and training to *learning processes*. In the case of managers, Burgoyne and Hodgson (1983) suggest that managerial action is influenced by a gradual build-up of experience created out of specific learning incidents. This experience is internalised and managers use it, both consciously and unconsciously, to guide future decision-making and action. There are three levels of learning process identified:

- Level 1 learning occurs when a manager simply takes in some factual information or data, which was immediately relevant but did not change their views of the world.
- Level 2 learning occurs at an unconscious or ‘tacit’ level. Managers gradually build up a body of personal ‘case law’ which enables them to deal with future events.
- Level 3 learning involves managers consciously reflecting on their conception of the world, how it was formed and how they might change it.

### **13.6.2 Coaching and Mentoring**

#### **Coaching**

Coaching and mentoring represents the most tangible, practical and, if done effectively, most useful forms of on-the-job development. Coaching is defined by Torrington (1989) as ‘improving the performance of somebody who is already competent rather than establishing competence in the first place’. Coaching usually begins with period of instruction and ‘shadowing’ to grasp the essential aspects of the task. There is then a transfer of responsibility for the task to the individual. Through out the process there is a dialogue with regular feedback on performance in the form of constructive criticism and comments. The effectiveness of this feedback is dependent upon a sound working relationship. In most organisations coaching is done on an informal basis and is dependent on the boss having the inclination, time and motivation to do it, as well as possessing the necessary expertise and judgment for it to succeed.

#### **Mentoring**

It differs from coaching in two ways.

- The relationship is not usually between the individual and their immediate boss. An older manager unconnected with the workplace is normally selected to act as mentor.
- Mentoring is about relationships rather than activities.

Mentoring represents a powerful form of management development for both the parties involved. For the individual, it allows them to discuss confusing, perplexing or ambiguous situations, and their innermost feelings and emotions, with somebody they can trust and respect. They gain the benefit of accumulated wisdom and experience from somebody who is knowledgeable and ‘street-wise’ in the ways of the organisation, especially its political workings. For older managers looking for new challenges and stimulation in their managerial role, mentoring represents an ideal development opportunity. It gives them an opportunity to achieve satisfaction and personal reward by sharing in the growth and maturity of another individual.

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## **13.7 ISSUES AND CONTROVERSIES IN MANAGEMENT DEVELOPMENT**

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### **Organisational power and politics:**

Managers are employed by organisations to ‘get things done through people’ or to ‘make things happen’. However, getting things done and making things happen within an organisation is rarely a simple or straightforward task. Managers are confronted by ‘political’ factors. They have to contend with ‘obstacles’ such as:

- Competition for scarce resources
- Conflicting viewpoints and priorities
- Confrontation with coalitions of vested interests
- Managing ambitious and self-interested individuals

To cope, and more importantly to survive, in an organisation, there is a growing view that managers have to become ‘politically competent’ to achieve political competence, managers must first understand power in organisations (the ability to make things happen). They must be aware of how power manifests itself, its sources and how it is used.

There is now a growing realisation that managers require some measure of political competence and awareness. The absence of politics in development programmes may tend to be politically neutral, generate frustration and confusion in managers who find difficulty in relating or applying what they learn to the ‘reality’ of managing back in the workplace. A politically competent manager can contribute to organisational effectiveness. Equally, a politically incompetent manager can hamper and ‘damage’ organisations as well as themselves.

### **13.7.1 The Ethics of Management Development**

Like power and politics, the ethical conduct of management, and the ethical frameworks used by developers, has received little attention beyond academic journals and books. More recently, ethical conduct has become an important consideration, especially for human resource management, because of its influence on managerial behaviour. For example, there is increasing

publicity in the media about organisations who are being accused of abusing employee rights and exploitation. Managerial work is so complex, ambiguous and at times confusing, it is not possible to legislate or create an all embracing framework of moral competences point to the dilemmas facing managers who subordinate their moral values to the notion of ‘corporate good’ and that in such instances, simplistic ethical rules and codes of practice may not be helpful to managers and serve only to create ‘managerial cynicism’. Managers and developers should ‘catch’ and confront each other’s conduct as it occurs and discuss its legitimacy. But such a course is likely to be uncomfortable and will rely upon a close relationship between developer and manager.

### **13.7.2 The Future of Management Development**

Management Development is future-oriented in that those responsible for development will have to form views about the way management as a profession will progress and the skills and knowledge that will be required in the future. The following are trends, which seem likely to develop in future:

- Organisations will continue to decentralise and seek greater flexibility from their workforce.
- Managerial control will change as a better educated workforce, the growth of professionals in the workforce and new technology will lead employees to demand greater autonomy over their jobs and working lives.
- There is an increasing awareness that people represent a real source of competitive advantage. The competitive gap is narrowing as technology becomes cheaper and more widely available, barriers to competition are removed and markets are ‘globalised’.
- The growth of Information Technology (IT) has led to information being more available and more accurate than ever before. Instead of ‘tiered ranks’ of middle managers manually collecting, sifting and analysing information for decision-making and control purpose, technology has enabled strategic decision makers at senior manager level to obtain an immediate and detailed view on how their organisation is performing.
- Managers will be expected to adapt and respond to environmental and organisational changes.
- Managers of the future will possess skills and attributes that are markedly different from those that have gone before. The emphasis will shift more to managing people and developing flexibility, adaptability and coping skills in the face of complexity and relentless and unremitting change.
- The notion of established career paths and career ladders would have to change.

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## **13.8 EVALUATING MANAGEMENT DEVELOPMENT**

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In most organisations evaluation is carried out at three stages. The evaluation of management, education and training tends to concentrate on the input process stages and less on the effects of the activity. Where evaluation does take place at the output stage, it is usually immediate in time scale and narrow in both scope and content, i.e. questionnaire issued at the end of a training course.

To conduct evaluation effectively data must be gathered. A range of methods can be employed:

- In-course and post-course interviews and questionnaires

- Attitude surveys and psychological tests
  - Observation by trainers, managers and others
  - Self-reports by managers
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## 13.9 CONCLUSION

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The future of organisations based on management development. In this unit we discussed the objectives of management development, relation between HRM and Management Development, and various approaches to management development, future of management development and management education and training.

Evaluating the success or otherwise of a systems-wide management development programme is extremely difficult and in most cases it has to rely on an intuitive, ideological belief that development will improve organisational effectiveness.

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## 13.10 KEY CONCEPTS

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- Informal Management** : Informal interface between management and workers is suited to the knowledge era when workers resent task-oriented, directive leadership and feel encouraged by a participatory culture. Participatory management is facilitated by personalising organisational culture, deemphasising hierarchy and promoting informal interface between management and workers. ‘Management by wandering around’ is currently in vogue, which effectively deemphasises hierarchy and promotes informal communication in the organisation.
- Management Development** : It means developing managerial capacity through training sessions geared towards information sharing and devising means of improving upon employer employee interface with a view to making it more meaningful and value adding. Leadership is an emerging area of professional expertise. As per situational paradigm of leadership, leadership skills may be acquired by learning. Research and development activity in the field has made it possible.
- Organisational Power** : Organisational effectiveness transforms to organisational power, understood as the potential of an organisation to maintain internal balance and impact the environment in a positive way. Organisational power emerges from sound economic and ethical functioning. Resource constraint is major consideration in determination of organisational efficiency. Ethical functioning is imminent for organisational effectiveness.

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## **13.12 ACTIVITES**

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1. Explain the meaning and importance of Management Development.
2. Discuss the main approaches to Management Development.
3. Examine the issues and controversies involved in Management Development.

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## **UNIT-14 EMPLOYEE CAPACITY BUILDING STRATEGIES**

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### **Structure**

- 14.0 Learning Outcome
- 14.1 Introduction
- 14.2 Objectives of Capacity Building
- 14.3 Significance of Capacity Building
- 14.4 Process of Capacity Building
- 14.5 Strategies of Capacity Building
- 14.6 Conclusion
- 14.7 Key Concepts
- 14.8 References and Further Reading
- 14.9 Activities

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### **14.0 LEARNING OUTCOME**

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

- The importance of employee-capacity building strategies
- Objectives of capacity building; and
- Key areas in capacity building;

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### **14.1 INTRODUCTION**

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New facets continue to emerge in governance such as sustainable development, eco-friendly technologies, information technology, etc, which need to be incorporated in organisational functioning. To institute the same, capacity building initiatives are needed. Capacity Building is the development of an organisation's core skills and capabilities such as leadership, management, finance and fund raising in order to build the organisation's effectiveness and sustainability.

Capacity building has two components, organisational and human. Organisational capacity building involves both technical updating of the organisation through periodic reviews and the development of human capital through education and training. Human capacity building is the process of assisting an individual or a group to identify key areas of development and gain necessary insights for fuller exploitation of capacity. Knowledge and experience are needed to solve incident and apprehended problems and implement necessary changes to augment organisational capacity to preempt change as also withstand attendant pressure. To that end, capacity building involves building on the available knowledge base both in technical and human

relations fields. For better exploitation of available resources, continuous review and development needs to be instituted through research and development initiatives (R&D), emphasising the most vital, human resource.

Human Strategies for Human Rights (HSHR) provides capacity building services centering on development of effective, efficient and sustainable physical working conditions for the promotion and protection of human rights. It focuses on two areas of development, the employees of the institution and the organisations' thematic area of work. The objective is to provide training and guidance that facilitates the development of a profession, and ensures transparency and accountability of internal operations and processes with respect to the environment and internal equilibrium of the organisation. There is need to continually update the knowledge and skills of the employees as part of the process of learning and adapting to a changing society.

To realise this objective, the Human Strategies for Human Rights (HSHR) works closely with individuals responsible for the management, fund raising, public relations, accounting, and human resource on operating activities of the organisation.

An organisational capacity building work plan is developed after an HSHR consultant completes an assessment of the organisation's working environment. Training takes place over time and on time as per need, taking cognizance of the realities of the employees' work life in a 'class- room' setting. It is essentially an educative exercise with technical overtones. There is a suggestion of education and training which inform human resource development practices in organisations.

### **Need for External Stimulus**

The Beijing Initiative on APEC Human Capacity Building, held during May 15-6,2001 placed particular stress on the importance of human capacity building (HCB) to ensure that all people benefit from goals set out and through partnership across the widest spectrum of stakeholders to develop the necessary policies and programmes to respond to the HCB challenge.

The role of stakeholders is particularly important in stimulating and also corroborating proposed change. Opinion proffered is a chief determining factor with respect to what is finally accepted and what is not. Specific challenges include stakeholders questioning the traditional mode of working in an organisation, stressing on technological change, change in work processes, specifically, organisation and methods (O&M), decision making practices, strategy formulation, employment practices, education, training and market behaviour. Their significance lies in stimulating positive change through pressure group tactics.

Stakeholders with respect to government administration will include people (clients, customers), social service organisations (civil society), particularly, environmentalists, human rights workers; political parties, farmers and businesses (interest and pressure groups) which impact upon and are in turn impacted by public policy. The 'people' group can be further broken down into the 'articulate' and inarticulate 'publics' in a society. 'Publicness' of public administration demands need articulation with respect to the passive segments of society and incorporation of the same in policy craft. For more democratic policy, public interest articulation through more meaningful participation of civil society would be desirable. Public Interest is understood as *substantive* public interest and *procedural* public interest. While substantive public interest is ensured through better articulation of needs at the formulation stage, procedural public interest is ensured by the process of consultation that precedes policy making. More inclusive the process of consultation, more democratic is the polity. Organisation, which are collectivity of individuals, in order to be effective, efficient and representative need to have constant interaction with all

stake-holders for the purpose of sharing required information, issues of interest to all, especially relating to socio-economic and polity co-administrative policies.

With regard to Civil Services Organisations to be more proactive, it becomes essential that the Organisations have enough financial resources, an innovative civil accounting definition which corresponds to pragmatic financial conditions, adequate and appropriate transparency, especially in organisations engaged in delivering public service, ensuring protection of workers' dignity and their rights to participate in constant interaction amongst themselves as well as with the Management, developing such a vision which is owned by all concerned in the Organisation.

Venkataratnam and Shzuie Tomoda (2005), in their work have referred to the concept of Social Dialogue in Public Service Reform for making Civil Services more proactive. The concept of social dialogue is one of the four strategic objectives of International Labour Organisation for promoting decent work for all (the primary goal of the ILO is to promote opportunities for women and men to obtain decent and productive working conditions of freedom, equity, security and human dignity). This is being achieved through four strategic objectives, namely, by promoting (i) International Labour standards and the fundamental principles and right at work; (ii) Decent Employment and Income opportunities; (iii) Social protection for all; and (iv) Strengthening tri-partism and social dialogue (ILO, 1999).

It goes without saying that through social dialogue, there could be profound success in policy making, citizen requirements in public services etc. The success of social dialogue very much depends on the nature in which social dialogue are formulated. All said and done, every effort must be taken up to see that there are not impositions from the above but are put in place through exchange of ideas and information and by focusing on participatory approach with emphasis on consultation, negotiation and consensus broadly social dialogue, more so in Civil Service include information sharing, public hearings, direct consultation and collective bargaining. Firm and uninstinctive cooperation of the Government is very much required for effective social dialogue in Civil Services. Like any other management technique, the process of social dialogue cannot be accomplished unless and until it has favourable and committed stand-point of the Government on its sight for putting it into execution not for the benefit of the organisation, but to that of the civil society organisations, private sectors, non-governmental organisations, interest groups and voluntary associations. Though the process of social dialogue, not only the organisations will be able to achieve its global but would also be in a position to have committed work force by virtue of its participation, and satisfactory citizenry through effective governmental functioning.

With regard to Civil Service Organisations to be more proactive, it becomes essential that the Organisations have enough financial resources, an innovative civil accounting definition which corresponds to pragmatic financial conditions, adequate and appropriate transparency, especially in organisations engaged in delivering public service, ensuring protection of workers' dignity and their rights to participate in constant interaction amongst themselves as well as with the Management, developing such a vision which is owned by all concerned

Peoples' participation in governance is the informing and distinguishing virtue of organisations. Specific strategies for employee capacity building in government organisations include;

Decentralisation: Decentralisation is more democratic in that decision making is facilitated at the grass roots which involves more people. Services rendered are also more people friendly and more in tune with requirements at the local level and employees are empowered with more authority and better 'choice' in decision making. 'Choice' is widened also for the government by way of cost benefit comparisons in 'choosing' between centralised and decentralised options for

a facility, also involving cost comparisons regarding structure, manpower, inventory etc. Wider participation in policy formation and implementation and thereby, better choice with respect to policy inputs. By creating more ‘choice’ for all partners involved, that is government, employees and the clientele, decentralisation maximises benefits and minimises cost both in the purely utilitarian and welfare senses.

**Delegation:** Better resort to delegation makes processes dynamic and improves communications in an organisation considerably. Work is speeded up and top management is relieved of routine functions. Delegation contributes to employee empowerment. For delegation to succeed there has to be increased emphasis on:

- (a) Ethics in governance from the point of view of responsibility and responsiveness; and
- (b) Training to acquire necessary skills to carry out delegated tasks properly. Employee capacity improvement is a natural corollary to delegation.

**Quality and Innovation:** For better ‘effectiveness’ at the level of individual organisations, stakeholders need to adopt a new concept of development that stresses on quality and innovativeness to step up capacity building practices. Application of exogenous pressure in the form of interest articulation and lobbying for the same is, therefore, important, especially, in government administration for employee capacity building.

**Technical Capacity Building:** Technical capacity building in organisations is facilitated through the provision of technical support activities, including coaching, training, specific technical assistance and resource networking. In the present context of the information communication revolution human capacity building involves bridging the digital divide, and in turn, converting “digital divide” into “digital opportunities” so as to benefit all segments of the economy. In the context of e-governance, it is the extent to which the same is pressed for in government administration that will determine procedural efficiency of government administration in the coming years.

Promoting openness and networking of government organisations promotes capacity building. In the U.K, the Citizens Charter contains specific provisions for promoting increased openness about the reasons for decisions taken by the government. In 1988 certain changes were effected in the official secrets act, 1911 to narrow the scope of official information falling within the ambit of the Act. Besides a white paper guaranteeing a statutory right of access to personal records held by the government has also been implemented in April 1994. Canada has an access to information act which gives all Canadian citizens as well as people and corporations present in Canada the right to have access to federal government records that are not of a personal nature. Government of Malaysia has also taken steps to provide for an inclusive policy formation mechanism. Specific measures include publication of reports on public complaints, progress of administrative efforts undertaken by the government etc.

In accordance with the general trend worldwide, towards a more open and transparent government, the right to information act has recently been passed by the legislature in India. Such measures would curtail the growing arena of administrative discretion which has been a point of debate and concern in academic circles and also with practitioners.

Transparency is both external (responsiveness) and internal, with respect to personnel processes. The Fifth Pay Commission has called for clearly defined criteria for all matters concerning promotions transfers, appointments etc of government employees. “Openness shall also extend to resolution of disputes among government servants. Instead of following the official channel of

reporting the grievance, the senior officer should counsel both parties involved in the dispute to arrive at a mutually acceptable settlement. If settlement has not been possible, the two people involved should be ‘disassociated’ to avoid further interpersonal problems. Lastly, positive relations should be cultivated with the media. Publicity seeking bureaucrats should be punished as per conduct rule in this regard.

As observed in the Fifth Pay Commission report, “We have a centralised system of government that is premised on distrust. Whether it is the, ministry of finance or the ministry of law or the Department of Personnel, the tendency is to centralise decision making. Individual ministries have to refer everything to these nodal ministries. Most important decisions of any consequence are taken either by the cabinet or cabinet committee or the minister or the committee of secretaries.” The commission has called for delegation of powers to individual ministries to cut down levels involved and the time taken for arriving at a decision.

### **Management Information System**

The Management Information System is an integrated approach to the design and use of a computer based information system that provides summary information and highlights exceptions for corrective decision making. Readily available and up to date information is a vital requirement for facilitating correct policy making and monitoring and control over various programmes. MIS also enables the management to take concurrent corrective action in ongoing projects

Canada and Malaysia have taken major steps forward in this direction. In Canada an office of information management systems and technology headed by the chief information officer was created for policy devolution, implementation and administrative reengineering of the existing information systems. In 1994 the Malaysian government introduced a civil service link (CSL) as an on-line information database system to enable the general public to access information on government services with facility. This was preceded by massive computerisation and strengthened technology base in the management of public services. The ambit of administrative reforms in the United Kingdom included establishment of information systems in the principal areas of government establishment, like personnel records, finance, physical resources and procurement. Integrated approach to MIS was followed so as to share the available information between different government departments. Efficiency units were set up to determine departmental needs and recommended most suitable MIS for different governmental agencies. A body called the Government center for Information Systems was created for promoting effectiveness and efficiency in government through the use of information systems.

Comparatively, Information processing in India has not been systematic. Information technology in government departments is mainly used for document processing, not for decision making or planning for improved organisational effectiveness. Information sharing between departments is not systematic.

Total organisational capacity building involves diversification and expansion of organisations, which evolves out of effective capacity building of the existing resource base and its consequent development. Effective capacity building strategies at micro levels add up at the macro level which results in the development of the economy. Businesses of all sizes from international corporations to micro-enterprises, and family businesses need to enhance their capabilities to participate in and take full advantage of the global economy.

According to Ratnam and Timoda (2005):

For quality public services, the following conditions must be met

- a) adequate funding;
- b) new public accounting definitions that correspond to the realities of financing and managing modern public services;
- c) the right to information and transparency in the public, private and voluntary sectors involved in delivering public services;
- d) respect for workers' rights to enable workers to participate in social dialogue; corruption-free values and norms; investment in organisation and the development of staff;
- e) effective auditing by appropriate legislative bodies and the public as customers and citizens to allow full accountability and feedback for policy formulation;
- f) robust procedures for the disclosure, review and management of conflicts of interest;
- g) a shared vision and coherent framework that links policy and execution, and
- h) a civil service that is more professional, innovative and proactive in its approach.

### **Steps in Capacity Building**

Significant steps in capacity building are studied as follows.

#### (a) Promoting Overall Human Capacity Building:

Employee capacity building will not be possible unless the overall human capacity is promoted. It is necessary to emphasise the following activity areas:

- 1) Human capacity building within overall social and economic development strategy, recognising the critical importance of human capital by developing more integrated approaches to capacity building.
- 2) Develop relevant programmes to enhance entrepreneurial and management skills, particularly among small and medium enterprises to meet the new demands from globalisation and the new economy.
- 3) Develop policies to provide needed incentives for the business sector to participate in the development of human capacity building, such as providing facilities and infrastructure ensuring that access is maintained for the development of e-commerce etc.

- 4) Facilitate mutual recognition of professional qualifications in respective countries, which should be based on the standard of achievement and outcomes that are mutually agreed on between economies.
- 5) Enhance industry-academic partnership between businesses as end users of the workforce as well as providers of financial resources, and universities, educational institutions, and vocational training institutions, as suppliers of the workforce, so that they produce an information technology (IT) workforce that is readily available to high-tech businesses.
- 6) Establish mutual linkage between sectoral networks including business, education, training sectors and government to draw out synergy effect to the human capacity – building;
- 7) Encourage trade union to develop and implement relevant training programmes, and motivate and mobilise workers to undertake life long learning.
- (8) Setting up a life-long education and learning society

(b) To build employee capacity on a continued basis, it is felt necessary to set up a life long education and learning society to:

- 1) Establish accessible, wide and multi-dimensional learning networks to empower the whole community.
- 2) Endeavor to convert education and training systems that are more supplier-centric into consumer- oriented systems that are in tune with demands.
- 3) Establish a life-long learning system to ensure pre-employment education continual training and upgrading of knowledge and skills for workers.
- 4) Enhance the skills and responsiveness of government employees to better equip governments to design appropriate policy infrastructure and process in a changing environment, and
- 5) Encourage the opening of education and training facilities, including facilities which transcend national boundaries. (Beijing Initiative; HCB 2001)

### **Strengthening the Managerial and Employee Training:**

Managerial and Employee training need to be strengthened for:

- 1) Developing a package of liberalisation measures to ensure continued open access including various elements of commerce and to;
- 2) Retraining of both employees and employers in developing economies to help them catch up with the requirements of new economy for sustainable growth and equitable development.

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## **14.2 OBJECTIVES OF CAPACITY BUILDING**

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National AHEC Leadership Conference on “Capacity Building Needs and Strategies, held on August 20, 2003 at Portland, had the following agenda:

1. Assessing organisation capacity;
2. Developing capacity building plan;
3. Developing keyboard and management capacities;
4. Building effective collaborations; and;
5. Assessing change management strategies;

The following objectives were articulated by the National AHEC Leadership Conference:

1. Prioritising the areas for improvement;
2. Developing specific outcomes to achieve along with strategies and tactics;
3. Identifying resources required to achieve identified outcomes;
4. Implementing;
5. Evaluating, what worked, what did not and what was learnt in the process;
6. Beginning again including suitable modifications

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## **14.3 SIGNIFICANCE OF CAPACITY BUILDING**

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Through effective capacity building the following merits are gained:

- 1) Optimum utilisation of resources through consistent application of R&D
- 2) Preparation of the organisation to face the future through assessment of prevailing logistics and the wherewithal of augmenting the same.
- 3) Helping the organisation acquire competitive advantage in identified fields.
- 4) Facilitating long-term decisions in the organisation.
- 5) Providing training and guidance to facilitate development of individual careers.

- 6) Developing a database to measure and evaluate the current working capacity of the organisation
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## **14.4 PROCESS OF CAPACITY BUILDING**

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The process of capacity building involves the following activities:

- 1) Preparing information material to promote the organisation's work;
- 2) Developing and implementing job descriptions;
- 3) Developing a formal organisational chart;
- 4) Preparing and maintaining a core operating budget;
- 5) Developing a routine for strategic planning and work plan management;
- 6) Developing fund raising strategies and building a donor database; and;
- 7) Developing a database to measure, trend and evaluate working activities;

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## **14.5 STRATEGIES OF CAPACITY BUILDING**

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The UNDP Capacity 21 Trust Fund works with countries to build national capacities for the implementation of Agenda 21. The agenda includes working with governments, civil society and the private sector. Capacity 21 programmes support the development of integrated, participatory and decentralised strategies for sustainable development. Capacity 21 programmes are country-owned, country-driven processes that support and influence national and local decision-making to build long-term capacities at all levels of the society. Capacity 21 is operational in each of UNDP's 5 regions: Africa, the Arab States, Europe and the Commonwealth of Independent States, and Latin America and the Caribbean. Since 1993, Capacity 21 has worked with over 75 developing countries and countries in transition to adopt innovative capacity-building approaches to address environmental degradation, social inequity and economic decline.

The following principles lie at the heart of Agenda 21 process and are the main building blocks for capacity 21 programme.

- Participation of all stakeholders in programme development, implementation, monitoring and learning.
- Integration of economic, social and environmental priorities within national and local policies, plans and programmes.
- Information about sustainable development to help people make better decisions.

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## **14.6 CONCLUSION**

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During the last decade due to changes in the economy all over the world, need has been felt to enhance the capacity of employees in all respects of sustainable development and organisational effectiveness. Its vitality is not only realised by every country in the world and the UNDP has taken up this issue of capacity building of workforce to make them fit the new realities. It leads ultimately the human capacity building activity from the school level to the industry and institutional level. The traditional capabilities are now outdated. Personnel need to be trained to acquire new capacities for the new economies.

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## **14.7 KEY CONCEPTS**

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**Equitable Development:** The idea of equitable development implies ‘balance’ in policies with respect to potential impact of measure on any section or aspect of work with a view to achieving ‘strategic fit’ with regard to policies in an organisation. Planning is imminent for achieving desired balance in growth strategies as all aspects or ramifications of the issue at hand have to be appreciated and understood to craft a balanced policy in that particular respect. A measure should not be lopsided.

**Life Long Education:** Employee capacity building is an ongoing and continuous process, which involves learning and development on the part of both the employees of an organisation and the management. Life long education clarifies the implication of employee capacity building in an organisation. Life long education is carried through by means of training and development programmes in organisations and on the job training which is imparted both formally and informally.

**Participation:** Participation is a means of utilising positive social capital inherent in communities or workers in an organisation. Participation makes policies or decisions taken in an organisation more ‘real’ than academic in that felt needs are articulated and policy content becomes meaningful and strategically right.

**Sustainable Growth:** Growth has to be long- term and continuous. To that end, extreme impacts which may make the measure unviable would have to be avoided. Sustenance of growth over a ‘long term period’ is the chief consideration in sustainable growth.

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## **14.8 REFERENCES AND FURTHER READING**

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## 14.9 ACTIVITIES

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1. Discuss the significance and objectives of Employee-capacity Building Strategies.
2. What are the current strategies of capacity building?
3. Explain the significant steps in capacity building.

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# **UNIT-15 TOTAL QUALITY MANAGEMENT**

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## **Structure**

- 15.0 Learning Outcome
- 15.1 Introduction
- 15.2 Concept of TQM
- 15.3 Concept of Quality
- 15.4 Advantages/Benefits of TQM
- 15.5 Differences between TQM and Traditional Management
- 15.6 Awareness of TQM
- 15.7 Framework of Implementing TQM
- 15.8 Roadblocks in Implementing TQM
- 15.9 TQM in India
- 15.10 Conclusion
- 15.11 Key Concepts
- 15.12 References and Further Reading
- 15.13 Activities

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## **15.0 LEARNING OUTCOME**

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After reading this Unit, you should be able to:

- Understand the concept of Total Quality Management (TQM);
- Define Quality;
- Understand the difference between TQM and traditional management; and
- Explain TQM in the Indian context.

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## **15.1 INTRODUCTION**

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Efficient human resource management was behind the economic revolution achieved by countries ruined after the Second World War. Cases in point are Germany and Japan, who achieved revolutionary success within a short span of time. They not only succeeded in reviving their economies but sent their surplus produce to other nations, spreading prosperity the world over. They famously accomplished the task by adopting the total quality management (TQM) approach with focus on optimum development and management of the precious human resource.

Total Quality Management is related to work organisation and management. TQM marks a shift away from the traditional productivity centred approach to a quality centric, systemic approach to management. Components of TQM are; the company's mission, objectives, employee participation,

values and strategies, and an integrative approach towards maximum quality, efficient marketing, good people management making for all round development of an enterprise.

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## 15.2 CONCEPT OF TQM

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Total Quality Management (TQM) is an enhancement of the traditional way of managing organisations. TQM is a proven technique to guarantee survival in international competition. Only by changing the function of management can the culture and actions of the entire organisation be transformed. TQM is for the most part, common sense. Analysing the three words, we have;

Total: Made up of the whole

Quality: Degree of excellence, a product or service provides

Management: Act, art, or the manner of handling, controlling, directing etc.

Therefore, TQM is the technique of managing the whole, to achieve all round excellence.

Although the concept of quality is old, quality management is the major preoccupation of organisations today. Many organisations around the globe are conducting Organisations Development (OD) programmes to enhance quality awareness and change the attitudes of their employees. The efforts towards understanding, adopting and promoting TQM are primarily inspired by the changes taking place in the global economy, changing market conditions and customers' expectations and increasing competitive pressures which require organisational excellence on a continued basis. Sustained effort towards improving quality is total quality management. Many large organisations have recognised the important contributions that TQM can make in dealing with these challenges.

TQM is not a technique but a collection of approaches designed to optimise the performance of an enterprise. It is better suited to a more sophisticated production and service economy (Paris, 1994)

In the 1950s, Dr. Edwards Demmings and J.M Muran introduced the Japanese to the concept of total quality management. The Japanese adopted his ideas, and over time, developed them further. They extended the application of process improvement from manufacturing to administrative functions and service industries, so that the quality concept impacted the entire system favourably. Japanese industry succeeded in achieving overwhelming success because they were able to drive down their costs while at the same time, improve the quality of their products

During the eighties, a number of North American manufacturers emulated Japanese success and extended the application of the total quality concepts to the areas of employee motivation, measurement and rewards. This blend of quality management techniques and organisational behavior philosophies is described under the rubric of Total Quality Management.

According to Mike Hick (2005), the core concepts in total quality management are:

- continuous process improvement
- customer focus
- defect prevention

- universal responsibility

Continuous improvement is a top down process. It is initiated and directed from the top, but implemented from the bottom. The selection of improvement projects is specific and focused. The problem areas must be identified, prioritised, critical processes selected for improvement, and improvement goals set for the project team. This is a bottom up process, which requires the involvement and commitment of the staff. (Hick, 2005)

### **Employee Involvement and Empowerment**

The success of the quality management approach is dependent on a well-trained and motivated staff that is involved and empowered.

*Involvement* means that management actively encourages employee involvement in running the operation and improving the processes. *Empowerment* implies something more than involvement. It means that the management recognises, that, when the staff are given training and provided with the right information, they are in the best position to control their own work processes. This being the case, they should be empowered for the same.

There are various techniques to ensure employee involvement and empowerment. *Suggestion schemes, delegation* and improvements in *job design* are used to effect continuous improvement in work.

### **Problem solving**

Quality management depends on people having good problem solving skills. It is through the continuous process of identifying problems, and solving and implementing solutions that the business is improved. Problem solving consists of identifying the root causes of a problem and implementing actions to correct the situation. Measuring quality costs is important. There is an old adage that if something can't be measured, it can't be managed. Measures of quality costs provide the information needed to analyse where excess costs are occurring. Improvement projects can then be targeted to reduce them. A computerised data base is needed to store information to monitor quality.

### **Procedural Improvement**

TQM involves minute improvements. The system failure analysis is a sophisticated approach to finding the root cause of minutest failures in complex systems. Attempt is made to rectify errors for *total process improvement*.

### **Quality Teams**

TQM emphasises specialist, coordinated team work. Teams have a number of advantages over individuals. Different facets of the problem can be tackled by subject matter specialists. Constitution of the team is significant here. A properly constituted team has a much richer mix of skills to bring to bear on a problem. The aim is to secure value improvement. Value improvement differs from cost reduction. Cost reduction usually results in cheapening the product. Value improvement is aimed at cutting costs while at the same time continuing to improve the product in terms of quality and satisfaction of customers. The cost structure of the product is analysed, related to the customer requirements, and attempt made to eliminate or reduce those costs that are unnecessary.

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## **15.3. CONCEPT OF QUALITY**

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Quality is thus, both a user-oriented and production-oriented expression. From the user's point of view, quality is an expression of the product or services usefulness in meeting the needs and expectations and its reliability, safety, durability. From the production point of view, the quality of a

product is measured by the quality of conformance. Quality of design is concerned with the stringency of the specification for manufacturing the product. The quality of conformance is concerned with how well the manufactured product conforms to the original requirements.

From the view point of TQM, quality is everything that an organisation does, in the eyes of its customers, which will encourage them to regard that organisation as one of the best in its particular field of operation.

This definition encompasses all the activities of the business and is not related to any product. It also considers the importance of meeting the needs and expectations of the customers at a cost that represents the best value, to enhance the image of the organisation in the eyes of the customer and build a loyal customer base.

When the expression “quality” is used, we usually think in terms of excellent product or service that fulfils or exceeds our expectations. These expectations are based on the intended use and the selling price. When a product surpasses our expectations, we consider the quality. Thus, it is somewhat of an intangible based on perception. Quality can be quantified as follows:

$$Q = \frac{P}{E}$$

Where, Q – Quality

P = Performance

E = Expectations

If Q is greater than 1.0 then the customer has a good feeling about the product or service. Of course, the determination of P and E will most likely be based on perception with the organisation determining performance and the customer determining expectations.

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## **15.4 ADVANTAGES / BENEFITS OF TQM**

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The advantages of adopting TQM compared to conventional quality systems are numerous and some of them are outlined below:

- 1) TQM helps to focus clearly on the needs of the market

The traditional approach to quality control focuses on the technical details of a product so as to satisfy the customer. However, the customer longs for better satisfaction, which is generally overlooked in the traditional approach. The needs change from person to person and also from place to place. As TQM focuses on the concept of universality, it tries to abstract the satisfaction perceptions of market and thus helps the organisation to identify and meet the requirements of the market in a better way.

- 2) TQM facilitates to aspire for a top quality performer in every sphere of activity

It is a well accepted fact that the negative attitudes of employees and non participative culture of the organisation pose the greatest hurdle to organisation's success, growth and prosperity.

emphasises on bringing about attitudinal and cultural change through promotion of participative work culture and effective team-work. This serves to satisfy the higher team-work and the higher human needs of recognition and self-development and enhances employee interest in the job. The employee's performance, thus, is not restricted to the product or service areas but reflects in other spheres as well.

- 3) It channelises the procedures necessary to achieve quality performance

Quality in its true sense can not be achieved instantly. It requires a systematic a long-term planning and strategic approach by focusing on defining the quality policies, goals and objectives, and communicating these properly to one and all in the organisation adopting Statistical Quality Control (SQC), and Statistical Process Control (SPC) techniques and developing and using a system of evaluation, the organisations can channelise their efforts to achieve the desired and objective quality performance.

- 4) It helps examine critically and continuously all processes to remove non-productive activities and waste:

The organisation always aims at improving productivity as it leads to reduction in cost resulting in increase in profitability. The efforts in this direction are contributed because of the formation of quality improvement teams which meet regularly and through a systematic approach which tries to remove non-productive activity. A continuous effort to identify the problems and resolve them helps to reduce the waste. The culture of well being thus improves house keeping, cost effectiveness and safety.

- 5) It gears organisations to fully understand the competition and develop an effective combat strategy.

The dynamic changes in the global market and the open market policies adopted by a large number of organisations has resulted in increased competition and for many organisations, survival has become the key issue. It is essential for organisations today to understand the competition and develop and adopt suitable strategies to meet the challenge. As TQM helps to understand the pulse of the customer and thus the market it gives an edge to the organisation to meet the competition.

- 6) It helps to develop good procedure for communication and acknowledging good work

Improper procedures and inadequate communication is yet another base of many organisations, which result in misunderstanding confusion, low productivity, duplication of efforts, poor quality, low morale and so on. TQM brings together members of different levels of management thereby providing an effective communication and interaction.

- 7) It helps to receive the process need to develop the strategy of never ending improvement. Quality improvement efforts cannot be restricted to any time period. They need to be continuous to meet the dynamic challenges. TQM emphasises on continuous and periodic review so as to make the required challenges.

The benefits derived by the organisations, therefore, are many and multi-faceted. Many of these can be measured in quantitative terms. However, the intangible benefits which include enrichment of the quality of the work life and many more are not quantifiable. At the same time, it has to be established whether they do occur or not in order to prove or disprove the efficacy of the concept. This can be assessed by a well-planned research project or by carrying out an opinion survey periodically.

The tangible and intangible benefits of TQM are as presented below:

Tangible gains	Intangible gains
- Better product quality	- Effective team work
- Productivity improvement	- Enhancement of job interest
- Reduced quality cost	- Improvement in human relations and work area morale
- Increased market	- Participative culture
- Increased profitability	- Customer satisfaction
- Reduced employee grievances	- Improved communication
	- Enhanced problem solving capacity
	- Improved corporate health and character of the company
	- Better company image

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## **15.5 DIFFERENCES BETWEEN TQM AND TRADITIONAL MANAGEMENT**

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Following are some of the basic and fundamental differences:

1. TQM stresses focus essentially on customers. Customers are viewed as dominant resource.
2. TQM takes the view that profits follow quality, not the other way round
3. TQM views that the quality is composed of multi-dimensional attributes. According to Garvin (1984), there are eight customer oriented quality dimensions: performance, features, reliability, aesthetics, conformance, durability, service ability and perceived quality. Traditional management neglects these customer oriented dimensions.
4. In traditional management, economy-of-scale is seen as a desirable objective characterised by long production runs, to incur low cost and achieve high efficiency. In TQM, economy-of-time and economy-of-scope are pursued: Just-in-time production, shorter lead-times, low inventories, quick customer response and the smallest possible sizes are the goals, to serve customers better and quickly.
5. In traditional management, high volumes, long runs and maximum products are perceived as desirable.
6. TQM creates goal-directed connections between customers, managers and workers. Everyone is motivated to contribute. TQM empowers each and every employee, regardless of level, to find better ways to work. Drawing on the concepts of participative management, employees are given a significant role under TQM. In contrast, in traditional management, the workers must work and managers should manage. The manager of quality control is responsible for quality.

7. Traditional management is characterised by strong divisions of labour, and by a separation of manual work from the mental work. TQM emphasises on flexible multi-skilled workforce that can move easily from one job to another.
8. TQM is a process oriented approach thus assuring focus on process over a long term improvement to attain long range goals. The process-oriented view, which is the TQM way, is a long-term, incremental approach to improving process quality. Since TQM empowers people to improve the way they work, people are at the root of all improvement efforts. Barriers to communication are removed and redundant activities eliminated. Working environments are improved so that people are comfortable and do not feel strained at the work place. Result oriented approach is based on the process of setting objectives, collecting feedback and providing incentives to attain objectives.
9. Traditional management proposes hierarchical, vertically structured organisations. TQM, on the other hand, seeks to create a culture of networking across and among functions, so that teams from different disciplines come together to seek a permanent solution to each problem, as it is identified.
10. The traditional management favours many layers of authority, with short spans of control. TQM advocates a flatter organisation structure with large spans of control, where authority is pushed as far down as possible and flexibility actively encouraged.

The pertinent differentiating characteristics between TQM and traditional management are briefly listed in Table-I.

**Table-I**

<b>Comparison between TQM and traditional management approach</b>			
<b>Sr. No.</b>	<b>DIMENSION/ATTRIBUTES/CHARACTERISTICS /CATEGORIES</b>	<b>TOTAL QUALITY MANAGEMENT APPROACH</b>	<b>TRADITIONAL APPROACH</b>
1.	Management understanding attitude	Considers quality management as essential part of company system	No compensation for quality. Tend to blame quality department for quality problems
2.	Quality organisation status	Quality is through the leader. Quality managers on Board of Directors	Considers quality is hidden in manufacturing. Quality is not considered as integral part of organisation
3.	Problem handling	Emphasis on prevention of problems. A structure approach to identify and solving the problem	Problems are fought as they occur fighting fire approach

4.	Quality improvement action	Quality improvement is a continuous activity	No organisational activity
5.	Priority	Quality is top most priority	The first priority is to profit
6.	Focus	Focus on customer satisfaction	Focus on management's requirements
7.	Organisation	Networking across and among the functions	Hierarchical-Vertically
8.	Span of control	Large span of control with authority almost pushed down to the lowest level	Short span of control and many layers of authority
9.	Production Schedule	Economy to time, just-in-time production, quick customer	Long production runs for low cost and high efficiency
10.	Communication	Conveyed with action	Conveyed by slogan
11	Responsibility for quality	With top management	Delegated to subordinates
12.	Perception of quality	Quality is considered multidimensional and the dimensions are customer oriented	Quality is defined in terms of single dimensions, that is conformance to specifications
13.	Employee	Employees are motivated and are given significant role regardless of level to better ways to work	Emphasises on monolithic work pattern. Opportunities for participation does not exist
14.	Work force	Multi-skilled work force with job rotation	Emphasis on division of labour

15.	Quality-productivity relationship	Consider high correlation between the two forces	Contribution of quality in improving productivity not recognised
16	Ways of improving	Changing corporate culture, increasing employee education, use of process control	Improvement in inspection and gauging
17	Keys to firm success	Customer satisfaction and Production of high quality goods and services	Growth in sales, profits and return on investments.

## 15.6. AWARENESS OF TQM

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An organisation will not begin to transform to TQM until it recognises that the quality of the product or service needs to be improved. Awareness comes when an organisation loses market share or realises that quality and productivity go hand-in-hand. It also occurs if TQM is mandated by the customer or if the management realises that TQM is a better way to run a business and compete in domestic and world markets.

Automation and other productivity enhancements might not help a corporation if it is unable to market its product or service because of poor quality. As stated earlier, The Japanese learned this from practical experience. Prior to World War II, they could sell their products only at ridiculously low prices, and even then it was difficult to secure repeat sales. Until recently, corporations have not recognised the importance of quality. However, a new attitude has emerged, quality first among equals in costs and services. Precisely customer wants value.

Quality and productivity are not mutually exclusive developments in total quality management. Many quality improvement projects are achieved with the same work force, same overhead, and no investment in new equipment.

Recent evidence suggests that more and more corporations are recognising the importance and necessity of quality improvement to survive domestic and international competition. Quality improvement is not limited to the conformance of the product to specifications. It also involves built-in quality in the design of the system. Prevention of product and process problems is a more desirable objective than taking corrective action after the product is manufactured or a service rendered.

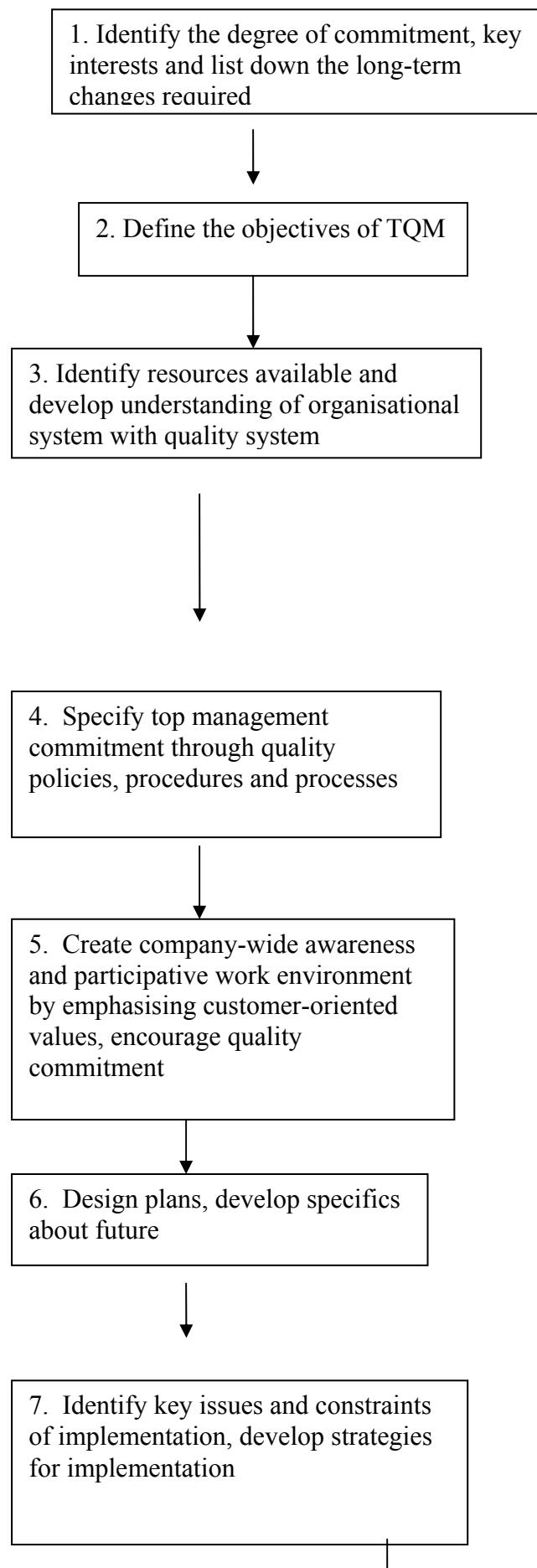
TQM does not occur overnight, there are no quick remedies. It takes a long time to build the appropriate emphasis and techniques into the culture. Over emphasis on short term results and profits must be set aside so long-term planning and constancy of purpose will prevail.

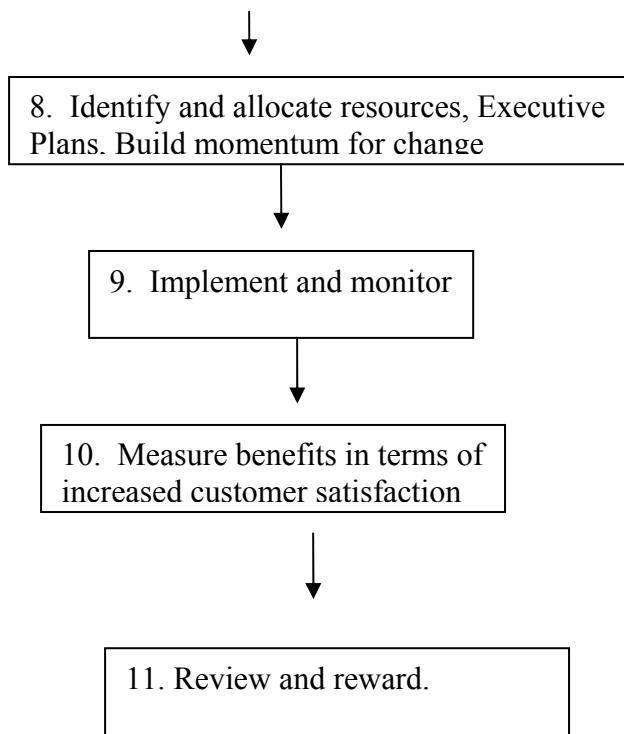
### Extension of TQM

Today, many institutions world wide are adopting quality management in different forms including educational institutions. Many awards like the European Foundation for Quality Management (EFQM) have been instituted in honour of quality management. It is predicted that the 21<sup>st</sup> Century will be the century of quality. In India, quality consciousness of the 90s was started with ISO 9000 certification which was an endorsement total quality management. Now, there are more than 600 ISO 9000 certified organisations and the list is growing, implying that TQM is taking roots in India. The University Grants Commission (UGC) and the All India Council for Technical Education

(AICTE) have also started emphasising on quality education and have instituted the NAAC National Assessment and Accreditation Council and the NBA (National Board of Accreditation) for measuring the quality of educational institutions and education.

## 15.7 FRAME WORK OF IMPLEMENTING TQM





## **15.8 ROADS BLOCKS IN IMPLEMENTATION OF TQM**

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A brief outline of problems in implementing TQM is given below:

- Lack of formal strategy
- Failure to provide incentive by recognition
- Lack of effective communication
- Narrowly based training
- Lack of faith in and support of TQM, activities among management personnel
- Lack of interest and incompetent leadership
- Misunderstanding the concept of TQM
- Delay or non-implementation of quality improvement team recommendations
- Irregularity of team meetings
- Non-application of proper techniques
- Inadequate visibility of top management support

The following issues are pertinent in TQM analysis.

- The activities involved in the process
- Identification of major problems

- Inquiring into the causes
- Reviewing past experiences
- Discovering the cause effect relationships
- Current status of the activity as revealed through data.

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## 15.9 TQM IN INDIA

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TQM has been widely accepted approach for achieving highest standards of quality in all spheres of business, but surprisingly it has been observed that Indian organisations have done little to utilise this approach or even understand it.

It is necessary to take into consideration the human resources of the organisation which play a revolutionary role in improvising collective performance of organisations, work groups, and individuals for future sustainable survival and development in the competitive world. The techniques of total quality management (TQM) along with the concept of sustainable development have been applied to socio-economic policy. It is applied primarily to the typical business concern. Sustainable development can be defined as “the management of losses and gains resulting from the degradation of environmental factors that affect the ability of life, any life, to survive, now or in the future.

Government of India has liberalised imports and exports and has taken various steps to protect Indian industries. Such measures are temporary in nature. Indian industries will have to take steps to evolve systems, process, procedures in a manner that product and services produced by them are not only comparable to quality and cost internationally but also perhaps better in quality and cheaper in cost.

Indian organisations are badly strangulated in traditional culture and are hesitant to adopt progressive ways of management on a scientific basis. The sooner India adopts modern techniques of production and implement total quality management (TQM) in all systems and subsystems, better it will for Indian organisations. This must be considered on a long-term and permanent basis.

The pioneering work of Deming, Juran and Cross in total quality management produced amazing results in cost saving in Japanese and American industries, but unfortunately, Indian industries did not take notice of this phenomenon. The euphoria in US was such that the federal government even constituted “Beldridge Wards” which is described as a beacon and a ‘blue print’ for driving any organisation to its highest level of optimal achievement. These attributes are strategic in nature and their implementation in Indian environment has to be studied for adoption in all spheres. For achieving optimum TQM, lower level plans must deliver real value through formulation and implementation in a long term perspective. Continuous review of the plan is necessary to keep pace with industrial, social, and cultural change.

In a highly competitive world, it is time for Indian industries to introduce total quality management concept, perceive TQM as a “mega” factor, identify various factors or areas, formulate simple systems for each area and introduce TQM concepts by empowering people who have the vision, ability to plan and identify key result areas so that desired organisational culture is developed and employee growth achieved, along with organisational growth. Leadership of a high order and an attitude of commitment at all levels will go a long way in achieving total quality management in any organisation, with an eye on market competitiveness.

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## **15.10 CONCLUSION**

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TQM is an enhancement to the traditional way of conducting business. It is a proven technique to guarantee survival in world-class competition. TQM is far from common sense. It is the art of managing the whole to achieve excellence. TQM integrates fundamental management techniques, the existing management improvement efforts, and technical tools under a disciplined approach.

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## **15.11 KEY CONCEPTS**

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**Organisational Development (OD):** A planned change process which is a continuous learning exercise. Change is structural, functional and behavioural, pertaining to organisational culture. OD consultants are employed by organisations to lend expertise to the process.

**Statistical Process Control (SPC):** Procedure is monitored and improvements effected by means of statistical techniques. Implementation is by standard procedure.

**Statistical Quality Control (SQC):** Output measurement cannot be done piece by piece. Variance from the standard measure is tracked applying statistical and engineering techniques.

**Sustainable Development:** Benefits should exceed costs of development. The concepts are generically applied for environment protection efforts.

**Systems Approach:** Understanding processes as interlinked and integral to Organisational mission is the systems approach. All round improvement is needed for better quality.

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## **15.12 REFERENCES AND FURTHER READING**

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## **15.13 ACTIVITIES**

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1. How is TQM different from traditional approach to management? Give examples.
2. What are the processes involved in TQM? Illustrate your answers with suitable examples.
3. What are the possible areas in which TQM is applicable in India? Give reasons why TQM must be adopted by developing countries.

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## **UNIT-16 EMPLOYEE HEALTH AND SAFETY**

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### **Structure**

- 16.0 Learning Outcome
  - 16.1 Introduction
  - 16.2 Health
    - 16.2.1 Job Stress and Burnout
    - 16.2.2 Computer Related Health Problems
    - 16.2.3 Noise Control
    - 16.2.4 Acquired Immune Deficiency Syndrome (AIDS)
    - 16.2.5 Alcoholism and Drug Abuse
    - 16.2.6 Violence in Workplace
    - 16.2.7 Health Promotion
  - 16.3 Safety
    - 16.3.1 What Causes Unsafe Acts
    - 16.3.2 Management Commitment and Safety
    - 16.3.3 Safety Policies and Discipline
  - 16.4 Responsibilities
    - 16.4.1 Awareness
  - 16.5 Conclusion
  - 16.6 Key Concepts
  - 16.7 References and Further Reading
  - 16.8 Activities
- 

### **16.0 LEARNING OUTCOME**

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After reading this unit, you should be able to:

- Know the importance of employee health and safety;
  - Define Health and Safety;
  - Analyse the remedial measures for occupational diseases; and
  - Bring out the remedial measures for Industrial Accidents.
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### **16.1 INTRODUCTION**

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Today employees expect their employers to provide work environments that are safe and healthy. However, many employers once viewed accidents and occupational diseases as unfavorable byproducts of work. This idea may still be prevalent in many industrial settings in underdeveloped countries like India, the idea must be replaced with the concept of using prevention and control to minimise or eliminate risks in

workplace. Employers in variety of industries have found that placing emphasis on health and safety pays off in a number of ways.

Good companies maintain safe working environments by making health and safety a top priority throughout the organisation. Health and safety are important aspects of an organisation's smooth and effective function. Good health and safety performance ensures an accident - free industrial environment.

Companies seek to create common health and safety philosophies, strategies and processes. To ensure health and safety consistency and promote an overall health and safety culture, leading benchmark companies coordinate key strategies and activities through a centralised oversight department, such as corporate health and safety.

Awareness of Occupational Health and Safety (OH & S) has improved in India considerably. Organisations have started attaching the same importance to achieve high (OH & S) performance as they do to other key aspects of their business activities. This demands adoption of a structured approach for the identification of hazards, their evaluation and control of risks.

Government of India believes that without safe and healthy working conditions, social justice cannot be achieved and the attainment of safety and health at work is fundamental to economic growth.

Under the constitution of India the Directive Principles of the State policy provides,

1. For securing the health and strength of workers, men and women and providing
2. Just and humane conditions of work and maternity relief (Article 42)

On the basis of these Directive Principles, the Government of India declares its policy, priorities and strategies, purposes through the exercise of its power. The formulation of policy, priorities and strategies in occupational safety, health and environment at work places is not undertaken by national authorities alone but in some form of consultation with the social partners i.e. employees organisations, autonomous & voluntary organisations public etc for agreement and involvement for ensuring set goals and objectives.

The changing job patterns and working relationships, the rise in self employment greater sub-contracting, out sourcing of work and the increasing number of employees working away from their establishment and home work pose the problem of management of occupational safety and health risks. New safety hazards and health risks will be appearing along with the transfer and adoption of new technologies. In addition, many of the well known conventional hazards will continue to be present at the workplace many years ahead till the risks arising from exposure to these hazards are brought under adequate control.

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## 16.2 HEALTH

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Health refers to general state of physical, mental and emotional well-being. A healthy person is free of illness and injury. Health management practices in organisations strive to maintain the overall well-being of individuals.

Employees' health problems are varied and inevitable. They can range from minor illnesses such as colds to serious illnesses related to the jobs performed. Some employees have emotional health problems; others have alcohol or drug problems. Some problems are chronic; others are transitory, but all may affect organisational operations and individual employee productivity.

The well-being of the employee in an industrial establishment is affected by accidents and by ill-health; physical as well as mental. Ill health of employees results in reduced productivity, higher unsafe acts, and increased absenteeism. A healthy worker, on the other hand, produces results opposite to these. In other words, healthy employees are more productive, more safety conscious, and are more regular to work. The worker who is healthy is always cheerful, confident looking, and is an invaluable asset to the organisation.

A realisation of the advantage, which flow from a healthy workforce, has impelled much management to provide health services to their employees, which vary from the simple provision of first-aid equipment to complete medical care. Many progressive organisations maintain well-equipped dispensaries with full-time or part-time doctors and full-time compounder/nurses. Unlike his/her counterpart of yester-years, who would take every precaution to protect his horses against diseases but felt that the health of the human worker was his own business. The manager of today is fully aware of the advantages of having a healthy workforce.

The protection of the health of the workers is a legal requirement too. Sections 11 to 20 of the Factories Act, 1948 deal with the health of workers.

Provisions of the Act:

- Factory to be kept clean and free from effluent and dirt (S.11).
- Arrangements to be made for disposal of wastes and effluents (S.12).
- Adequate ventilation and temperature to be provided (S.13).
- Measures to be taken for prevention of inhalation or accumulation of dust and fumes (S.14).
- Standards for artificial humidification to be fixed (S.15).
- Overcrowding related injuries to health of workers to be avoided. 9.9/14.2 cubic metres of space must be provided for each worker (S.16).
- Sufficient and suitable lighting must be provided in every part of the factory (S.17).
- Glazed windows to be kept clean. Measures need to be taken for prevention of glare and formation of shadows (S.17).
- Suitable points for wholesome drinking water must be provided. Drinking points to be legibly marked and located away from urinals. Water needs to be cooled if the number of workers is 250 or more (S.18).
- Latrines and urinals to be separately provided for male and female workers. They should be well lighted and ventilated (S.19).
- Sufficient number of spittoons must be provided. Whoever spits outside the spittoons shall be punishable (S.20).

### **16.2.1 Job Stress and Burnout**

Problems such as alcoholism and drug abuse sometimes result from stress, especially job stress. Here job-related factors such as overwork, relocation, and processing with customers eventually put the person under such stress that a pathological reaction such as drug abuse occurs.

A variety of external environmental factors can lead to job stress. These include work schedule, pace of work, job security, route to and from work, and the number and nature of customers or clients. Even noise including people talking and telephones ringing, contribute to stress.

However, no two people react to the job in the same way, because personal factors also influence stress. For example type a personalities – people who are workaholics and who feel driven to always be on time and met deadlines – normally place themselves under greater stress than do others. Job stress has serious consequences for both employer and employee. The human consequences include anxiety, depression, anger and various physical consequences, such as cardiovascular disease, headaches, and accidents. For the organisation, consequences include reductions in the quantity and quality of job performance, increased absenteeism and increased grievances and health care costs.

### **Reducing Job Stress:**

There are number of ways to alleviate stress. In his book “Stress and the Manager” Karl Albrecht suggests the following ways to reduce job stress:

1. Build rewarding, pleasant, cooperative relationships with colleagues and employees
2. Don’t bite off more than you can chew
3. Build an especially effective and supportive relationship with your boss
4. Negotiate with your boss for realistic deadlines on important projects.
5. Learn as much as you can about upcoming events and get as much lead time as you can to prepare for them.
6. Find time everyday for detachment and relaxation.
7. Take a walk around the office to keep your body refreshed and alert.
8. Find ways to reduce unnecessary noise.
9. Reduce the amount of trivia in your job; delegate routine work whenever possible.
10. Limit interruptions.
11. Don’t put off dealing with distasteful problems.
12. Make a constructive “worry list” that includes solutions for each problem.

The employer and its human resource specialist and supervisors can also play a role in identifying and reducing job stress. Supportive supervisors and fair treatment are two obvious steps. Other steps include:

- i. Reduce personal conflicts on the job.
- ii. Have open communication between management and employees.
- iii. Support employees’ efforts for instance, by regularly asking how they are doing.
- iv. Ensure effective job-person fit, since a mistake can trigger stress.
- v. Give employees more control over their jobs.
- vi. Provide employee assistance programmes including professional counseling.

- vii. Reassess your goals in terms of their intrinsic worth. Are the goals you have set for your self attainable? Are they really worth the sacrifices you'll have make?
- viii. Think about your work. Could you do as good as a job without being so intense or by also pursing outside interests?

### **16.2.2 Computer Related Health Problems**

The fact that many workers today must spend hours each day working with computers is creating health problems at work. Short – term eye problem like burning, itching, and tearing as well as eyestrain and eye soreness are common complaints among video display users.

Backaches, and neck aches are widespread among display users. These often occur because employees try to compensate for awkward body positions. Researchers also found that employees who used video displays and had heavy workloads were prone to psychological distress like anxiety, irritability and fatigue.

The following measures have been further recommended:

1. Give employees rest breaks. The institute recommends a 15 minute rest break after two hours of continuous work for operators under moderate work loads and 15 minute breaks every hour for those with heavy work loads.
2. Design maximum flexibility into the work station so it can be adapted to the individual operator. For example, use adjustable chairs with mid back supports and a video display in which screen height and position are independently adjustable.
3. Reduce glare with devise such as shades over windows, terminal screen hoods properly positioned, and recessed or indirect lighting.
4. Give workers a complete pre-placement vision exam to ensure properly corrected vision for reduced visual strain.
5. Place the keyboard in front of the employee, titled away with the rear portion lower than the front.
6. Place the computer mouse and mouse pad as close to the user as possible and ensure there are no obstructions on the desk that impede mouse movement.
7. Allow the user to position his or her wrists at the same level as the elbow.
8. Put the monitor at or just below eye level at a distance of 18 to 30 inches from the eyes.
9. Let the wrist rest lightly on the pad for support.
10. Put the feel flat on the floor, or on the footrest.

### **Workplace Smoking**

Smoking is a serious problem for both employees and employers. Studies even shown that for some reason, smokers have a significantly greater risk of occupational accidents than do non smokers, as well as much higher absenteeism rates. In general, “sometimes employee are less healthy than non-smokers, are absent more, make more

and more expensive claims for health and disability benefits and endangers co-workers who breathe smoking air.

### **16.2.3 Noise Control**

An age-old problem, and not effectively tackled till now, is the noise in industrial establishments. Noise made its appearance in organisations when human started working on metal. As civilisation advanced, human discovered more and more ways of having machines to do his/her work, and each new machine added to the problem. For quite a number of years, noise was endured by all. But, in the recent past, the increasing use of machines of great speed is telling upon the health of the workers.

Long exposure to excessive noise impairs the hearing of employees. The level and duration of noise and the exposure that is likely to cause deafness varies from person to person. It is agreed that long exposure to noise in excess of the prescribed limits makes one deaf.

Hearing loss is not only effect of noise. Constant exposure to high noise levels can cause hormonal imbalances, changes in blood circulation, dizziness, increase in respiratory rate, heartburn, sleep disturbances and fatigue.

#### **Noise Control Methods**

It is impossible to eliminate noise from industrial establishments, as long as machinery is used in manufacturing operations. However, noise control can help minimise harmful effects on employees. Noise control can be achieved (i) at the source (ii) through enclosure, (iii) by absorption, or (iv) by ear protection.

Controlling noise at its *origin* is the best method of reducing its harmful effects. Noise can be controlled at its source by questioning the noise-producing elements by repairing or redesigning the machines: mounting machines to reduce vibration; or substituting noise – producing elements with quieter ones.

Considerable reduction in the level of noise may be achieved by providing enclosures for machines with specially made covers or housing them in separate rooms. But a small opening is enough to produce heavy leakage of noise. Care should, therefore be taken to make the enclosure as full proof as possible. Where machines cannot be enclosed, places which need quieter surroundings may themselves be enclosed, for example a works office. Similarly, a machine transmitting vibration on a large scale may be isolated from the rest of the operations.

The harmful effects of noise may be reduced by absorbing it. Ceilings and walls may be constructed with acoustic materials to absorb sound. Empty space around the high noise-producing machine may be provided to absorb the noise. High ceilings dissipate noise considerably.

Where noise is excessive and other methods of noise control are likely to be ineffective, employees working close to the source of noise may be given ear protection to prevent any impairment of their hearing capacity. They may be provided with muffs, helmets, cotton and soft rubber, to be worn by them while on work. They should be educated to wear the protection equipment, because the tendency with most workers is to ignore.

### **16.2.4 Acquired Immune Deficiency Syndrome (AIDS)**

AIDS is likely to cause considerable confusion and disruption in the workforce. When employees realise that they are working with an infected worker, they demand that the hapless employee should be dismissed. If the management discharges the employee, the law is violated, particularly in the US where individuals who have AIDS are protected by federal, state and local laws. This protection generally comes

in the form of protection against discrimination and is based on the fact the virus cannot be spread by casual contact.

Organisations are hard hit by additional costs – direct and indirect – when their employees contact the disease. Direct costs are in the form of increased medical burden. Indirect costs result from loss of productivity when employees refuse to work with an AIDS-infected worker. It is responsibility of the government, and business and non-governmental organisations to create better awareness about the disease in the minds of the people.

Credit should go to central government undertakings, particularly HMT and BHEL, for initiating measure to prevent AIDS. Teams of doctors from in-house Occupational Health Services visit plants and give lectures to employees on AIDS prevention. Lecturers are held once or twice every year.

What is needed most for the employers is to educate workers about AIDS. The following guidelines need to be followed to make the educational programme effective:

1. Employees must be made to understand how AIDS is contacted. Understanding about the ways to contacting AIDS will ensure that the activities do not occur at the workplace.
2. Presentations to employees must be handled by professionals, preferably from experts. This is necessary as the message presented is going to include sexual references which, if not handled properly, are likely to have a negative impact on employees.
3. All employees must attend the sessions.

#### **16.2.5 Alcoholism and Drug Abuse**

Alcoholism is a serious and widespread disease. It does not strike any particular group – alcoholism can strike employees from the junior to the general manager.

The effects of alcoholism on the worker and on the work are serious. Both the quality and quantity of work decline sharply. A form of “on-the-job absenteeism” occurs as efficiency declines. An alcoholic worker is more unlikely to observe safety precautions while on the job or off the job. Morale of the other workers is likely to suffer as they are required to do the work of their alcoholic peer.

Organisations employ three techniques to tackle alcoholism in workplaces. First is disciplining alcoholics. Where disciplining fails, the alcoholic is discharged. Second is in-house counseling by the HR department, the company doctor or by immediate supervisor. Finally, companies use outside agencies, psychiatrists and clinics to deal with the problem of alcoholism.

Drug abuse is a recent phenomenon and is a serious one. Drug abuse is more evident among young employees and is found across all job levels. Employees who are drug addicts are often much more difficult to detect than alcoholics-liquor is easy to smell but not drugs. Drug abuse affects job performance. The problem of a drug addict indicates his or her on-the-job behaviour.

As a result of the increased use of drugs in the workplace, more and more companies have begun to use some form of drug testing for both job applicants and existing employees.

Drug testing is risky. An employer can be exposed to substantial liability for defamation for making a false accusation of drug use. The following guidelines can help avoid the risk:

1. Testing only applicants or employees whose jobs are considered safety specific or critical.
2. Using only valid measures of drug use.
3. Obtaining valid consent of the applicant or employee and then provide the examinee with the results of the tests.
4. Maintaining strict confidentiality of test results.

Organisations can use the same techniques (recommended to cure alcoholism) to be problem of drug abuse.

#### **16.2.6 Violence in the Work Place**

Violence in the work place, once an exception to daily work life, has become common these days. Those who are at high risk are taxi drivers, police officers, retail workers, cashiers at petrol bunks, and people who work alone or at night. Violent incidents include fist fights, shooting, stabbing and sexual assault.

Violence disrupts productivity; causes untold damage to those exposed, and costs employers millions of rupees. Obviously, organisations should initiate measures to protect employees and physical resources. It is important that companies concentrate on avoiding violence rather than simply dealing with it after it occurs.

The following will help companies avoid falling victims of violence:

1. Hiring with caution. Pre-hire drug testing, detailed questions about previous employment, and criminal record checks can go a long way towards violence-prone individuals.
2. Develop a plan for preventing violence and for dealing with it when it occurs. Reporting requirements for both violence and threats of violence should be an integral part of the plan. The plan should also be drawn by employee participation and professionals who are experts in areas of violence assessment, counseling and law enforcement.
3. Establish a crisis-management team with the authority to decide and act quickly. This group will evaluate problems, select intervention techniques, and co-ordinate follow-up activities.
4. Train supervisors and managers in how to recognise aggressive behaviour, identify the warning signs of violence, and resolve conflicts. Orient all employees towards assuring a violence free work environment.

#### **16.2.7 Health Promotion**

Employers concerned about maintaining a healthy workforce must move beyond simply providing healthy working conditions and begin promoting employee health and wellness in other ways. Health promotion is a supportive approach to facilitate and encourage employees to enhance healthy actions and life styles. Health promotion efforts can range from providing information and enhancing employee awareness of health issues to creating an organisational culture supportive of employee health enhancements. Going beyond just compliance with workplace safety and health regulations. Organisations engage in health promotion by encouraging employees to make physiological, mental, and social choice that improve their health.

## **Health Promotion Levels**

<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<p><b><u>Information &amp; Awareness</u></b></p> <ul style="list-style-type: none"> <li>• Brochures &amp; materials</li> <li>• Health risk screenings</li> <li>• Health tests and measurements</li> <li>• Special events and classes.</li> </ul>	<p><b><u>Lifestyle Wellness</u></b></p> <ul style="list-style-type: none"> <li>• Wellness education programme</li> <li>• Regular health classes.</li> <li>• Employee assistance programmes.</li> <li>• Support groups</li> <li>• Health incentives.</li> </ul>	<p><b><u>Organisational Health</u></b></p> <ul style="list-style-type: none"> <li>• Benefits integrated with programmes.</li> <li>• Dedicated resources and facilities.</li> <li>• Continuous health promotion.</li> <li>• Health education curriculum.</li> </ul>

The first level is useful and may have some impact on individuals, but much is left to individual initiatives to follow behaviors. Employers provide information on such topics as weight control; stress management indicator that many employers have limited their efforts to the first level is that 93% of promotion program and 72% of them offer health education and training programs. However, only 27% of the firms conducted health risk screenings and appraisals. Even through such efforts may be beneficial for some employees. Employers who wish to impact employees' health must offer second level efforts through more comprehensive programmes and efforts that focus on the life style "wellness" of employees.

### **Wellness Programmes**

Employers desire to improve productivity, decrease absenteeism. Wellness programmes are designed to maintain or improve employee lifestyle changes. Early wellness programmes were aimed primarily at reducing the cost and risk of disease. Newer programmes emphasise healthy lifestyles and environment, including reducing cholesterol and heart disease risks and individualised exercise programmes and follow-up. Employer sponsored support groups have been established for individuals dealing with health issues such as weight loss, nutrition, or smoking cessations.

### **Employee Assistance Programmes (EAP)**

Organisations use as a broad based response to health issues. It provides counseling and other help to employees having emotional, physical or other personal problems. In such a programme employer contracts with a counseling agency contact the agency, either voluntarily or by employer referral, for assistance with a broad range of problems.

EAPs help employees with variety of problems. One survey of EAP counselors found that the most common employee issues dealt with were: (1) Depression and anxiety (2) Marital and relationship problems (3) Legal Difficulties and (4) Family and children concerns other areas.

Commonly addressed as part of an EAP include substance abuse, financial counseling and career advice. Critical to employee usage of an EAP is preserving confidentiality. For that reason, employers outsource EAPs to trained professionals, who usually report only the number of employees and services provided, rather than details on individuals using an EAP.

### **Organisational Health and Culture**

Employers both large and small may recognise that an organisational culture that emphasises and supports health efforts is beneficial. Common to these employers is

an integrative, broad-based effort supported both financially and managerially. Development of policies and procedures supporting health efforts, establishing on-site exercise facilities, and consistently promoting health programmes all contribute to creating a health promotion environment throughout the organisation.

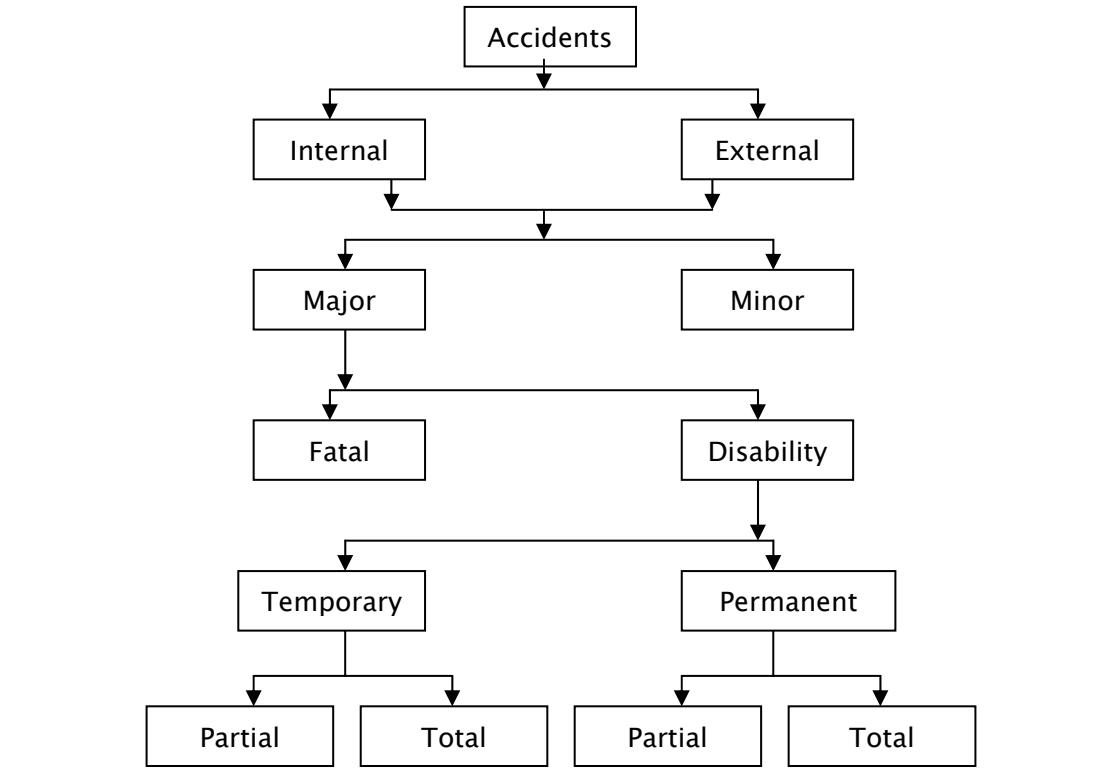
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### 16.3 SAFETY

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An accident-free plant enjoys certain benefits. Major ones are substantial savings in cost, increased productivity, and moral and legal grounds. Safety refers to protecting the physical well-being of people. The main purpose of effective safety programmes is to prevent work-related injuries and accidents.

#### Types of Accidents



#### Causes of Accidents

There are three basic causes of workplace accidents: (a) chance occurrences, (b) unsafe conditions, and (c) unsafe acts on the part of employees. Chance occurrences contribute to accidents but are more or less beyond management's control (such as walking past a plate-glass window just as some one hits a ball through it). We will therefore focus on unsafe conditions and unsafe acts.

#### Unsafe Conditions and other Work Related Factors

Unsafe conditions are one main cause of accidents. The mechanical and physical conditions that cause accidents. They include such as:

- Improperly guarded equipment.
- Defective equipment
- Hazardous procedures in, on or around machines or equipment.

- Unsafe storage: congestion, overloading.
- Improper illumination: Glare, insufficient light.
- Improper ventilation: Insufficient air change impure air source.

In addition to unsafe conditions three other work related factors contribute to accidents: the job itself, the work schedule, and the psychological climate of the workplace.

Certain jobs are inherently more dangerous. For example, the job of crane operator results in about three times more accident related hospital visits than does the job of supervisors. Similarly some departments' work is inherently safer. A book keeping department usually has fewer accidents than a shipping department.

Work schedule and fatigue also affect accident rates. Accident rates usually don't increase too noticeably during the first five or six hours of the work day. But after that, the accident rates increases faster than the increase in the number of hours worked. This is due partly to fatigue and partly to the fact that accidents occur more often during night shifts.

Unfortunately some of the most important working conditions – related causes of accidents are not as obvious because they involve workplace psychology. A strong pressure within the organisation to complete the work as quickly as possible, employees who are under a great deal of stress and a poor safety climate. Accidents occur more frequently in plants with a high seasonal layoff rate and where there is hostility among employees many garnished wages and blighted living conditions. Temporary stress factors like high work place temperature, poor illumination and a congested workplace also correlate with accident rates.

## **How to Prevent Accidents?**

In practice, accident prevention boils down to two basic activities:

1. Reducing unsafe conditions.
2. Reducing unsafe acts.

Reducing unsafe conditions is always an employer's first issue of defense. Safety engineers should design jobs to remove or reduce physical hazards. In addition supervisors and managers play a role in reducing unsafe conditions. A checklist or the self – inspection check can help identify and remove potential hazards.

Sometimes the solution for eliminating an unsafe condition is obvious, and sometimes it is more subtle. For example, slips and falls at work are often the result of debris or slippery floor. Relatively obvious remedies for problems like these include slip-reducing floor coatings floor more off spills. But perhaps less obviously, special safety gear can also reduce the problems associated with otherwise unsafe conditions. For example, slip-resistant foot wear with grooved roles can reduce slips and falls. Cut resistant gloves reduce the hazards of working with sharp objects.

Getting employees to wear personal protective equipment can be a famously difficult chore. Including the employees in planning the program, reinforcing appropriate behaviors, and addressing comfort issues can smooth the way for more widespread use of protective equipment. Wearability is important in addition to providing reliable barrier protection and durability protective clothing should fit properly; be easy to care for maintain, and repair; be flexible and light weight; provide comfort and reduce heat stress; have rugged constructed; be relatively easy to put on and take off and be easy to clean dispose of and recycle.

Again, reducing unsafe conditions – by designing the job properly and having managers watch for hazards – should always be the first choice. Then come

administrative controls, such as job rotation to reduce long – term exposure to the hazard. Only then turn to personal protective equipment.

Reducing unsafe acts – through screening training or incentive programs, for example, is the second basic way to reduce accidents. Let's look at how to do this.

### **16.3.1 Causes of Unsafe Acts**

Most safety experts and managers know it is impossible to eliminate accidents just by reducing unsafe conditions. People cause accidents with unsafe acts such as throwing materials using unsafe producers in loading, placing or mixing by lifting improperly.

While safe acts can undo even the best attempts to minimise unsafe conditions. For years psychologists assumed that some employees were simply more accident prone than others, and the accident prone people generally caused more accidents.

Therefore, while some believe that most accident-prone people are impulsive, most experts today doubt that accident proneness is universal that some people will have more accidents no matter what the situation. Instead, the consensus is that the person who is accident prone on one job may not be so on a different job.

Various human traits do relate to accident proneness in specific situations. For example, accident prone drivers performed worse in a test of motor skills than did drivers with fewer accidents and older adults with impaired vision were at a higher risk for falls and motor vehicle crashes. People who were more fatalistic, negative and cynical were more likely to exhibit violent behaviour in the job.

### **Reducing Unsafe Acts by Emphasising Safety:**

It is the responsibility to set the tone so subordinates want to work safely. It is necessary to show by both word and deed that safety is crucial. For example, supervisors should:

1. Praise employees when they choose safe behaviors.
2. Listen when employees after suggestions, concerns or complaints.
3. Be a good example, for instance by following every safety rule procedure.
4. Visit plant areas regularly.
5. Maintain open safety communications – for instance, by telling employees as much as possible about safety activities such as testing alarms and changing safety equipment or procedures.
6. Link manager's bonuses to safety improvement.

### **Reducing Unsafe Acts through Selection and Placement:**

Screening is another way to reduce unsafe acts. Here, the aim is to isolate the trait (such as visual skill) that might predict accidents on the job in question, and then screen the conditions for this trait. Tests have distinguished between those who do and do not have more car accidents, falls, and violent out busts studies suggests that a test like Employee Reliability Inventory (ERI) can help employers reduce unsafe acts at work. The ERI purportedly measures reliability dimensions such as emotional maturity, conscientiousness, safe job performance and courteous job performance. While the findings of one study were not definitive, using the ERI in the selection process did seem to be associated with reductions in work related accidents.

## **Reducing Unsafe Acts through Training**

Safety training is another way to reduce unsafe acts. This is especially appropriate for new employees. They should be instructed safe practices and procedures, warn them of potential hazards, and work on developing safety – conscious attitude.

Reducing Unsafe Acts through Motivation Posters, Incentive Programs and Positive Reinforcement:

Safety posters also help reduce unsafe acts. However, posters are not substitute for comprehensive safety programme; instead employers should combine them with other techniques (like screening and training) to reduce unsafe conditions and acts and also change them often.

Others use positive reinforcement programs to improve safety at work. Researchers introduced one program in a whole sale bakery that takes wraps, and transports pastry products to retail outlets nation wide.

At the conclusion of training phase the employees were motivated to consider increasing their performance to the new safety goal. For the following reasons: for their own protection, to decrease costs of the company and to help the plant get out of last place in the safety ranking of the parent company.

### **16.3.2 Management Committee and Safety**

Telling supervisors to watch for spills and telling employees to work safely is futile if everyone in the firm believes management isn't serious about safety. Safety starts with top management commitment.

Everyone should see convincing evidence of top management commitment. This includes top management being personally involved in safety activities; giving safety matters high priority in meetings and production scheduling; giving the company safety officer high rank and status; and including safety training in new workers training ideally “safety is an integral part of the system, woven into each management competency and a part of everyone’s day to day responsibilities” In addition:

- i. Institutionalise management’s commitment with a safety policy and publicise it. This should emphasise that the firm will do everything practical to eliminate or reduce accidents and injuries. Emphasise that accidents and injury prevention are not just important but of the utmost importance.
- ii. Analyse the number of accidents and safety incidents and then set specific achievable safety goals.

### **Safety Committees**

Employees frequently participate in safety planning through safety committees, often composed of workers from a variety of levels and departments. A safety committee generally meets at regularly scheduled times has specific responsibilities for conducting safety reviews, and makes recommendations for changes necessary to avoid future accidents. Usually at least one member of the committee comes from the HR departments.

### **16.3.3 Safety Policies and Discipline**

Designing safety policies and rules and disciplining violators are important components of safety efforts. Frequently reinforcing the need for safe behaviour and

supplying feedback on positive safety practices also are effective in improving worker safety. Such efforts must involve employees, supervisors, managers, safety specialists, and HR staff members.

## **Safety Training and Communications**

One way to encourage employee safety is to involve all employees at various times in safety training. Safety training can be done in various ways. Regular sessions with supervisors, managers, and employees often are coordinated by HR staff members. Showing videos, television broadcasts, and internet based resources all are means used to conduct safety training.

To reinforce safety training continuous communication to develop safety consciousness is necessary. Merely sending safety memos is not enough. Producing newsletters, changing safety posters, continually updating bulletin boards, and posting safety information in visible areas also are recommended.

## **Employees Safety Motivation and Incentive**

To encourage employees to work safely many organisations have used safety contests to reward good behaviour. Jewelry, clocks, watches, and even vacation trips have been given as rewards for good safety records. Unfortunately some evidence indicates that incentives tend to reinforce under reporting and “Creative” classifying of accidents. This concern about safety incentives, raised by OSHA, is that employees and managers do not report accidents and injuries so that they may collect the incentive rewards.

## **Inspection, Accident Investigation and Evaluation**

It is not necessary to wait for an OSHA inspectors to inspect the work area for safety hazards. Inspections may be done by a safety committee or by a safety coordinator. They should be done on a regular basis, because OSHA may inspect organisations with about – average lost workday rates more frequently.

When accidents occur they should be investigated by the employer’s safety committee or safety coordinator. The phases of accident investigation are four as follows:

1. Review the scene
2. Interview Employees / others
3. Prepare report
4. Identifying Recommendations

Closely related to accident investigation is research to determine ways of preventing accidents. Employing safety engineers are having outside experts evaluate the safety of working conditions is useful. In many similar accidents seem to occur in an organisational unit, a safety education training program may be necessary to emphasise safe working practices. As an example, a publishing company reported a greater – than – average number of back injuries among employees who lifted heavy boxes. Safety training on the proper way to lift heavy objects was initiated to reduce the number of back injuries.

Organisations should monitor and evaluate their safety efforts. Just as organisational accounting records are audited, a firm’s safety efforts should be audited periodically as well. Accidents and injury statistics should be compared with previous accident

patterns to identify any significant changes. This analysis should be designed to measure progress in safety management.

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## **16.4 RESPONSIBILITIES**

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The general goal of providing a safe and healthy workplace is reached by operating managers and HR staff members working together. The primary health and safety responsibilities in an organisation usually fall on supervisors and managers. An HR manager or safety specialist can help coordinate health safety programmes, investigate accidents, produce safety program materials, and conduct formal safety training. However, department supervisors and managers play key roles in maintaining safe working conditions and a healthy workforce. For example, a supervisor in a warehouse has several health and safety responsibilities: reminding employers to wear safety hats; checking on the cleanliness of the work area; observing employees for any alcohol drug, or emotional problems that may affect, their work behaviour; and recommending equipment changes (such as screens, railing, or other safety devices) to engineering specialists in the organisation.

A position becoming more common in many companies is that of safety/environmental officer. This combination may make sense in situations where danger remits from chemical (or) other sources of pollution that may be hazardous to both employers and the public or the environment. Because both safety and environmental responsibility require working with the government agencies, putting someone in the job with the skills to deal with governmental agencies and ensure compliance with a wide range of regulatory issues is a good choice.

### **16.4.1 Awareness**

Awareness can be created among the workforce by following methods:

- By providing forums for consultations with employers' representatives workers representatives and community on matters of National concern relating to safety, health and environment at work place with the overall objective in creating awareness and enhancing National productivity.
- By encouraging joint – Labour Management efforts to preserve, protect and promote National assets and to reduce injuries and disease arising out of employment.
- By maximising gains from the substantial investment in awareness campaigns by sharing experience and learning.
- By including occupational safety and health at workplace in schools higher technical medical, professional and vocational courses.
- By securing good Liaison arrangements with the International organisations.
- By providing medical criteria which will assure in so far as practicable that no employee will suffer diminished health, functional capacity, or life expectancy as a result of his work experience and that in the event of such occupational diseases having been contracted, suitably compensated.
- By providing for appropriate reporting procedures with respect to occupational safety and health to help achieve the objectives and to accurately describe the nature of the occupational safety and health problem with a view to carry out

national project study, surveys to identify problem areas and pragmatic strategies.

There are many side affects, if we use even new computers like headaches, sniffles etc., some experts say it is all because of poor ventilation, dust and fumes. It is found recently that new computers emit chemical fumes (which however, diminish after running constantly for a week). And “Safe” office work is actually susceptible to many other health and safety problems including repetitive trauma injuries related to computer use, respiratory illness stemming from indoor air quality and high levels of stress, which are associated with a variety of factors, including task design.

But even facts like these don't tell the whole story. They don't reflect the human suffering incurred by the injured workers and their families or the economic costs incurred by employers.

In USA the Congress passed the **“Occupational Safety and Health Act”** in 1970 to assure so far as possible every working man and woman in the nation safe and healthful working conditions and to preserve our human resources.

The Act created the **“Occupational Safety and Health Administration” (OSHA)** within the Department of Labour. OSHA's basic purpose is to administer the Act and to set and enforce the safety and health standards that apply to almost all workers in USA.

An occupational illness is any abnormal condition or disorder caused by exposure to environmental factors associated with employment. This includes acute and chronic illness caused by inhalation, absorption, ingestion or direct contact with toxic substances or harmful agents.

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## 16.5 CONCLUSION

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One has to develop special programmers for hazardous occupations and specific sectors; set up training mechanisms; create nation-wide awareness; arrange for the mobilisation of available resources and expertise.

Through dedicated and concerted efforts India will certainly and steadily march towards economic prosperity consistent with the requirements of safety, health and environment at workplace thereby improvising the standard of living of the people.

Particular attention needs to be paid to the hazardous occupations and of workers in precarious conditions such as migrant workers and various vulnerable groups of workers. Work related hazards and occupational diseases in small scale industries and agriculture are likely to increase as the occupational safety and health services are out of reach in these

Thousands of employees die every year in factories due to accidents. An accident-free plant can save on cost, increase productivity, discharge moral commitment towards workers and comply with legal provisions.

Companies have to develop common health and safety philosophies, strategies and processes. To ensure health and safety consistency and promote an overall health and safety culture, leading benchmark companies have to coordinate key strategies and activities through a centralised oversight department, such as corporate health and safety.

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## 16.6 KEY CONCEPTS

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**Employee Assistance Programmes (EAP):** Employee assistance programmes are a welfare measure designed to augment ‘productivity’ of workers in an organisation. The concept of welfare has not been specifically defined or a definition not been agreed upon unanimously. Employee assistance programmes or such other welfare measures are looked at from the utilitarian perspective, more than ethical that the idea is deriving maximum possible output from employees.

**Occupational Safety and Health Administration (OSHA):** Occupational safety and health administration is an aspect of organisational health. Physical conditions of work need to be regulated. Significantly, the scientific management school of thought is a pertinent paradigm to understanding organisational functioning even in the post modern era of welfare and humanism in that the ‘one best way’ of doing a job may also be the safest and most value adding.

**Organisational Health:** Discipline, chiefly lack of untoward incidents with respect to legal wrangles or disputes is the prime consideration in organisational health. For maintenance of organisational health, physical and social condition of employment should take workers’ safety into account. To that end, managements need to invest in safety measures. Use of the word ‘invest’ is significant in that the expenditure does not account for ‘cost’ but leads to tangible ‘value’ added to organisational output in the long run, which makes it an ‘investment’.

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## 16.8 ACTIVITIES

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1. Analyse the need of introducing healthy and safety-working environment in industries.

2. Explain health and safety conditions and its remedial measures in industries.
3. Write a note on Management Commitment and Safety.

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## **UNIT-17 HUMAN RESOURCE MANAGEMENT AND EMPLOYEE INVOLVEMENT**

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### **Structure**

- 17.0 Learning Outcome
- 17.1 Introduction
- 17.2 Workers' Participation in Management (WPM)
  - 17.2.1 Historical Background
  - 17.2.2 Objectives of Worker's Participation in Management
  - 17.2.3 Forms of Participation
  - 17.2.4 Institutional Arrangements for WPM in India
- 17.3 Collective Bargaining
- 17.4 Trade Union Theories
  - 17.4.1 Trade Union Movement in Selected Countries
    - 17.4.1.1 United Kingdom
    - 17.4.1.2 United States of America
    - 17.4.1.3 India
- 17.5 Quality Circle (QC)
  - 17.5.1 Definition of QC
  - 17.5.2 Structure of QC
  - 17.5.3 Objectives of Quality Circle
  - 17.5.4 Quality Circle Process
- 17.6 Conclusion
- 17.7 Key Concepts
- 17.8 References and Further Reading
- 17.9 Activities

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### **17.0 LEARNING OUTCOME**

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After carefully reading this Unit, you should be able to:

- Define Workers' Participation in Management;

- Explain various forms of participation and their working;
- Describe Collective Bargaining and its process; and
- Discuss Quality Circle and its process.

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## 17.1 INTRODUCTION

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It is a prime responsibility of the management in organisations to bring employees and organisation on the same platform for continued effectiveness of the organisation. Workers' participation in management is the best way of increasing employees' involvement in the decision making process of the organisation. Collective bargaining is bipartite in nature in which workers bargain on issues where their interests are involved. Quality circle is the process in which grass-root level employees of the organisation take part in solving their problems.

Human's productive capacity depends upon the ability to acquire knowledge and put it to economic use. Human resource philosophies are the basis on which policies and practices guiding an organisation's behaviour can be developed and implemented.

These are as follows:

- (a) *Accumulation* – Translate policies into practices designed to attract good candidates over time, carefully and consistently.
- (b) *Utilisation* – Individuals are generally selected with attention to technical skills, although personal characteristics are still considered important, and
- (c) *Facilitation* – Individuals must have technical skills and they should be able to work together in close reciprocal interaction. Employee development and enhancement are valued, but the organisation will facilitate the acquisition of new knowledge and abilities because in the current scenario, growth of organisation is directly related to the knowledge base of its employees.

In a nut shell, it can be stated that *facilitation* is based on new knowledge and creation of knowledge, whereas *utilisation* is based on commitment and high control, and accumulation is based on maximum involvement and creativity. From the above discussion, it is clear that the wide scope of human resource management covers union-management relations, workers participation in management, collective bargaining, disciplinary procedures, settlement of disputes and grievance, apart from other personnel and welfare aspects. In this unit, attention will be focused on the below mentioned three approaches.

- i. Workers Participation in Management;
- ii. Collective Bargaining, and;
- iii. Quality Circles

## **17.2 WORKERS' PARTICIPATION IN MANAGEMENT (WPM)**

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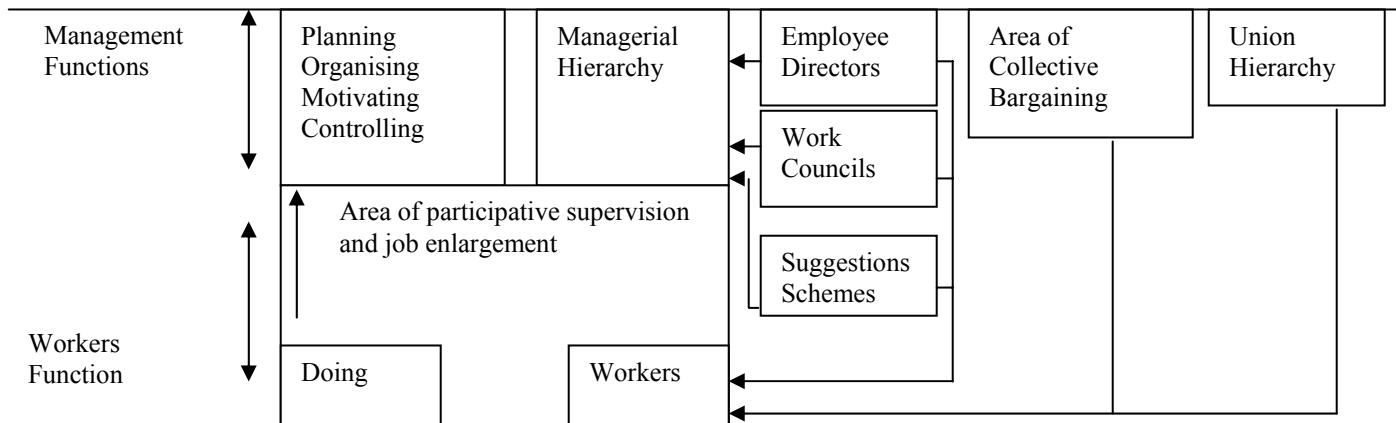
The word 'participation' means, to take part in or to involve in any activity or event. Participation brings attitudinal change and increases the motivation level of human beings towards achievement in activities or events they participate in. The concept of workers' participation in management is considered an instrument, whereby, workers share their views in the decision making processes of the organisation. It has great psychological value and also promotes better employer-employee relations in an organisation, which is a pre-requisite for rapid industrialisation and economic growth. This concept increases the involvement of employees at the work place and they, in turn, feel committed to their job as well as to the organisation they serve.

Participation means identification with and involvement in the day-to-day functioning of the organisation for the achievement of the goals of the organisation, taking into account the reality of the situation which enables workers to undertake responsibilities. The International Institute of Labour Studies (bulletin, 5) states, that, "participation results from practices which increase the scope for employees share of influence in decision-making at different tiers of organisational hierarchy with concomitant assumption of responsibility". Thus, participation should not be limited only to management functions but should cover all activities in an organisation.

As per views expressed by social thinkers, Comte and Owen, workers' participation in management should be encouraged for achieving the ideal of social justice. From the point of view of social scientists, it is the best technique for utilisation of human resource. Experiments of Blake, Mayo, Lewin and Likert bring out that if workers are given opportunities to participate in the decision making process of the management, there could be possibility of positive gains to the organisation's effectiveness and morale of the workers. Fig 1 (Walker, 1973) shows the basic concept of participation

**Figure-1**

Basic concept of Workers Participation in Management:-



It is illustrated in the figure that both workers and management are involved in the process and their functions are also mentioned. On further analysis of the above figure, it is observed that various forms of workers' participation in management are possible, such as, collective bargaining, employee directors, work councils and suggestion schemes.

The idea of workers' participation has been around for some time but has gained currency in the present era of competitive advantage, innovative forms of organisations, fluid flexible matrix structuring of organisation design and horizontal mode of functioning, instead of the traditional linear vertical, where workers are rightly perceived, more as 'co-contributors' rather than subordinates in the hierarchy and lateral entries and contract based work are the new modes of functioning. The function of management is desirably more '*collaborative*' than '*directive*' today. The question today is the extent to which industrial democracy through workers participation in management would be practicable.

There are four ways in which participation is generally secured. These denote increasing extent of workers' participation along a linearly progressing continuum. (Dwivedi, 1989).

First there is;

- Profit sharing;
- Consultation; moving to;
- Joint management; and progressing to,
- Self-management on the part of workers.

The same is necessary because there is better command over the knowledge resource and bargaining power today with the workers, which places them favourably *Vis a Vis*

management. Democracy has had a significant impact on the definition of rights and duties of people within an organisation. Workers are more aware of their fundamental rights and press for the same in an articulate and organised fashion.

In a developing economy, planning processes are designed to accelerate productive processes. Productivity has always been considered an attitude of mind. There is research based evidence to believe that participation of workers in decisions influencing them is a prerequisite to effective decision making and overall productivity of the organisation. (Ghosh, 1969). Industrial sociologists also argue that if there is greater identification of participating workmen with socio-economic objectives of the enterprise, the chances of higher productivity get much more real.

Labour management collaboration has been expressed in India's policy and the following objectives have been articulated in the second five year plan:

- Establishment of cordial relations between management and workers and building up understanding and trust between them;
- Substantial increase in productivity in the interest of management, workers and the nation;
- Securing better welfare facilities etc. for workers; and
- Training and education of workers to understand and share the responsibilities of management

#### **17.2.1 Historical Background**

The origin of the concept can be traced back to the writing of Fabians socialists headed by Sydney Webb. This concept gave impetus to the origin of political democracy in many parts of the world. For achieving political democracy, the establishment of economic and industrial democracy was considered a must. This concept found its first practical application during the First World War, when organisations were facing two major problems, that is, maintaining industrial peace and improving productivity. The governments of Germany, France and Great Britain convinced the managements to establish joint committees for resolving these problems through consultation.

In the United Kingdom, on the recommendations of the Whitley Committee, a well-knit three tier consultative system was set up. The idea got a set back in the years 1918 and 1921 due to the cessation of hostilities and economic depression respectively. During the Second World War, interest in joint consultation was revived because many countries, such as, Federal Republic of Germany, Yugoslavia, France, Belgium and Bulgaria passed laws to establish consultative bodies for reconstruction of war ravaged economies. In India, this concept can also be related to the Gandhian approach. Gandhi looked upon workers and employers as dependent on one another. He wanted them to act like trustees for the society. Gandhi's concept of *trusteeship* is based on the theme of collaboration between employers and employees rather than conflict between them. The International Labour Organisation (ILO) has made efforts for creating interest in this concept and its recommendations were adopted in 1952, 1960 and 1976.

Idea of workers participation in management has been suggested by various committees and commissions, but so far, no concrete legislation has been enacted in pursuance of it.

Voluntary schemes of participative management have not proven very effective. In pursuance of the above-stated objectives, a model agreement was drawn up on the constitution and administration of the Joint Management Councils in 1957, following the report of a tripartite study team sent to European countries and its unanimous endorsement at the fifteenth (15<sup>th</sup>) session of the Indian labour conference. The scheme was in the form of a government resolution and did not have any statutory sanction.

Two guiding principles of the scheme were identified as: 1) providing management with work related advice and 2) giving employees the opportunity of participation in managerial decisions affecting them.

The idea was both to increase productivity and further the cause of socialist democracy via industrial working. Private sector was also sought to be brought within the purview of the scheme.

A scheme for works councils was introduced in 1975 for workers' participation at the shop floor and plant levels, in enterprises, employing five hundred (500) or more workers.

The issue of workers participation in management has also been deliberated upon in various sessions of the Indian Labour Conference (ILC). In the 15<sup>th</sup> session, there was a general agreement that participation should be ensured through legislation, or by mutual agreement between the employees and the employers of selected Industrial establishments. The issue was also discussed in the 28<sup>th</sup>, 29<sup>th</sup>, 32<sup>nd</sup> and 33<sup>rd</sup> sessions of Indian Labour Conference.

### **17.2.2 Objectives of WPM**

In 1975, the Constitution of India was amended and section 43-A was inserted in the Directive Principles of State Policy. The article provided that;

“The state shall take steps by suitable legislation or in any other way, to secure the participation of workers in management of the undertakings, establishments or other organisations engaged in any industry.”

In accordance with this amendment, the scheme of workers participation in management in manufacturing and mining industries was notified in 1975. The scheme provided for formation of Joint Councils at plant level and shop councils at shop level and covered only those manufacturing and mining units both public and private sectors as well as in departmental run units employing 500 or more workers. In 1977, the government extended the scheme to the commercial and service organisations of the public sector. The basic objective was to devise a system which would generate *mutual trust and confidence* between workers and management, so as to promote active involvement of workers at the work place.

The government of India, on 30<sup>th</sup> December 1983, introduced a new scheme for employees' participation in management. This scheme was applicable to all public sector undertakings, except those, which are given specific exemption from the operation of the scheme by the administrative ministry or department concerned, in consultation with the Ministry of Labour, taking into account the nature of the undertaking, the products it manufactures, etc.

It envisaged constitution of bipartite forums at shop and plant levels. In undertakings considered suitable, it was also to be implemented at the board level. The scheme provides equal representation of workers and management in the forums. The mode of representation of workers' representatives was to be determined in consultation with the concerned unions.

The objectives of proposed arrangements are discussed below:

- (i) *Economic*: To increase workers' productivity. This is possible through cooperation between workers and management. It motivates workers to work hard. Management and workers mutually agree to some form of sharing the gains.
- (ii) *Social*: To develop a sense of fulfillment not only as regards work but also in regard to the social environment. Participation provides respectable status to workers in society.
- (iii) *Political*: To make the workers conscious of their rights at the work place and to establish industrial democracy. Political democracy gives the workers the right to participate in the governance of the country.
- (iv) *Moral*: To develop workers' personality. They feel satisfied when decisions are made with their participation in matters affecting them directly or indirectly; and
- (v) *Psychological*: To bring attitudinal change among workers so that they feel part and parcel of the organisation.

### **17.2.3 Forms of Participation**

'Participation' is a soothing concept and it is welcomed at all levels. It has a tonic like effect on the psychology of an employee. The following five levels of participations have been identified.

- (i) *Informative participation*- Information is shared with workers regarding production figures, balance sheet, economic conditions and future expansion plans, etc. Workers have no right to scrutinise the information provided by the management.
- (ii) *Consultative participation*- Workers' representatives are consulted on matters relating to welfare facilities. The joint council acts in an advisory capacity though the final decision rests with the management.
- (iii) *Associative participation*- The management accepts the suggestions of the council and implements the unanimous decisions taken by it.
- (iv) *Administrative participation*- A decision is taken and the council is given the right to choose the method of implementing it. This allows workers more autonomy in exercising administrative and supervisory powers in respect of welfare measures, safety, and operation of vocational training and preparation of work schedules.
- (v) *Decisive participation*- This is the highest form of participation where all matters, economic, financial and administrative, are brought under the scrutiny of the councils, and decisions taken jointly.

The form of participation also depends on the ideology and systems adopted by a particular society. Socialist ideologies advocate direct participation at every level of management, while capitalist societies have left it unstructured. Participation not only protects the interests of both the parties but also acts as a system of checks and balances on both groups.

Participation involves the following steps:

1. Ascertain the objectives, functions and scope of the committee set up for participation;
2. Fix the number of member participants from each side;
3. Decide the quorum and frequency of meetings;
4. Specify the agency framework and the agenda for meetings;
5. Establish the procedure for giving notice of meetings;
6. Decide the agency that records the minutes of meeting circulate them, and monitor follow up action;
7. Decisions implemented or otherwise should be discussed in meetings and corrective actions taken accordingly;
8. The decision of the committee must be binding on concerned parties.

In order to streamline the mechanism, it is necessary to draw up *standard practice*. To ensure that the committee is not merely giving lip service, it is necessary to incorporate review and analyse systems. In this system, the top management assesses the number of recommendations implemented by the committee, scrutinises reasons for non implementation and suggests ways and means for overcoming difficulties.

### **Effective Participation**

For effective and successful participation as a manager, one has to develop strategies according to the structure, form and type of participation which is practiced in an organisation. Some important strategies are:

1. Create compatible employer employee relations in the organisation
2. Avoid unfair labour practices
3. Eliminate possibilities of communication gap
4. Educate and train both parties in the ethos and mechanism of participation
5. Strengthen trade unions to avoid political pressure.
6. Adopt collective bargaining for amicable settlement of disputes
7. Develop mutual trust and confidence among management and workers
8. Ensure reasonable wages, salaries and other allowances

9. Develop a sense of job security and freedom from reprisals resulting from their participation
10. Develop a real sense of 'say' in organisational decisions. This helps find the root causes of the problem.

#### **17.2.4 Institutional Arrangements for WPM**

**Works Committee:** Under the Industrial Disputes Act, an industrial establishment employing hundred (100) or more workers was required by the government to constitute a works committee, comprising an equal number of representatives of management and workers. Normally, such committees are found in large industrial establishments.

1. Section 3 of the Industrial Disputes Act, 1947, provides for the setting up of bipartite works committees in an industrial establishment, in which hundred or more workers are employed in the preceding twelve months, in the prescribed manner, consisting of representatives of employer and employees, working in the establishment. The Bombay Industrial Relations Act, 1942, also provides for these bodies, but under the provision of this act, they can be set up only in units which have a recognised union and are called, joint committees. The following are the objectives of the works committees:
  - a. To promote and establish harmonious relations in the work place; and;
  - b. To sort out differences of opinion between employers and employees in respect of matters of common interest.

#### **Structure of Works Committees**

The number of members constituting a works committee is flexible, but in general, the total strength should not exceed twenty. The number of representatives of employees should not be less than that of the employer. In fact, equal number from both sides is desirable. The tenure of these committees is two years and these meet as often as necessary, as but not less than once in three months. As office bearers, a president, a vice-president, a secretary and a joint secretary are nominated. The president of the works committee is nominated by the employer while the vice-president is elected by the employees' member.

The main function of the works committee is to promote measures for securing and preserving amity and cordial relations between the employer and employees. The committee constituted by the Indian Labour Conference in 1959 suggested certain other functions for these work committees to deal with:

- (i) Physical working conditions such as ventilation, lighting and sanitation
- (ii) Amenities such as drinking water canteens and health services
- (iii) Safety and accident prevention
- (iv) Adjustment of holidays

- (v) Administration of welfare funds
- (vi) Educational and recreational facilities
- (vii) Encouragement of thrift and savings
- (viii) Implementation and review of decisions

The National Commission on Labour (1969) suggested the following measures for the successful functioning of works committees:-

- (a) More responsive attitude on the part of management
- (b) Adequate support from unions
- (c) Proper appreciation of the scope and functions of the works committees
- (d) Whole-hearted implementation of the recommendations of works committees
- (e) Proper coordination of the functions of the multiple bipartite institutions at the plant level now in vogue

These committees are functioning well in some organisations like the Tata Iron and Steel Company and the Indian Aluminium Works. In general, despite a statutory requirement for setting up works committees in all undertakings, some units have not established them where established, have failed to work well. Works committees have not been very successful in resolving differences at the negotiation stage. The main reasons for lack of success of works committees have been: (Dwivedi, 1989)

- Indifference on the part of the employers to the very idea of discussing important issues with workers or their representatives and the opposition of the trade unions to the works committees, which they apprehend, would reduce their importance or encroach their functions;
- Inter union rivalry, rendering joint operation difficult;
- Lack of demarcation between the functions of works committees and trade unions;
- Illiteracy among workers, who cannot follow proceedings of works committee;
- Disregarding decisions arrived at in works committee deliberations;
- Absence of legal sanction behind such decisions;
- Entrusting matters of a minor or trifling nature
- Lack of interest meetings in meetings, holding meetings irregularly, considering them a formality, reducing meetings to a ritual

### **Joint Management Councils (JMCs)**

The Industrial Policy Resolution (1956) suggested the need for joint consultative

machinery between the employer and the employees to promote industrial peace. In the year 1957, the government of India sent a study group to study the schemes of workers' participation in management in countries like the United Kingdom, France, Belgium and Yugoslavia. The report of this study group was considered by Indian Labour Conference in its 15th session in 1957 and certain recommendations were made:

- (i) Scheme should be set up on a voluntary basis in selected undertakings;
- (ii) A sub committee consisting of representatives of employers, workers and ; government should be set up for considering the details of worker' participation in management schemes, and;
- (iii) The above sub committee should select the undertakings where the schemes would be introduced in the first stage on an experimental basis.

In 1958, Joint Management Councils were introduced. The JMCs are entrusted with the administrative responsibilities for various matters relating to welfare, safety, vocational training, preparation of schedule of working hours and holidays. They are to be consulted in matters concerning changes in work operation, general administration and alteration in standing orders, rationalisation, closure etc. Objectives of JMCs are enumerated as follows:

- (i) To determine the means of promoting better understanding between workers and management;
- (ii) To improve the efficiency of workers;
- (iii) To suggest measures of reduction in wastage and increasing profits;
- (iv) To educate workers so that they are well prepared to participate in these schemes;
- (v) To promote a more stable work force and workers safety, and;
- (vi) To satisfy the psychological needs of workers.

Joint Management Councils have been set up, so far, in twenty- three units. The first joint management council was established in the public sector in the Hindustan Machine Tools ltd., Bangalore, in 1958. The council has the right to obtain information regarding the working of the undertaking and has direct administrative responsibility for matters concerning workers' welfare, training and allied matters. Its main function is to bring about mutual consultation between employers and workers over many important issues which affect industrial relations

### **Structure of JMCs**

It was decided that JMCs should consist of an equal number of representatives of the management and employees but in any case these total number should not be more than twelve. Representation of a workman to the JMC would be based on nominations by recognised trade unions. A tripartite sub-committee was set up as per the recommendations of the Indian Labour Conference, which laid down certain criteria for selections of industrial units were the JMCs could be introduced. It includes the following:

- (i) The unit must have five hundred or more employees;
- (ii) The unit must have a good record of industrial relations;
- (iii) The unit should have a well-established trade union;
- (iv) The trade unions should be affiliated to some central federations;
- (v) The management and the workers should agree to establish JCMs;
- (vi) The private sector employers should be members of the leading employers' organisations.

Further, it was also observed by the sub-committee that if the workers and employers mutually agree, they can set up JMCs even if these conditions are not met. These councils are required to work at the policy level besides works committees.

### **Functions of JMCs**

The following are the essential functions of JMCs:-

- (i) They are to be consulted by the management regarding administration of standing orders, retrenchment, introduction of new methods of production and closure, reduction of operations;
- (ii) To receive information, discuss and give suggestions on the general economic situation of the unit; and
- (iii) To share administrative responsibilities on matters of welfare, safety, and training; schemes, working hours, breaks, holidays, and payment of rewards.

Issues relating to wages, bonus and individual grievances are excluded from the purview of the JMCs.

### **Working of JMCs**

JMCs too did not receive much support from the unions or the management. It was felt that a multiplicity of bipartite consultative bodies served no purpose. Where the membership of unions was disputed, composition of the council became a contentious issue. The Hindustan Machine Tools Ltd., Bangalore, was the first unit to set up a JMC in 1958, but it survived less than a year. The scheme also failed in Post and Telegraphs, Railways, Fertilizer and Chemical Corporation, Indian Airlines, Air India, and Hindustan Insecticides. In TISCO, the success of JMCs was because of the presence of one strong union. Bharat Heavy Electricals Limited have provided an appropriate forum for effective communication and management furnished all facts and information sought for. Despite the useful purpose the JMCs could be a success be in some cases but by and large, they have been found to ineffective and their functioning unsatisfactory. The main reason behind it is the scheme is voluntary. The National Commission on Labour observed that, "mental reservations which operated against JMCs are the same both in the ranks of the management and among the workers". Besides, other causes responsible for the lack of success of JMCs are:

- (i) The managements felt that the workers were not competent enough to participate

- in JMCs;
- (ii) Workers representatives were not very clear with their role as decision-makers;
  - (iii) Trade union leaders were not cooperating with the management to solve workers' problems;
  - (iv) Management was not ready to give enough information to the workers; and;
  - (v) In the presence of works committees, JMCs proved superfluous.

### **Workman Directors**

This represents apex level participation of workers in an undertaking. The participation of representatives of workers on the Board of Directors of undertakings, is with the following objectives (Administrative Reforms Commission (1970) :

- (i) To improve two way communication link;
- (ii) To enhance the status of workers; and,
- (iii) To involve the workers in the formulation of policies in which workers are interested.

Initially, this scheme was started in the Hindustan Antibiotics Ltd., the Hindustan Organic Chemical Ltd. and later extended to the National Coal Mines Development Corporation, the Bharat Heavy Electrical Limited and the National Textile Mills. The Workers' Director was elected by all the workers of the organisations by secret ballot.

The government of India advised all nationalised banks to appoint two workers' directors on the board of management, one representing officers' and the other, the workers' side. The qualification for the director was that he should have been in continuous service of one or more nationalised banks for a period of five years and should not have reached superannuation during his term of office as Director as the tenure of workers' director, is three years. The workers' director was selected by the central government out of a panel of three employees to be proposed by the representative union of the bank. The National Labour Institute indicated that the measure failed in promoting cordial relations between the workers and the management. Later on, the Ministry of Finance removed the directors from the boards of all nationalised banks.

### **Workers' Participation Scheme**

During the period of emergency, on the 30th of October 1975, the government of India announced a new scheme of workers' participation in management. This scheme, called the workers' participation scheme, was also voluntary. It was for manufacturing and mining industries whether in public, private, cooperative sector and departmentally run enterprises employing five hundred or more workers. The scheme provided for shop councils at the shop/departmental levels and joint councils at the enterprise/plant level.

### **Shop Councils**

Shop councils consist of an equal number of representatives of employers and workers. The workers' representatives are required to be working in the concerned shop or

department. As per the scheme, the Chairman of the council is to be nominated by management while the vice-chairman is to be elected by workers representatives among themselves. The total number of members of council may not generally exceed twelve. The council functions for a period of two years and is required to meet as frequently as is necessary but at least once in a month. The decisions of the council are to be taken on the basis of consensus and not by a process of voting, and implemented by the concerned parties within a period of one month. The functions of the shop council are summarised as under:

- (i) To discuss matters relating to safety and security
- (ii) To assist management in achieving monthly/yearly production targets
- (iii) To help in improving production productivity and efficiency
- (iv) To identify the area of low productivity and suggest measures for improvement
- (v) To study problem of absenteeism and recommends steps to reduce them
- (vi) To assist in maintaining general discipline of shop/department
- (vii) To look after working conditions of shop/department
- (viii) To ensure two way communication between management and workers; and;
- (ix) To help in maintaining welfare and health conditions of the shop/department.

### **Joint Councils**

The Joint Councils are required to be set up for whole unit and the employees who are actually working in the unit shall be members of the council. The Chief Executive of the unit was to be the Chairman and the Vice-Chairman is to be nominated by the representatives of workers. The Secretary is to be appointed by the joint council who is to be responsible for discharging its functions. The tenure of the council is two years and is required to meet, once in a quarter. The decisions of the council are also by the process of consensus and are to be implemented within one month. The functions of the council are:

- (i) To fix productivity norms for men and machines for the unit;
- (ii) To discuss the matters which are unresolved by shop council;
- (iii) To see that raw materials are used optimally;
- (iv) To prepare the schedule of working hours and holidays;
- (v) To develop adequate facilities for skills development of workers of the unit;
- (vi) To look after general health, safety and welfare of workers of the unit as a whole; and;
- (vii) To develop a system for awards to workers for creative suggestions.

Later on, this scheme was extended in 1977, to other units of service and commercial organisations which employ hundred or more workers, such as hospitals, railways, post and telegraph, road, transport and electricity boards, etc. According to this scheme, the unit councils were to function at the unit level while joint councils at divisional, regional or zonal level. But the success of the scheme has not been encouraging.

### **The New Scheme**

The government of India introduced a new scheme of workers participation after reviewing the progress of various schemes in the industry in 1984. The main features of the scheme are as follows:

- (i) It is applicable to all central public sector enterprises;
- (ii) This scheme is to operate at the shop floor and plant levels but there is a provision for participation at the board level too;
- (iii) Different categories of workers, such as unskilled, semi-skilled, technical and non technical, supervisory and non supervisory are to represent, at both the shop floor and the plant levels;
- (iv) The mode of representation of workers' representatives is to be determined through consultations with the concerned unions;
- (v) The number of representatives depends on the total number of work force;
- (vi) The scheme has universal applicability irrespective of the number of workers employed; and
- (vii) A wide range of work related issues such as personnel, welfare, operations and financial were brought within the ambit of the councils.

The Ministry of Labour constituted a tripartite committee to review the working of the scheme and suggest corrective measures.

The net result of workers participation in management has not been encouraging, because it has failed to achieve the objectives of labour management cooperation and coordination. Some of basic reasons for failure of the above schemes could be briefly stated as follows:

1. The negative attitudes of the management towards the scheme;
2. Lack of proper understanding of these schemes on the part of employees and trade union;
3. Inadequate training systems;
4. Lack of follow up actions basically on the part of government especially with reference to the works committee; and;
5. Overlapping of various functions on the schemes.

To ensure better degree of employees' involvement, the following suggestions may be

worth considering:

1. The government should propose a scheme on a 'statutory basis;'
2. It should cover the private sector units also;
3. The employees' involvement must be ensured from shop floor level to the boardroom level;
4. Proper training should be compulsory before implementing the scheme;
5. The scheme has to be looked after the workers interest on one side; and; efficiency, productivity, quality and profitability on the other side;
6. The management should adopt participative commitment rather than authorisation to the scheme.

### **Worker's Participation in Management Bill, 1990**

All these schemes of workers' participation in management have not provided a meaningful framework of participation of workers in management at all levels in the industry. To overcome from the above situation, the Government of India introduced a bill in Rajya Sabha on 25 May, 1990. The important features of this Bill are as follows:

- (1) The term 'worker includes no-managerial and managerial employees.
- (2) Setting up of Shop Floor Councils at the shop floor level and establishment council at the establishment level in accordance with provisions of the scheme.
- (3) Equal number of representatives to represent employer and workmen will present in both councils
- (4) Employer representatives shall be nominated by employer in a prescribed manner as specified in the scheme.
- (5) Employee representatives shall be nominated by the registered Trade Union or elected by secret ballot in accordance with the scheme.
- (6) The Chairperson of both the Councils shall be chosen by and from amongst the representatives of the Council.
- (7) The tenure of each council shall be 3 years and shall meet as and when necessary but not less than 4 times within a span of one year.
- (8) The functions of both the councils have to cover a wide range of activities of the enterprise.
- (9) This bill provide a rule for setting up a monitoring committee which include an equal number of members representing - the appropriate government, the employers, and the workers. The main function of monitoring committee is to review and advice in the

matters which arising out of the scheme.

(10) The bill omits Section 3 of the Industrial Disputes Act, 197 relating to the setting up of works committees.

The working result of workers participation in management is not encouraging till date because it has failed to achieve the objectives of labour management cooperation and coordination. Some of basic reasons for the failure of above schemes are as follows:

1. The negative attitudes of the management towards the scheme;
2. Lack of proper understanding of these schemes on the part of employees and trade union;
3. No adequate training systems;
4. Lack of follow up actions basically on the part of government especially with reference to the works committee;
5. Overlapping of various functions on the schemes.

The following suggestions may improve the degree of involvement of employees:-

1. The Government should propose a scheme on 'Statutory Basis'
2. It should cover the private sector units also.
3. The employees' involvement must be ensured from shop floor level to the boardroom level
4. Proper training should be compulsory before implementing the scheme.
5. The scheme has to be looked after the workers interest on one side and efficiency, productivity, quality and profitability on the other side.
6. The management should adopt participative commitment rather than authorisation views towards scheme.

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### **17.3 COLLECTIVE BARGAINING**

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Collective bargaining is explained as a process or method of determining the terms and conditions of employment by negotiations between management representatives and union representatives. The signed agreement, usually known as a trade agreement or contract, establishes the terms and conditions of employment which are to prevail usually for a stipulated period of time. Collective bargaining may be viewed as an alternative to individual bargaining or to governmental regulation (Miller, 1987 ).

The essentials of collective bargaining are as follows:

- It presupposes some kind of organisation among workers;

- Recognition of a labour organisation by the employer and acceptance of its representative as authorised spokesman for all or a portion of his employees are also essential conditions for the establishment of the process;
- Implies willingness on the part of both labour and employees to meet and confer with respect to the issues involved;
- Will to agree is imperative from both sides and should be articulated thus;
- Ability to exert economic pressure in support of his position. The employer must have the right to suspend operations and labour must have the right to strike;
- Only possible substitute to both labour and management to have the right to refer unsettled issues to arbitration with compulsory acceptance of the award of the arbitrator.

Incorporation of results of negotiations in a written, signed agreement is an essential part of the process of collective bargaining (Miller, 1987). Collective Bargaining is another form of involving employees in decision making in organisations. In this process, the terms and conditions of employment are determined by mutual agreement between the employer and the employees. It is bipartite in nature because only the employers and the employees are involved in the bargaining process. The idea is that the employer and employee should not make decisions unilaterally or with the intervention of any third party. The International Labour Office Workers Manual (1973) defines collective bargaining as “negotiation about working conditions and terms of employment between an employer, a group of employers or one or more employers' organisations, on the one hand, and one or more representative workers' organisations on the other with a view to arrive at an agreement.”

It is called 'collective' because both employer and employees participate in groups rather than as individuals and 'bargaining' refers to arriving at a stage of agreement using methods like discussions, exchange of ideas and facts, and negotiations rather than confrontation. Both parties realise the importance of peaceful co-existence for mutual benefits and continued progress.

### **Objectives of Collective Bargaining**

The following are the main objectives of collective bargaining

- (i) To increase mutual confidence;
- (ii) To regulate terms and conditions of employment without intervention of a third party;
- (iii) To create cordial environment in the establishment;
- (iv) To protect the interest of the employees; and;
- (v) To raise the socio-economic attributes of the employees.

### **Types of Bargaining**

There are four types of bargaining activities:

(i) *Distributive Bargaining*: In this type of bargaining, one party gains and the other loses. They try to settle economic issues like wages, and bonus, etc. Self-interest is given precedence over organisational interest.

(ii) *Integrative Bargaining*: In this type of bargaining, both parties may gain, which implies a win-win type of bargaining. Productivity aspects are considered and it is believed that by a mutual problem solving approach, the sum total of the gains can be increased. When the question of survival arises in front of both parties, then this type of bargaining will give fruitful results.

(iii) *Attitudinal Structuring Bargaining*: This process of bargaining helps in shaping the attitudes of both parties and brings about attitudinal change in them. It also helps in developing an environment of mutual trust and confidence with respect to each other.

(iv) *Intra-organisational Bargaining*: In this type of bargaining, both parties discuss general strategies and arrive at a consensus decision which is expected to improve the overall performance of the organisation.

### Structure of Collective Bargaining

It is generally structured and conducted at three levels, namely:

(i) The Plant Level: Bargaining is done between the management and employees of the plant or unit. Local issues, such as work rules, safety, security, shift timings and working hours, etc. are considered.

(ii) Industry Level: Negotiation is between the apex level of management and the unions. The agreements are somewhat broader in scope, generally concerning revision of wages, pensions and insurance plans which have wide implications.

(iii) National Level: The scope of such type of negotiation is much wider. Such type of agreements is not common in our country.

### Bargaining Issues

The bargaining issues can be divided into the following three categories;

(1) Mandatory: Issues concerning wages, hours and other terms and conditions of employment. These demand immediate solution, which left unresolved would lead to the charge of unfair labour practice, because they have direct effect on job performance of employees;

(ii) Voluntary: Those issues which *may be raised*, but both the parties show least interest in resolving them. For example, health benefits for retired employees;

(iii) Prohibited: Those that are outlawed, such as concerning closed units, and demands that the employer use only union-produced goods etc.

### Collective Bargaining Process

The following main steps are involved.

1. Negotiation Team

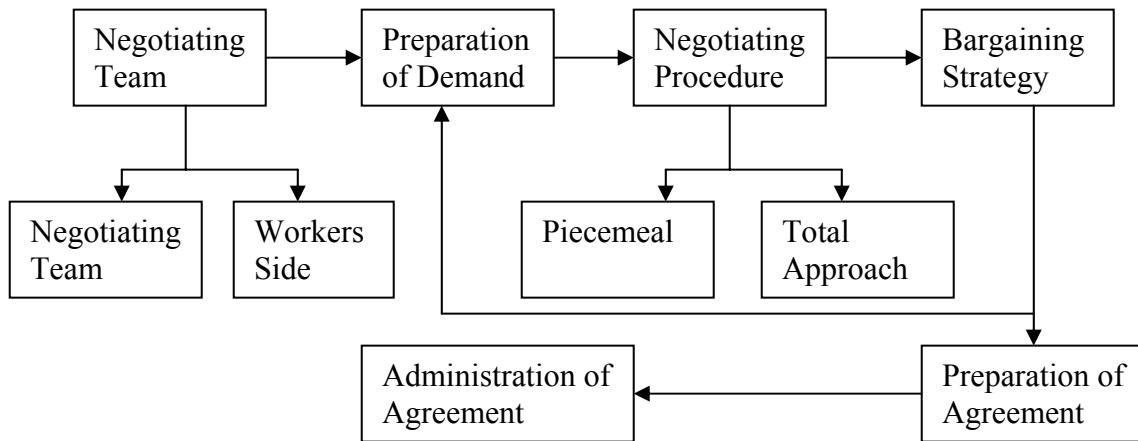
2. Preparation of Demands
3. Negotiating Procedure
4. Bargaining Strategy
5. Preparation of Agreement
6. Administration of Agreement

All six steps are explained as follows:

1. Negotiating Team: Two teams, one from management side and other from workers side should be present for bargaining the issues because the interest of both sides is involved. On the workers side, the team consists of the office bearers of the unions while from management side, the team may consist of personnel, production and finance managers, etc. The chief executive of the organisation is one of the team. It is not necessary that the number of representatives from both sides should be equal.
2. Preparation of Demands: The next step is preparation of demands. Generally, the charter of demands presented to the management by the unions, is prepared by the members of negotiating team in consultation with other employees of the organisation. If necessary, the involvement of an outside expert is permitted.
3. Negotiating Procedure: After preparation, comes the stage of process of negotiation. Generally two types of processes may be adopted by the team (a) piecemeal negotiation, in which the issues are taken up one by one, (b) total approach, in which all issues are negotiated, considering total effect. The process and authority during negotiations should be clearly spelt out by the management.
4. Bargaining Strategy: There is no specific strategy for negotiating the issues. It depends on the situation, time, strength and other market conditions. But the main point is to give attention to the entire package and its ultimate results rather than on immediate gains or losses.
5. Preparation of Agreement: The outcome of collective bargaining process is the preparation of agreement. The bargaining issues are solved and then, put on paper. Legal terminology should be avoided as much as possible in the letter of such agreements. The agreement should be signed by both the parties and communicated to all concerned. In our country it is called a 'settlement' within the meaning of Section 2(p) of the Industrial Disputes Act.
6. Administration of Agreement- The administration of agreement is left to both management and workers because under section 29 of the Industrial Disputes Act, any person who commits a breach of any term of the settlement, is punishable with imprisonment for a term which may extend to six months, imposition of a fine, or both.

An important and relevant point which deserves attention in collective bargaining is that it is a temporary accommodation because the unions may always demand the renewal of such agreements before their expiry and the management may reject this demand which may again lead to negotiations. Therefore, we can say that the collective bargaining is a continuous process.

**Figure-2**  
**Collective Bargaining Process**



### **Recommendations for effective collective bargaining:**

For collective bargaining to be thoroughly effective, the following conditions are imperative.

1. Favourable organisational climate is a prerequisite for effective settlement;
2. Interference of outside political leadership would be harmful;
3. Trade unions must be strengthened by recognition;
4. Government should made legislation for compulsory collective bargaining preceding adjudication;
5. There is no scope of unfair labour practices in this process; therefore, both the parties should develop positive attitudes towards each others;
6. A 'win-win situation' should be adopted by both the parties;

### **Recommendations of the National Commission on Labour**

In 1969, National Commission on Labour made the following recommendations for effective implementation:-

1. Compulsory adjudication should be used only as a last resort;
2. Trade Unions should be strengthened, both organisationally and financially, by amending the Trade Union Act, 1926, to make registration of unions compulsory, enhancing the union membership fee, reducing the source of outsiders in the union executive and among the office bearers, and increasing the minimum number of members of union applying for registration of the union;
3. Legal provisions may be made either by a separate legislation or by amending an existing enactment for;

- (a) Compulsory recognition of trade unions, and certification of unions bargaining agents;
  - (b) Promotions and Rehabilitation of unfair labour practices;
  - (c) Bargaining in good faith by both employers and unions;
  - (d) Conferring legal validity and legitimacy on collective agreements.
4. Intensification of workers' education for building up internal union leadership and making workers more knowledgeable and conscious about their rights and obligations;
5. The idea of one union for one plant or one industry should be popularised and encouraged;
6. The government should declare its policy to allow and encourage the parties to settle their conflicts by bipartite consultation and negotiation consistent with public safety and interest of the society in general.

The recommendation regarding prohibition and penalisation of unfair labour practices has been implemented by amending the Industrial Distorts Act, 1947, in the year 1982.

## **17.4 TRADE UNION THEORIES**

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Trade Unions are viewed by the *historical school*, as a 'continuous association of wage earners for the purpose of maintaining and improving their working lives. As per the views of the *neo-classicals*, involvement of trade unions in economic decisions is mooted by this school. The purpose of organised activity on the part of workers is betterment of worker life through involvement in economic decisions involving them. *Revolutionary unionism* has advocated participative management and equation of the power balance between management and workers. Left wing theorists advocate socialist transformation of the bourgeois society through organised activity on the part of the working class. *Anarcho syndicalism* advocates use of violence for achievement of socialist objectives.

### **17.4.1 Trade Union Movement in Selected Countries**

Discussed below is a brief account of development of trade union movement in select countries from where most developing nations drew inspiration for such institutionalisation of voluntary effort.

#### **17.4.1.1 United Kingdom**

The beginning of Industrial Relations in United Kingdom is traced to '*mercantilism*' where journey men apprentices employed in craft guilds organised to prevent exploitation at the hands of employers. Workers' associations were developed during the industrial revolution with the advent of the factory. The spread of the socialist doctrine of *anarchism*, under Robert Owen, gave ideological endorsement to the movement. The socialist doctrine was developed and popularised by Marx and Engels. Anarchism was a strand in the broad ideology. Attempt was made to consolidate trade clubs into a grand national consolidated trade union, which did not meet with success. After the Trade Union Act was passed in 1871, trade union activity was legitimised and trade unions

forayed into politics to voice their opinions and concerns more forcefully. The process culminated in all representative committees of individual organisations coalescing into the Labour Party in 1923-24. Thereafter, worker associations got a boost. Joint shop councils and works committees were set up in industries and union representatives were appointed in management boards in public corporations.

#### **17.4.1.2 United States of America**

Trade union activity had similar beginnings under *merchant capitalists* in the United States, except that here such activity was ruthlessly suppressed by the state and by adverse law court decisions. In the famous Cordwain Conspiracy Cases, trade unions were declared “conspiratorial coercive and injurious bodies”. Trade union activity was an underground secret activity. In 1884, the Noble Order of Knights came into being bringing together separate associations. Ferdinand Lassalle advocated capture of power. Marxists, anarcho-syndicalist followers of Bakunin and Proudhon were ruthlessly suppressed following the infamous Haymarket Riots. Up to the First World War, internecine rivalry between the old order of knights and the new American Federation of Labour eroded the movement. However, it revived in the interwar years. Law courts attacked it and the government sought to counter it by enacting schemes for workers participation in management which is popularly known as ‘*welfare capitalism*.’

Besides, bargaining power of workers in United States fluctuated with depression and boom cycles in the economy (United States being a free market economy). During depression (of 1812, 1873), workers could not bargain for fair wages and there was widespread unemployment. During boom periods, their position was relatively advantageous for a short period of time. Successive depressions dealt a death blow to trade union activity. By 1889, the noble order of knights of labour had considerably lost impact. The second technological revolution reduced the importance of skilled workers.

#### **17.4.1.3 India**

In India, workers' associations were more in the nature of social service organisations patronised by labour philanthropists in Calcutta and Bombay. The high water mark was the establishment of the All India Trade Union Congress in 1920 registered under the companies act. The trade union movement was influenced by the ideologically charged movement of France and Italy. For better understanding, it could be studied in two parts:

The history of labour legislation in India is to be studied in the context of colonialism. It is opined that it was difficult for the British to get enough regular Indian workers to run British establishments and hence laws for indenturing workers became necessary. Labour legislation was accordingly designed to protect the interests of British employers. The government enacted the Trade Union Act, 1926 and the Trade Disputes Act of 1929 to better the system of settlement of industrial disputes. Nevertheless, the major draw back of this act was that it did not provide for any standing machinery for the settlement of disputes. In the year 1936, the government to halt the exploitation of workers by the management enacted the Payment of Wages Act. Even though the IDA was primarily meant for industry in the organised sector, its present application has now extended well into the unorganised sector, through *judge-made law*. Its pro-worker protection clauses and safeguards against arbitrary job losses have evolved over a period of time, both through the process of sustained legislative amendments and through the process of judicial activism spread over more than five decades. Another important development has been the setting up of the Indian Labour Conference, a tripartite body, to look into the

industrial relations problems. The major objective of this conference is to provide a cooperation and coordination mechanism between the government, the employers and the trade unions. In the year 1958, the Code of Discipline was introduced but had limited success because it was more a moral guideline than a legal enactment. The National Commission of Labour was appointed by the government in the year 1966, to study and report on labour problems and make suitable recommendations. In 1966, the Ministry appointed the First National Labour Commission (NLC) to review the changes in the conditions of labour since independence and also to review and assess the working of the existing legal provisions. The NLC submitted its report in 1969. The important recommendations of NLC have been implemented through amendments of various labour laws. In the areas of wage policy, minimum wages, employment service, vocational training, and worker's education, the recommendations made by the NLC have been largely taken into account in modifying policies, processes, and programmes of the government. During the emergency, (1975-77) there was considerable stress on discipline in industrial as well as general undertakings. But after emergency and consequent change of political leadership, the Janata government set up a number of committees to review the industrial relations situation. In the late 1970s and early 1980s, industrial relations in our country were characterised by violence, therefore, on 26th July 1981, the government issued an ordinance to ban strikes. The law, called the Essential Service Maintenance Act (ESMA) 1981. This act empowers the government to ban strikes, Layoffs and lockouts in what it deems to be "essential services". Indian industrial relations are shifting from bipartite to tripartite. Government is concerned for economic development of employees. The principle of natural justice is playing a vital role in the shaping of employers-employees relations and policies of organisation: Labour laws are also playing a prominent role in maintaining industrial relations as well as providing social security to the employees. In order to ensure consistency between labour laws and changes in economic policy, and to provide greater welfare for the working class, the Second NLC was constituted in 1999. Today, India is a signatory to thirty nine (39) International Labour Organisation (ILO) conventions of which thirty seven are in force. Of the ILO's eight fundamental conventions, India has ratified four - Forced Labour 1930, Abolition of Forced Labour 1957, Equal Remuneration 1951, and Discrimination (employment and occupation) 1958.

### **Problems of Trade Unions in India**

The problems of trade unions in India have been summarised as follows by R.S. Dwivedi (1990):

- Structure of organisations as well as the process of functioning are important for success of trade union activity;
- There is a multiplicity of trade unions. Need is consequently felt for developing a coherent structure;
- There is need for committed membership, in that many trade unions choose to remain outside the arena of joint negotiations. Proportional representation of trade unions in the general body could be considered;
- There is need for constructive orientation, less stress on productivity and a mechanistic approach;

- Ideological proclivity of trade unions is the most important feature. The same should be articulated effectively;
  - There is need for structural reform by way of regular elections, audit etc.;
  - Verification of membership is an important issue. Their status should be assessed in the context of purpose;
  - Trade Unions should enjoy certain rights such as office accommodation, administrative obligations regarding office procedure; in short they need to be ‘institutionalised.’
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## **17.5 QUALITY CIRCLE**

Quality circle is a people building philosophy based on the premise that an employee doing a particular job is the biggest expert of that field and thus, is in a better position to *identify, analyse and resolve* work related problems through innovative and unique ideas. In fact, it is a practical application of McGregor's Theory 'Y,' that given the right environment and decision making power, people will enjoy and take pride in their work thus leading to enrichment of their work life.

### **17.5.1 Definition of Quality Circle**

It is a voluntary group of employees, engaged in the same or similar type of job, meet on a regular basis to identify, analyse and solve their work related problems which leads to improvement in their work performance and enrichment of their work life. The number of circle members could vary from five (5) to fifteen (15), but the ideal size of a circle is seven (7) or eight (8) members. The number of members should be such that the circle is effective. The size should not be so high that every member can not have sufficient time and opportunity to participate and contribute meaningfully. Preferably, Quality Circle members must be from the same work area so that the problems they identify are familiar to all the members for effective participation.

### **Philosophy of a Quality Circle**

The philosophy of quality circle activities emphasises the following ideas:

1. Contribution to the development and improvement of the organisation;
2. Respecting humanity and building a happy bright work shop which is meaningful to people not treated as a part of machinery, but as human beings engaged in meaningful jobs and exhibiting their full potential;
3. Employees use their wisdom and creativity at work;
4. Employees develop their ability through opportunities to apply themselves to analytical problems;
5. Employees are not isolated from each other and act as groups based strong social ties;
6. Employees educate themselves by sharing experiences;

7. Employees are given due recognition for contributions.
8. Display human capabilities fully and consider possibilities;
9. Promotion of job involvement and participation; and
10. Stress on character development philosophy.

### **17.5.2 Structure of Quality Circle**

One of the important factors for the success of any organisation is its structure and good functional ties among constituting elements. For the successful operation of the quality circle, a well structured approach is necessary. The important thing to remember is that the quality circle does not alter the existing hierarchical setup or chain of commands in any organisation.

Recommended quality circle structure has following six elements.

1. Non-members
2. Members
3. Leader
4. Facilitator
5. Steering committee
6. Top management

#### **Non-Members**

Employees who do not take part in selecting, analysing and solving the work related problems are called non-members. They are, however, part of the structure of the quality circle.

#### **Members**

The basic elements of a quality circle are the members themselves. Membership is strictly voluntary and any one who wishes to join is encouraged. A voluntary member should be from the same work area, engaged in similar work because they would be familiar with the problems and could make significant contribution in analysing and solving them.

#### **Leader**

The quality circle leader is chosen from within the group by the circle members. The first line supervisor is also designated to perform the leadership role in this structure. The position of the leader in a circle is like a thread which binds the individual members into a circle. Therefore, leader provides strength to the circle.

## **Facilitator**

The word facilitator is self-explanatory. It is an important link in the structure, responsible for coordinating and conducting quality circle activities in a particular area. He is usually an officer nominated by the management who is in charge of a section or a department. The qualities of a facilitator are multidimensional. He works as a guide, a coach, co-coordinator, promotor, teacher, communicator, statistician and a catalyst. He must also possess working knowledge of the operation of the company, product and services, vendor relation, manufacturing process, quality control, behavioral sciences and above all, the policies of the organisation.

## **Steering Committee**

The steering committee occupies an important place in the structure of a quality circle. It sets goals and objectives of the quality circle activities. This committee should be formed immediately after taking a decision to implement quality circle activities. It consists of the departmental heads from every major function like, Production, Finance, Materials, Engineering, Quality Marketing, etc. This committee is required to meet regularly once in two months for smooth and effective functioning of quality circle activities.

## **Top Management**

This is an apex body at the highest level which oversees and monitors the functioning of the quality circle and acts as an advisory body. Without the faith and commitment, support and encouragement from the top management, the activities of the quality circle can not be successful in the organisation. Therefore, top management support is quite essential for the successful operation of the programme. One of the ways that the top management could demonstrate its support is by incorporating promotion of the quality circle concept in the company's broad objectives. For increasing the motivation level among the circle members and leaders, it is essential that the top management meet the quality circle's members and leaders periodically.

## **Co-ordinating Agency**

It is a very essential and important element in the structure of quality circle, although this agency does not envisage a separate department for its activities. Any department such as quality assurance, personnel or engineering etc. could be motivated to function as a co-ordinating agency depending upon the convenience of the organisation. The main function of the co-ordinating agency is to prepare the plan and getting the sanction for the budget to meet the expenses of quality circle activities.

### **17.5.3 Objectives of Quality Circle**

The main objectives of a quality circle are:

1. To enhance the quality of goods and service produced, productivity, safety and cost effectiveness;
2. To enrich quality of work life of employee;
3. To respect humanity and build a happy bright workshop, meaningful to work in;

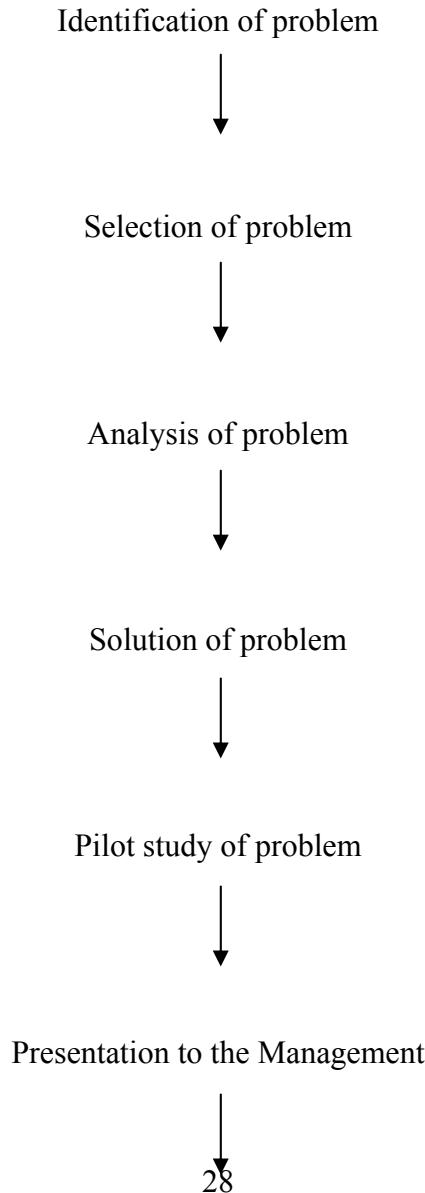
4. To give opportunity to employee to use their wisdom and creativity;
5. To promote self and mutual development;
6. To encourage team spirit, cohesive culture, great harmonious human relation etc.

#### **17.5.4 Quality Circle Process**

The most important activity of quality circle is to solve work related problems. The problems are solved by using simple but powerful problems solving techniques. These techniques are used to identify the problems, collect and analyse data, examine causes and finally, suggest solutions. The problems solving process adopted by the quality circle members are depicted below in Fig.3.

Figure-3

#### Quality Circle Process



Decision implementation



Selection of a new problem

### **Selection of a Problem**

The quality circle starts functioning after the members are trained. At the first meeting the circle members prepare a list of all problems which are related to their work area by using brain storming technique. Once a list is prepared, the next step is to quantify severity of these problems by means of collecting data. Next, is to make assignments to various members for collection of data. After collection of data, a ‘Pareto diagram’ is drawn to know the importance of the problems. Accordingly, members fix the priority for analysis of problems. However, it is necessary to take precautions so that the circle members do not waste time on minor problems or on projects where solutions are already in process. It may also be prudent to guide the circle members about not taking up complex problems in the initial stages, rather tackle problems of a simple nature to develop confidence about finding solutions for bigger, more complex problems.

### **Analysis of a Problem**

Once the problem has been selected, the circle members can start analysing the problem with the help of two important statistical tools, *brain storming* and *cause and effect*. The idea behind brain storming is to get all members involved, so that all underlying factors can be studied. The leader asks members to list all probable causes. With the group's consent, the key to major causes is picked up for analysis and development of a solution.

### **Development of a Solution**

Once the major causes have been identified, circle members get together to propose solutions. The agreed solution is normally being implemented by the members themselves. In case the suggestions are to be implemented by some other department, the circle members interact with their colleagues or circle members of the department where the suggestions have to be implemented. In case of interface, a facilitator's help is taken by the members. After a certain period, when an effective solution has been arrived at, the facilitator arranges the next phase to show to the management the achievements of quality circle.

### **Implementation of the Solution**

If the recommendations arrived by the quality circle members fall within the purview of members' jurisdictions, they with the approval of immediate authorities of the department/section go ahead and implement the solution. If the solution to the problem needs some investment, it would be referred to the competent level of management, which should either promptly give effect to the recommendation or give a feed back without loss of time to the quality circle why the recommendation is not implemented. At

times, recommendation is taken up for consideration by the steering committee where clarifications, if required, are obtained from the circle members before the decision is taken.

### **Management Presentation**

Management presentation is a programme where the leader and the members of a circle present their management information about what project they have been working and what recommendation they wish to make. This event represents a most exciting form of participants, communication and recognition to all. The recommendation of the solution to the problem selected would be more effective and powerful if the presentation is made in a systematic way. These case studies would also serve as effective educational tools in future for the organisation and others.

Management presentation helps improve the communication between management and employees, demonstrate management involvement and interest to quality circle activities, and foster a good working relationship amongst all the employees in the organisation. They also offer an opportunity to recognise quality circle members' efforts. The following guidelines are used by quality circle members for presentation before the management:

- (i) Presentation should not exceed fifteen minutes;
- (ii) All members are introduced by the leader;
- (iii) All members are encouraged to participate in the management presentation;
- (iv) Cost saving and other salient points must be highlighted;
- (v) Presentation should be made through problem solving tools and techniques; and
- (vi) The leader closes the session by answering the questions. A good presentation will also emphasise harmony, team work and cooperation.

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## **17.6 CONCLUSION**

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In this unit, we have discussed various types of employee involvement activities. It is a basic responsibility of the management to create conducive atmosphere for facilitation of such activities. For all these activities, top management commitment is necessary because success is totally dependant on the apex management of the organisation. By increasing the involvement of workers in problem solving and decision making processes, the employees become more motivated, more committed to the organisation and more satisfied with their jobs resulting in the organisation achieving its objectives.

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## **17.7 KEY CONCEPTS**

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**Anarcho Syndicalism:** Anarcho-syndicalism is a school of thought of socialism, which advocates use of violence for socialist transformation of society by

overthrow of bourgeois power and replacement by the rule of the proletariat.

**Bourgeois Society:** As per Marxist critique of politico-administrative society, the ‘haves’ or the ‘bourgeois’ in a society thrive by exploiting the worker class by appropriating the fruits of their labour (surplus value). The power is derived from control over ‘means of production’ which gets them political and administrative mileage. The interests of the bourgeois and the proletariat (the working class) are irreconcilable.

**Participation:** Participation is the central theme in ethical management in industries. Trade Unions and the management collaborate in appositive environment for good ‘organisational health’. Ideological orientation of trade Unions, strengthening of institutional structure and positive intent vase on mutual trust on the part of both parties is the imminent requirement for successful participation.

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## **17.9 ACTIVITIES**

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1. Critically examine the schemes of workers participation in management in India. What improvements would you suggest?
2. What is meant by collective bargaining? Examine the working of works committees and joint management councils.
3. Discuss the definition, objectives and structure of quality circles and discuss its applicability in India.

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## **UNIT-18 INDUSTRIAL RELATIONS**

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### **Structure**

- 18.0 Learning Outcome
- 18.1 Introduction
- 18.2 Industrial Peace
- 18.3 Labour Policy
- 18.4 Defining Grievance
- 18.5 Methods of Conflict Resolution
- 18.6 Labour Laws
- 18.7 Administrative Arrangement
- 18.8 Conclusion
- 18.9 Key Concepts
- 18.10 References and Further Reading
- 18.11 Activities

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### **18.0 LEARNING OUTCOME**

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After reading thus Unit, you should be able to;

- 1. Explain Industrial Relations;
- 2. Know labour legislations;
- 3. Understand Causes of grievance and redress process; and
- 4. Discuss measures for a lasting solution to the problem of Industrial Unrest.

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### **18.1 INTRODUCTION**

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Industrial Relations are an integral aspect of social relations and cover the entire gamut of work relations of an institution, internal and external. Human relations form the core function of industrial relations since it is the responsibility of the employer to establish healthy organisational climate for consistently good performance.

The beginning of personnel work is traced to 1881 when Frederick W Taylor developed a functional organisation at the plant of the Mid Vale Steel Company and one of the foremen was called, shop disciplinarian.'

Industrial Relations entails study of human behaviour at the work place focusing on the influence such relations have on an organisation's productivity. IR describes various programmes for dealing with employees including personnel relations or activities for establishing or maintaining an efficient loyal work force. Labour relations pertains to union management relations such as the negotiating the union's contract and the carrying out of its provisions." (Owen, 1987)

The field of Industrial relations (IR) concerns the formal relations between employers and their employees and generally encompasses the work of *personnel specialists, industrial engineers, psychologists and labour relations experts* (Robinson, 1983). Classical economics viewed workers as instruments of production subject to the laws of supply and demand. IR became a subject of scholarly attention in the 1920s with Mayo's Hawthorne experiments. The theory and practice of Industrial Relations is an amalgam of various disciplines in social sciences and humanities.

The subject is also referred to as 'industrial and organisational relations' or 'organisational relations suggesting the wide arena of the subject matter. In a large company, following activities may be considered industrial relations functions:

"Recruiting and selecting new employees and developing the terms and conditions of employment; classifying jobs and occupations; negotiating with unions; implementing government regulations that affect the work force; and instituting training programs; selecting and evaluating workers: personnel processes described above constitute what is normally called personnel administration or personnel management. Much of this work requires knowledge of *industrial psychology, psychological measurement* and statistics, psychological aspects of work motivation productivity etc." (Robinson, 1983).

Industrial organisational psychology involves application of concepts and methods of *experimental, clinical and social psychology* to the workplace. Industrial organisational psychologists are concerned with such matters as personnel evaluation and placement, job analysis, worker management relations(including morale and job satisfaction), workforce training, and development (including leadership training) and productivity improvement. This may involve working closely with business managers, industrial engineers and human resources professionals (Encyclopaedia Britannica Inc., 2002).

### **Defining Industrial Relations**

Industrial relations, though a recognisable and legitimate objective, is difficult to define since a good system of industrial relations involves complex relationships between:

- (a) Workers (and their informal and formal groups, that is, trade union organisations and their representatives);
- (b) Employers (and their managers and formal organisations like trade and professional associations);
- (c) The Government and other agencies involved.

Broadly, in western style economies, the parties (workers and employers) are free to make their own agreements and rules. This is called 'voluntarism'. But it does not mean there is total noninterference by the government. Government regulation is necessary to:

- Protect the weak (hence minimum wage);
- Outlaw discrimination (race or sex);
- Determine minimum standards of safety, health, hygiene, conditions of service; and

- Prevent abuse of power by management or workers.

The personnel manager's involvement in the system of industrial relations varies from organisation to organisation, but normally he or she is required to provide seven identifiable functions, such as:

1. To keep abreast of industrial law (legislation and precedents) and to advise managers regarding responsibilities entailing, discipline, welfare measures, managing diversity etc.
2. To conduct (or assist in the conduct) of local negotiations (within the plant) or act as the employer's representative in negotiations as a *critic* and *advisor* in respect of trade, association policies or as a member of the trade association negotiating team.
3. Interpretation of agreements and explanation of the same to line managers;
4. To monitor the observance of agreement and help produce policies that ensure agreements are followed within the organisation.
5. Managing crisis in change situations, correcting warning of mistakes on the part of line managers.
5. Managing crisis in change situations, correcting, cautioning line managers about mistakes
6. To provide the *impetus* and *advice* regarding *modalities* (devise the machinery) for the introduction of *joint consultation* and *worker's* participation in decision-making in the organisation. Rules for *flexitime* correction of *absenteeism* and *work related issues* (boundary disputes) are the three examples of the matters that may be settled by joint consultation in with a more twenty-first-century outlook and philosophy. Human resource management is very involved in promoting and originating ideas in this field; and
7. To provide statistics and information regarding workforce numbers, costs, skills etc. relevant to negotiations that is, the cost of pay rises, effect on pay differentials, impact on recruitment, maintenance of personnel records of training, experience, achievements, qualifications, awards, pension and other records; to produce data in respect of personnel matters like absentee figures and costs, statistics of sickness absence, costs of welfare and other employee services, statements about development in policies by other organisations, ideas for innovations; to advise upon or operate directly, grievance, redundancy, disciplinary and other procedures (Accel team, 2005).

In the above context, Dunlop(1958) defined industrial relations as an area "which denotes the union management relations operating within the spectrum of industrial relations system, which defines the role, status and the conduct of different groups of people who work together for productive purposes in an economy characterised by its peculiar social and economic conditions prevailing under given technological market and power context giving rise to the creation of a body of rules to govern the interactions of the different groups of people involved therein".

Industrial relations are a set of interdependent functions involving historical, economic, social, psychological demographic, technological, occupational, political, legal and other variables. Practically, it is difficult

to study the impact of all factors on industrial relations. It is easy to consider industrial relations only in respect of trade unions and labour legislations. In a narrow *legalistic sense* therefore, industrial relations is a subject of study and aspect of management which includes the relationship between:

- (a) Employers and employees
- (b) Employers and trade unions
- (c) Occupational organisations
- (d) Trade Unions
- (e) Trade unions and employer associations

Objectives of industrial relations could thus be specifically stated as:

1. Industrial peace and harmonious relations between employers and employees;
2. Develop and progress of industry in a democratic fashion;
3. Safeguarding interests of both workers and management;
4. Establish and maintain industrial democracy;
5. Create environment of cooperation and harmonious work relations;
6. Eliminate unfair labour practices; and
7. Control discipline and motivate employees.

### **Technology and Industrial Relations**

Technology has significant implications for industrial relations especially with regard to work process improvement and quality of work life in organisations. Notably, organisation is also understood as a socio-technical system bringing out the relationship between human resource and technology. Technology is one of the major constituents of organisational work. It also has implications for recruitment and training, since use of technology means more induction of professionals and better training of existing personnel in handling advanced technology. As technology grows, specialisation increases, work gets minute and more sophisticated; corresponding requirements of education on the part of workers increases training costs.

Technological change also affects the work environment and human relations at the work place. This requires changes and adjustments. The impact of technological change depends on three factors, namely:

- (i) The nature of change;
- (ii) The speed at which the innovations are introduced; and
- (iii) The method of the change

Certain benefits of technology may be noted thus;

1. It allows employees to perform better; manage more quantity and produce better quality;

2. It improves the quality of life (QWL) of employees;
3. It produces better working conditions;
4. It brings attitudinal change in employees; and
5. It increases the profitability of the organisation

### **Ergonomics and Industrial Relations**

*Ergonomics* is the application of scientific knowledge to discovering how best to fit a worker to his physical and social work conditions to provide for maximum comfort and facility. Ergonomics maximises quality and individual efficiency of the worker at a job. *Ergonomic specialists* collect and analyse statistical data with regard to applied, occupational psychology and physical anatomical aspects of work with a view to achieving ‘perfect fit’ between technology and the individual. *Ergonomics* is based on the belief that a comfortably placed worker will be the best producing worker. Hence design of his seat, scientific movements, position in the organisation with respect to speciality, formal and informal work relations, motivation and morale; all collectively determine work efficiency.

Organisations are increasingly engaging the services of ergonomic specialists to study organisation design, equipment use, method study to maximise efficiency and cut costs. Application of scientific understanding of anatomy, physiology and psychology results in improved productivity. Thus, ergonomic specialists are those with formal education at degree level in these subjects (Accel team 2005). Though ergonomics can be applied in a generalist way by people belonging to other specialities like industrial engineers and psychologists, an ergonomic specialist applies scientific study to apply ergonomics in its true sense.

Fitting the task to the person is understood as ergonomics. Good ergonomics;

- shortens learning times;
- makes the job quicker with less fatigue;
- improves care of machines;
- reduces absenteeism and material waste;
- Reduces labour turnover and tackles other signs of worker malcontent, physical and mental fatigue; and;
- Meets the requirements of health and safety legislation.

Specific aspects in ergonomics could be listed as:

- Work-place design;
- Motion economy, facility of movement through scientific analysis(muscular load, accuracy of movement) involving motion study;
- Rest allowances;
- Job satisfaction; and
- Environmental control;

- Legal stress;
- Physical climate; physical temperature, humidity, etc.;
- Environmental and physical hazards, etc.; and
- Mental demands; data processing, communication (Accel team, 2005)

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## **18.2 INDUSTRIAL PEACE**

Mere absence of 'industrial unrest' does not mean good industrial relations. Industrial peace is the fruit of improved industrial relations and better management of human resources over time. Inter-union rivalry has deplorable consequences both for the organisation and the workers.

Certain imminent requirements of industrial peace are stated as follows:

1. Conducive working environment regarding *social relations*, emphasis on *procedural justice* and *physical conditions of work*.
2. Attentive and responsible attitude towards the organisation and work on the part of all concerned parties.
3. Active measures to ameliorate dissatisfaction among workers.
4. Mutual respecting and amicable settlement of differences in the best interest of the organisation.
5. Speedy communication of decisions, especially those affecting workers' rights; workers' involvement in such and other decisions
6. Integration of employees in the organisation
7. Proper management of employees pay and benefit schemes to prevent misgivings. Seventy to eighty percent of conflicts have been known to occur because of delays in this respect.
8. The management should also look after the social and other economic needs of the employees.
9. Transparency of industrial policies would be conducive to democratic functioning.
10. Management and employees should have mutual confidence and cooperating attitude, which leads to new policy directions through free and open-minded discussions on matters of industrial progress.
11. Arrangement for need based training for workers.
12. System of group bargaining to manage conflicts better.
13. Most importantly, economic growth, which distributes rewards equitably, creates employment opportunities and alleviates poverty, is the only lasting solution of the problem of industrial unrest.

### **Industrial Unrest: Issue with striking work**

Supreme Court judgment in the T.K Rangarajan vs. Government of Tamil Nadu and Others, 2003,( SOL case no. 429) denying the right to strike as a legal moral or equitable right has invited much criticism. In an earlier judgement, in *Kameshwar Prasad vs. State of Bihar*, 1962

(Supp3 SCR 369) the Apex court had settled that the right to strike is not a fundamental right. But denying it as moral right in the Rangarajan case has invited criticism. Workers have the right to strike, even without notice unless it involves a public utility service; employers have the right to lockout, subject to the same conditions as a strike. (Desai, 2005)

It is conceded that a worker has no other means of defending her or his real wage other than seeking an increased money wage. Earnings of the capitalist are contingent upon the worker's continued cooperation. The argument is drawn from Ricardian and Marxian classical political economy that states that a capitalist earns by alienation worker's rights (Justice Ahmadi: *B.R. Singh v. Union of India*, 1990labIC 389(396) SC).

Besides the Industrial Disputes Act, 1947, the Trade Unions Act, 1926 also recognises the right to strike. Sections 18 (xiii) and 19 (xiv) of the act confer immunity upon trade unions on strike from civil liability.

India is a member of the International Labour Organisation (ILO). A conjoint reading of Articles 51(c) and 37 implies that principles laid down in international conventions and treaties must be respected and applied in the governance of the country. This is implicit from Article 51(c) and the enabling power of Parliament to enact laws for implementing the international conventions and norms by virtue of Article 253, read with Entry 14 of the Union List in the Seventh Schedule of the Constitution.

Any international convention not inconsistent with fundamental rights and in harmony with its spirit must be read into these provisions to enlarge the meaning and content thereof, to promote the object of the Constitutional guarantee. (Justice Verma; *Vishakha vs. State of Rajasthan* (1997)6SCC241 at 249). Of the Directive Principles of State Policy, Article 51(c) provides that the state shall endeavor to foster respect for international law and treaty obligations in the dealings of organised people with one another. Article 37 reads as, "the provisions contained in this part shall not be enforceable by any court, but the principles therein laid down are nevertheless fundamental in the governance of the country and it shall be the duty of the state to apply these principles in making laws" (Desai, 2005).

### **Finding A Lasting Solution to Labour Problems**

It is conceded that legislation and institutional arrangements in pursuance to legislation are only a partial solution to the problem of industrial unrest. Core issues have to be tackled for achieving lasting industrial peace. To that end, vocational training of workers and arrangements for housing and social security schemes has to be given fillip. At the macro level, employment generation and poverty alleviation programmes need to be taken up earnestly to tackle unrest among people in general and working classes in particular. The onus is on the management of organisations and the government to take desired steps in that direction.

### **Employment and Training Schemes**

With a macro perspective, human resource development in the economy has to move forward in a planned way. Solutions have to be found to economic and social problem like unemployment, poverty, ill health and gender discrimination for healthy environment in organisations.

Education has to incorporate vocational training for youth as also existing training programmes in institutions and industry have to be technically updated, jobs enriched and enlarged, with a view to imparting need based skills to employees in particular and students in general to equip them to face diverse challenges in life. The same has to be attempted with added vigour in the face of industrial sickness and privatisation of public sector units. Steps will have to be taken to ensure a measure of relief and assistance to retrenched workers who are thereby reduced to a state of helplessness. The same has to be ensured via planning built into yearly budgets. Current strategy for employment generation in India underlines the following significant areas: (40<sup>th</sup> Session, Standing Labour Committee)

- Generating additional employment opportunities through the encouragement of labour intensive sectors.
- Accelerating the rate of growth of GDP with a particular emphasis on sectors likely to ensure spread of income to the low segments of the labour force.
- Restructuring of the following sectors in favour of labour intensive activity for generating additional gainful employment opportunities:
  - Agriculture & Allied.
  - Greening the country through Agro Forestry.
  - Energy Plantation for Biomass power Generation.
  - Rural Sectors and Small and Medium Enterprises (SMEs).
  - Education and Literacy.
  - Employment through ICT Development
  - Health, Family and Child Welfare

### **Considerations in Labour Law Reform**

Vital reforms cannot be secured without the cooperation and goodwill of the workers. Such understanding can be brought about by creating confidence in workers through provision of necessary safeguards to protect their interests. The greatest anxiety experienced by the workers is with regard to the stability of employment. Reform should be ‘rational’ in that effective arrangements should be made for retraining and transferring retrenched workers to other jobs on the basis of expressed consent.” (Mathew, 2003).

Presently, a permanent worker can be removed from service only for proven misconduct or for habitual absence due to ill health, alcoholism and the like, or on attaining retirement age. In other words, the doctrine of ‘hire and fire’ is not approved within the existing legal framework. In case of misconduct the worker is entitled to the protection of Standing Orders to be framed by a Certifying Officer of the Labour Department after hearing management and labour, through the trade union. Employers must follow principles of ‘natural justice’, which again is an area that is governed by judge-made law. An order of dismissal can be

challenged in the labour court and if it is found to be flawed, the court has the power to order reinstatement with continuity of service, back wages, and consequential benefits. This again is identified as an area where greater flexibility is considered desirable for being competitive. Both pros and cons regarding proposed change need to be studied to evolve acceptable policy in this regard. Holistic and not partial appreciation from the industry's standpoint may not be the correct approach. Opinions regarding the same differ among scholars and policy makers.

Under the present law, any industrial establishment employing more than a hundred workers must make an application to the government seeking permission before resorting to lay-off, retrenchment, or closure; employers resorting to any of the said forms of creating job losses, is acting illegally and workers are entitled to receive wages for the period of illegality. As per proposed reforms such securities would no longer be available. Drastic change may need to be guarded against. An important feature of the Industrial Disputes Act is the stipulation that existing service conditions cannot be unilaterally altered without giving a notice of 21 days to the workers and the union. Similarly if an industrial dispute is pending before an authority under the IDA, then the previous service conditions in respect of that dispute cannot be altered to the disadvantage of the workers without prior permission of the authority concerned. This has been identified as a form of rigidity that hampers competition in the era of liberalisation. The same issue of equity and justice comes up in this particular context. The challenge is to reconcile management and workers' interests.

The most distinctly visible change from globalisation is the increased tendency for subcontracting. Generally, this is done through the use of cheaper forms of contract labour, where there is no unionisation, no welfare benefits, and quite often not even statutorily fixed minimum wages. Occasionally, the tendency to bring contract labour to the mother plant itself is seen. This is very often preceded by downsizing, and since there is statutory regulation of job losses, the system of voluntary retirement with the 'golden handshake' is widely prevalent, both in the public and private sectors. While cost control may be an imperative human side of the enterprise is not to be lost sight of. Contract labour is a pressing issue presently. Steps need to be further taken to ameliorate their condition (Mathew, 2003).

### **Impetus to Research**

Government undertakes special programmes of studies and surveys of aspects such as working and living conditions, family budgets, wage census, index of earnings, patterns of absenteeism, productivity, etc. Adequate and reliable data on labour matters should be further built up. To that end, there is need for sustained and objective research on a systematic basis. Modalities for the same were discussed at a conference on Labour Research held in September 1960, 2005. Provision for research in labour matters through some new institutional facilities outside the set-up of the government is being considered. It is proposed to have the association and assistance of organisations of workers and employers as well as other concerned parties.

## **Industrial Housing**

Although the subsidised Industrial housing scheme has been in operation for some years, the situation in respect of housing of industrial workers has not improved and in several centers has even deteriorated. While considerable improvement has occurred in the living and working conditions of employees in large and organised industries, owing both to state activity and trade union action, a great deal of scope for the same remains in respect of the workers engaged in agriculture and unorganised industries. Their conditions should be a matter of special concern to the government as well as to the organisations of labour.

## **Workers' Cooperatives**

Presently, cooperative credit societies and cooperative consumer stores are being proposed at the level of the trade unions. Some progress has been made in the formation of miners' cooperative societies through the help of the Coal Mines Welfare Fund Organisation. A few workers' cooperative housing societies also exist in some industrial centers. Cooperative activity is expected to result in immense benefits to workers and their families.

## **The Unorganised Sector**

The National Sample Survey Organisation (NSSO) survey of 1999-2000 has estimated that out of a total workforce of about 397 million, only 28 million are in the organised sector and remaining 369 million in the unorganised sector. The workforce in the unorganised sector comprise of 237 million in the agricultural sector, 41 million in manufacturing and 91 million in services including the construction workers.

The unorganised sector is characterised by the lack of labour law coverage, lack of organisational support, low bargaining power and institutional back-up, making it extremely vulnerable to economic and social exploitation. In the rural areas, it comprises landless agricultural labourers, small and marginal farmers, share croppers, persons engaged in animal husbandry, fishing, horticulture, bee-keeping, toddy tapping, forest workers, rural artisan, s etc., whereas in the urban areas, it comprises mainly manual labourers in construction, carpentry, trade, transport, communication, etc., and also includes street vendors, hawkers, head load workers, cobblers, tin smiths, garment makers, etc.

There are some welfare schemes implemented by the central government through the Directorate General Labour Welfare for specific groups of unorganised sector workers, viz. for those engaged in 'beedi', non-coal mines and coal industries. These are apart from the National Social Assistance Programme (NSAP) consisting of schemes for old age pension, family benefit and maternity benefit. Besides, some of the state governments like Kerala and Tamil Nadu have also been implementing welfare programmes for certain categories of the unorganised sector workers. The government of Madhya Pradesh enacted a separate Law for the workers in the unorganised sector. There are group insurance schemes such as the Jan Shree Bima Yojana, which provide insurance cover of Rs. 20,000 in case of natural death; Rs. 50,000 in case of death or permanent total disability and Rs. 25,000 in case of partial permanent disability due to an accident. Persons in the age group of 18-60 years and those living below or marginally above the poverty line are eligible.

A proposal to enact a comprehensive central legislation for the agricultural workers had been under consideration of the Ministry of Labour, since 1975, to enact a uniform central legislation for the agricultural workers. It is currently caught in divergent views expressed by state governments. The main reservation is regarding creation of a corpus for the implementation of the welfare measures for the agricultural workers. While some states were of the view that enactment of law may lead to social tension, some others were of the view that the legislation may lead to ‘industrial atmosphere’ in the agricultural sector. Some states wanted the matter to be left to the states and some others were of the view that the central government should bring the central legislation but bulk of the provisions should be left to the state governments. (40<sup>th</sup> Session Standing Labour Committee)

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### **18.3 LABOUR POLICY**

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Articulation of labour policy and the ideology pursuant to it is a significant determinant of organisational working. The objective of labour policy is to ensure an environment conducive for labour management cooperation. Principles pursued in pursuance of avowed objectives constitute labour policy.

In today’s environment of globalisation, the abundant availability of trained manpower in scientific, technical and managerial fields is one of the main attractions to foreign investors in India. India’s competitive advantage lies in furthering this human capital development. To this end, labour laws revision is being suggested. Labour legislation makes provision to safeguard workers’ rights as well as protect the interests of employers and promote healthy industrial relations. Laws have been enumerated from the constitution of India where labour is a concurrent subject.

There can be many perspectives to goals and objectives of labour policy, for example capitalistic and socialistic in a mixed economy. Similarly, implementation could be viewed from many different perspectives. Industrial Relations are currently gripped in the ideological conflict between leftists and right wing nationalists. While the former advocate socialist policies, the latter perceive efficiency in the free market.

It is not hard to understand why industrial relations suffer from ideological and practical ambiguity, especially in developing countries like India, where immense socio political diversity prevails. It may not be advisable for instance, to make agreeable policy with an exclusively urban or western perspective with regard to labour that has a predominant rural agricultural background (Dwivedi, 1990). Industrial relations in India should take into account such other unique ecological factors and specific considerations; for instance, many workers’ problems are due to cultural incongruence between rural and urban life. Organisational culture assumes added significance here. Training as well as orientation schedules for new entrants to organisational life, for instance, must take cognisance of this real problem and come up with practicable solutions. There is pay disparity between organised and unorganised sectors and also within the organised sector for example, in the banking and manufacturing sectors. There is reported imbalance between inducements and contributions and the HR function shows a negative orientation in

that the emphasis is on tackling problems piecemeal instead of a comprehensive attempt at their prevention and pre-emption. There is stress on imparting responsibility rather than engineering a climate of responsibility itself. Besides there are eternal factors viz. inflation, disparity in pay in public and private sectors, more indirect taxes than direct, retrenchment etc. which create dissatisfaction, apathy and decline in work ethic.(Dwivedi, 1990)

The government has a vital role to play in structuring industrial relations. The government seeks to maintain balance by establishing legal, social and economic norms of work life. The government also endeavours to adapt the legislative and administrative organs to changes in social ideals and norms. Environmental and organisational constraints on rationality of decision making processes have to be considered. Problem of irreconcilability between long and short term goals due to implementation roadblocks is also an issue (Dwivedi, 1990). To clarify further, it is not possible to limit consideration to the economic dimension when social and political are equally important. These metamorphose into larger sociological perspectives concerning relation between man and society; man's existence in a group or a collective undertaking (gestalt psychology), contributing to and being affected in turn by sociological processes inhering in groups. Goal setting for labour policy is rather difficult as precision may be lost in the myriad concerns to be answered.

In India, the formulation of labour policy has been mainly based on the deliberations and recommendations of the Indian Labour Conference and the Standing Labour Committee. In addition to the above tripartite consultative organisations, the government of India appoints consultative tripartite committees for individual industries. There are also tripartite wage boards for evolving wage structures in selected industries. Labour legislation is hard to implement.

The Indian government has used a mix of approaches, such as legislation, administrative action, tripartite consultation, persuasion and education to achieve its objective of harmony and industrial peace.

There is alleged lack of uniformity and repetitiveness in Indian labour legislation. The study group appointed by the National Commission on Labour in 1967 was in favour of introducing a simplified standardised labour code on an all India basis:

- To ensure a machinery for progressive enhancement of real wages for workmen in the foreseeable future;
- To ensure increase in production of material goods so that the price line can be maintained and the standard of living increased.;
- To reduce work stoppages to the minimum by providing effective machinery for settlement of disputes either through collective bargaining or if necessary through a speedy process of industrial adjudication; and
- To provide the trade unions their rightful place in the democratic set up.

A code of discipline in industry in India, which applies both to the public and to the private sector, has been accepted voluntarily by all the central organisations of employers and workers and has been in operation since the middle of 1958. The code provides that:

- A regular grievance procedure be laid down in all undertakings and complaints should receive prompt attention. The legal means of redress should be followed through the normal channels and there should be no direct, arbitrary or unilateral action on either side.
- Management and workers agree to avoid litigation, lock-outs, sit-down and stay-in strikes. There should be no recourse to intimidation, victimisation or 'go-slow' tactics. The unions should not engage in any form of physical duress and should discourage unfair practices such as negligence of duty, careless operation, damage to property, interference with or disturbance to normal work and insubordination.
- The employers should allow full freedom to workers in the formation of trade unions. A union guilty of a breach of the code of discipline loses its right to such recognition.
- Both sides are pledged to the scrupulous and prompt implementation of awards, agreements settlements and decisions.
- Every employee should have the freedom and right to join a union of his choice. Ignorance and backwardness of workers should not be exploited by any organisation.
- Casteism, communalism and provincialism should be eschewed by all unions and there should be no violence, coercion, intimidation or personal vilification in inter-union dealings.
- It is enjoined that there should be unreserved acceptance of and respect for democratic functioning of trade unions and all central organisations should combat the formation and continuance of company unions.
- The failure to implement awards and agreements has been a complaint on,' both sides and if this were to continue, the codes would be bereft of all meaning and purpose. A machinery for implementation and evaluation has, therefore, been set up at the center and in the states to ensure observance by the parties of the obligations arising from the codes and from laws and agreements.

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#### **18.4 DEFINING GRIEVANCE**

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Grievance can be defined as employee dissatisfaction or feeling of personal injustice relating to his or her employment conditions. Dale Yoder defines grievance as "a written complaint filed by an employee claiming unfair treatment". The International Labour Organisation (ILO)

defines grievance as "a complaint of one or more workers in respect of wages, allowances, conditions of work and interpretation of service stipulation, covering such areas as overtime, leave, transfer, promotion, seniority, job assignment and termination of service". In the opinion of National Commission of Labour, "complaints affecting one or more individual workers in respect of wage payment, overtime, leave, transfer, promotions, seniority, work assignment and discharges constitute grievance".

According to Michael J. Jucius, the term 'grievance' implies 'any discontent or dissatisfaction, *whether expressed or not*; whether valid or not, arising out of anything connected with the company that an employee thinks, believes or even feels, is unfair, unjust or inequitable".

For the purpose of this unit, grievance is understood from a narrow perspective as concerned with the interpretation of contract or award as concerns employment.

### **Causes of Grievances**

The causes of grievances may broadly be classified as follows:

#### **(A) Grievance resulting from *working conditions***

- (i) Improper placements
- (ii) Frequent changes in schedules or procedures
- (iii) Non-availability of proper tools, machines and equipment for accomplishing assigned tasks
- (iv) Tight production standards or exacting schedules
- (v) Unfavourable physical conditions at the work place
- (vi) Failure to maintain proper discipline (excessive discipline or lack of it)
- (vii) Poor relationship with the supervisor

#### **(B) Grievances arising out of *management policy***

- (i) Wage payment and job rates
- (ii) Leave
- (iii) Overtime
- (iv) Seniority
- (v) Transfer
- (vi) Promotion, Demotion and Discharge
- (vii) Hostility toward labour union

#### **(C) Grievance resulting from *alleged violation of***

- (i) The collective bargaining agreement
- (ii) Central or state laws

- (iii) Past practices
- (iv) Organisation's rules
- (v) Avoidance of management's responsibility

(D) Grievances resulting from *personal maladjustment* owing to:

- (i) Over-ambition
- (ii) Excessive self esteem
- (iii) Impractical attitude towards life.

### **Effects of Grievances**

Grievances have an adverse effect on organisational climate. Adverse effects are expressed as:

- ( i ) Lack of interest in work and commitment
- ( ii ) Low productivity
- ( iii ) Increase in waste and costs
- ( iv ) Increase in absenteeism
- ( v ) Increase in employee turnover
- ( vi ) Spreading indiscipline and unrest
- ( vii ) Increase in number of disciplinary cases

### **Discovering Grievances**

The following are the important tools, which help in discovering grievances:

- (A) Exit Interview: Employees generally quit organisations because of dissatisfaction at the work or availability of better prospects elsewhere. Exit interviews can provide vital information about employees' grievances, specifically, their reasons for leaving the organisation.
- (B) Gripe Boxes: These are boxes in which employees drop anonymous complaints about felt dissatisfactions. It is different from suggestion scheme system, where employees drop named suggestions with an intention of receiving rewards.
- (C) Opinion Surveys: Group meetings, periodical interviews with employees, collective bargaining sessions are some other means through which information is procured about employee dissatisfactions before they turn to grievance.
- (D) Open Door Policy: Employees are provided unrestricted access to the management. Open door policy may be useful in small organisations but can be impracticable in large organisations where top management do not have the time to attend to personal grievances of workers.

## **Grievance and Industrial Relations**

Environment of cordiality and co-operation is reflected in increased productivity in organisations with 'zero' grievance rate. It is also a sign of healthy industrial relations prevailing in the organisation.

One of the major problems in Indian industrial relations scenario is lack of appreciation of distinct boundaries between the areas of grievance procedure, collective bargaining and worker's participation in management

The appointment of labour welfare officers in every industry, where five hundred or more employees work, is mandatory under the provision of the Factories Act, 1948. But the Factories Act 1948 gives limited scope to Welfare Officers in areas of welfare, working conditions and safety, etc.

In the absence of an accepted grievance procedure, the culture of the unit as well as either the provisions under Factories Act 1948 or the Industrial Disputes Act 1947, are depended on for settlement.

### **Grievance Redress Procedure**

Generally, grievance rate is reflected in the number of written grievances for one hundred employees in one year. A typical grievance rate is in between five to twenty. However, well-managed organisations with mature industrial relations have succeeded in lowering rates. Effective administration however tends to mitigate its negative effect. Fair, open and prompt treatment of problems as they arise, reduces misunderstandings. Increased participation also is an effective way to reduce grievances.

### **Grievance Handling Machinery**

A grievance handling machinery prescribes the method by which a grievance is filed and carried through prescribed procedure to a settlement or solution. Therefore every organisation needs established procedure for handling grievances. Some general principles which serve as guidelines in establishing a system of positive grievance administration are as follows:

- 1 Grievances should be addressed promptly;
- 2 Procedures and forms airing grievances must be easy to utilise and well understood by employees and their supervisors; and
- 3 Direct and timely avenues of appeal from rulings of line supervision must exist.

The most common grievance procedure features in four steps, which are shown in Fig.1 (Pettefer, 1970).

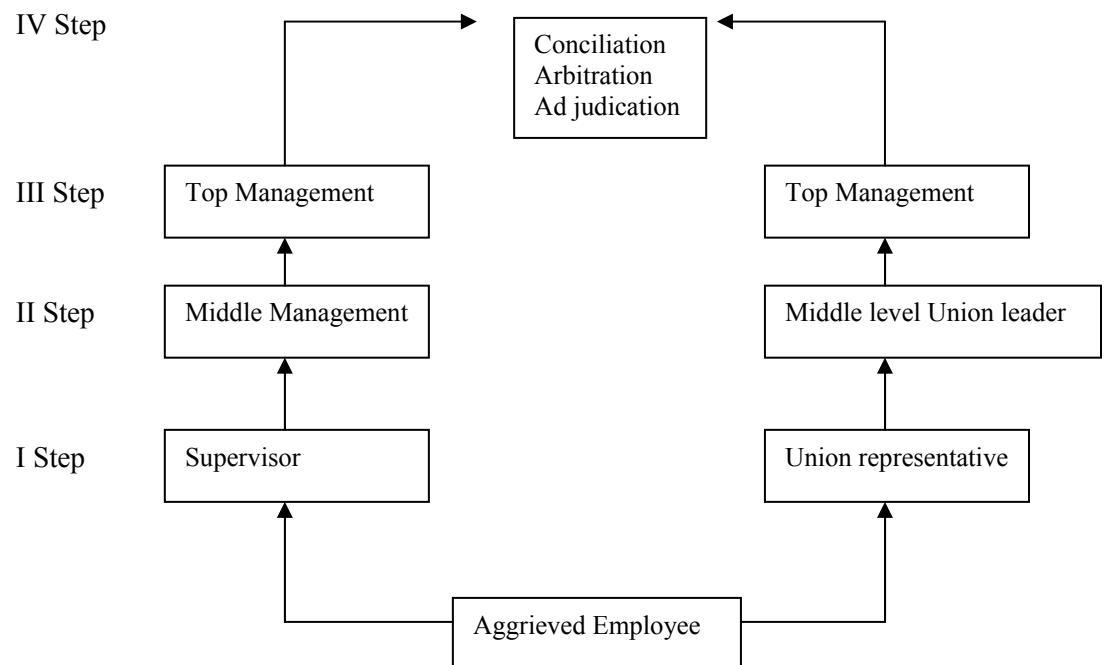
*First Step:* - The first step involves presentation of employee grievance to the immediate supervisor who forms the first rung in the ladder. If the concern is unionised, a representative of the union would join for better articulation. This step offers the greatest potential for improved labour relations. Large number of grievances gets settled at this stage but grievances relating to the issues or policies of the organisation are beyond the jurisdiction of the supervisor. The aggrieved employee may approach the next rung for such grievances.

*Second Step:* - The second rung may be the personnel officer or some middle line manager who is approached for resolution. If the concern is unionised, some higher personnel in the union may join. Events are stated as they are perceived, identifying the portion of the contract, which allegedly has been violated and the settlement desired to be effected. If grievance is not adjusted at this step, it is taken to the third rung.

*Third Step:* The top management constitutes the third step, which handles grievance involving company wide issues. The top union representatives join in the process. Redress of grievances becomes complex and difficult at this stage because by now they acquire political hues and colours. If grievance does not get settled by the top management and top union leadership, then in the fourth and final step, it is referred to an impartial outside person called an 'arbitrator'.

*Fourth Step:* - If the grievance has not been settled within the organisation, it goes to a third party for mediation. This stage involves conciliation; arbitration; adjudication. The matter may even be referred to a labour court. In case of mediation (conciliation or arbitration) the mediator may have no authority to decide but may only facilitate contact. In case of an adjudicator or labour court, the decision is binding on the parties, subject to the statutory provisions for appeal to higher courts.

**Figure – 1 Four-Step Grievance Procedure**

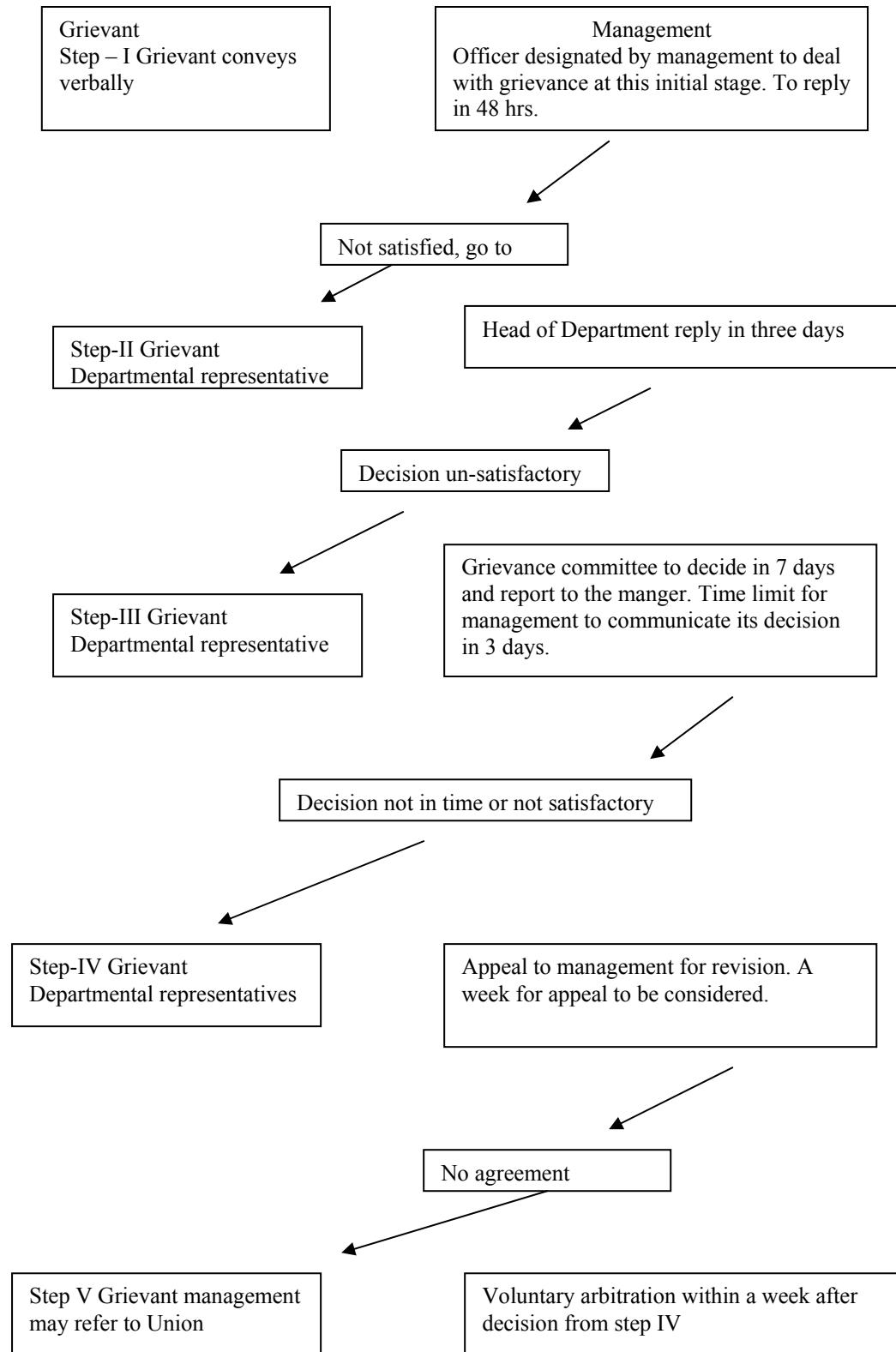


### Model Grievance Procedure

Model grievance procedure was formulated in pursuance to the code of discipline adopted by the sixteenth session of the Indian Labour Conference in 1958. A model grievance redress procedure (as shown in Figure 2) contains five successive time bound steps, each leading to the

next in the event of the non-acceptance of the previous decision (Monappa, 1999)

**Fig.2. Model Grievance Procedure**



These five steps are as under:

1. An aggrieved employee shall first present his grievance verbally in person to the officer designated by the management for this purpose. Answer shall be given within forty-eight hours of the presentation of complaint.

2. If the employee is not satisfied with the decision of first step or fails to receive an answer within the stipulated period, he shall, either in person or accompanied by his departmental representative, present his grievance to the head of the department. The departmental head is expected to give his reply within three days of the presentation of grievance.
3. If the decision of the departmental head is found unsatisfactory, the aggrieved employee may request, forwarding grievance to the grievance committee, which sends its recommendations to the manager within seven days of receiving the employee's request. The management implements unanimous recommendations of the grievance committee. In the event of difference of opinion among the members of the grievance committee, the views of the members, along with the relevant papers are placed before the manager for final decision. In either case, the final decision of the management is communicated to the employee by the personnel officer within three days from the receipt of the grievance committee's recommendations.
4. If the decision of the management is not communicated to the employee within that period, or if it is unsatisfactory, the employee shall have the right to appeal to the management for a revision. In making this appeal, the employee, if he so desires, shall have the right to take a union official along with him to facilitate discussion with the management. The management shall communicate its decision within a week of the employee's revision petition.
5. If no agreement is possible, the union and the management refer the grievance to voluntary arbitration within a week of the receipt by the employee of management's decision.

In case of any grievance arising out of discharge or dismissal of an employee, the above-mentioned procedure shall not apply. Discharged or dismissed employee shall have the right to appeal either to the dismissing authority or to a superior authority that shall be specified by the management within a week from the date of dismissal or discharge.

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## 18.5 METHODS OF CONFLICT RESOLUTION

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The Industrial Disputes Act seeks to regulate industrial relations in the country. Its main objective is to provide for just and equitable settlement of disputes by *negotiation, conciliation, mediation, voluntary arbitration, and compulsory adjudication*. However, in most cases employer-employee relations are determined by direct collective bargaining.

The focus of the Industrial Disputes Act, 1947 is on efficient alternative mechanisms for dispute settlement, such as, reference to Industrial Tribunals, compulsory adjudication, conciliation, etc.

The conciliation machinery provided for in the Act, can take note of the existing as well as apprehended disputes either on its own or on being approached by either of the parties. Since the final decision is with the parties themselves, they cannot complain that their practical freedom has

been impaired or that they have been forced into an unacceptable settlement (section 25).

Section 6 provides for the constitution of a Court of Inquiry, that enquires into the merits of the issues and prepares a report on them that is "intended to serve as the focus of public opinion and of pressure from Government authorities" Section 10 A provides for voluntary arbitration. Voluntary arbitration seems to be the best method for settlement of all types of industrial disputes. Apart from these, Sections 7, 7A and 7B deal with the constitution of adjudicatory authorities, viz., Labour Courts, Tribunals or National Tribunals, respectively.

### **Conciliation**

The objective of conciliation is to bring about an agreed solution through mediation by adopting constitutional means not coercive or inhibitory tactics either by the management or the workers. When parties engaging in collective bargaining are unable to arrive at a settlement, either party or the government may commence conciliation proceedings before a government appointed conciliation officer whose intervention may produce a settlement, which is then registered in the labour department and becomes binding on all parties Conciliation machinery can take note of a dispute either on its own or when approached by one or both concerned parties. Unlike conciliation under the Industrial Disputes Act where there are statutory authorities to conduct conciliation, conciliation under the 1996 Act is not made compulsory. Under section 62 of the Act the party initiating conciliation sends to the other party a written invitation to conciliate, briefly identifying the subject of the dispute. The role of conciliator is to assist the parties in an independent and impartial manner, in reaching an amicable settlement. He has to guide them with objectivity, fairness and justice. Efficacy of conciliation has declined over the years due to expressed worker preference for the legal option in comparison to conciliation. (Murti & Murti, 2005)

If conciliation fails, it is open to the parties to invoke arbitration, or, for the appropriate government to refer the dispute to adjudication before a labour court or a tribunal whose decision may then be notified as a binding award on the parties. Disputes may be settled by *collective bargaining, conciliation, or compulsory adjudication*.

### **Voluntary Arbitration**

The essence of arbitration is the settlement of disputes by a tribunal chosen by the parties themselves, rather than by the courts constituted by the state. The popularity of arbitration as a mode of settling disputes is owing to the fact that "the arbitration is regarded as speedier, more informal and cheaper than conventional judicial procedure and provides a forum more convenient to the parties, who can choose the time and place for conducting arbitration and the procedure for carrying it through with facility. Further, where the dispute concerned is a technical matter, the parties can select an arbitrator who possesses appropriate special qualifications in the matter".

Even though arbitration is a substitute process for civil suit and for obtaining a decision judicially arrived at by an independent impartial authority appointed by the consent of contending parties, arbitration clauses cannot be imposed on the parties. Consent of both parties for arbitration is a precondition for referral or resort to the option. The

arbitral tribunal is given the power to use mediation, conciliation and other procedures as it might decide, during the arbitral proceedings to encourage settlement of disputes. Parties are free to determine the number of arbitrators depending upon the nature of the agreement. The grounds on which award of an arbitrator may be challenged before the court have been severely cut down. The award can be quashed only for invalidity of the agreement, want of jurisdiction on the part of the arbitrator or want of proper notice to a party of the appointment of the arbitrator or of arbitral proceedings or a party being unable to present its case. At the same time, an award can now be set aside if it is in conflict with the public policy on a ground which covers, inter alia, fraud and corruption. (Murti and Murti, 2005)

This method has not been very popular, especially in northern India despite provision for the same in the Industrial Disputes Act of 1947. (Ghosh, 1969) This has been mostly because of non availability of suitable arbitrators and also because voluntary arbitration leaves no room for the parties to go in appeal. Though voluntary arbitration is representative in character and stresses on responsibilities, rights and obligations of both parties in equal measure, has lamentably been, in effect, thwarted by trade unions. They have been and seen to resort to recalcitrant tactics following adverse decisions.

### **Adjudication**

Adjudication is relied upon most by workers for settlement of disputes. The government has the discretion to refer an industrial dispute for adjudication to a labour court or an industrial tribunal or an industrial court. Each case is studied separately for referrals. Adjudication as a method of resolution is criticised on the following grounds:

1. Adjudication leads to delay in settlement of disputes.
2. Problems are exacerbated further by additional conflicts and strikes during proceedings.
3. It has relegated unions to the status of agents of litigation from their ideal role as ideological constructive bodies. Their ideological base has resultantly been deemphasised or eroded.
4. It has thwarted development of collective bargaining which is widely practised in developed nations.

The following points need to be kept in mind while handling grievances:

1. A grievance should not be postponed in the hope that people will "see the light" themselves.
2. Written records should be maintained.
3. All relevant facts regarding grievance should be collected by the management and proper records maintained.
4. The employee should be given time off to pursue the grievance-related matter.
5. The management should make a list of all possible solutions and later evaluate them one by one in terms of their total impact on the organisation.

6. Decision once reached should be communicated to the employee and acted upon promptly by the management.
7. Follow up must be taken by the management to determine whether action taken has brought about the desired change in the employee's attitude.

### **Conflict Resolution for Central Government Employees**

The Joint Consultative Machinery (JCM) and compulsory arbitration for central government employees has been in operation since 1966. It provides a forum for consultation between the government of India in its capacity as employer and the general body of employees at three levels. At the apex level, there is a National Council, with departmental councils and office councils at the ministry/department and office levels respectively. The National Council deals with general matters concerning Central Government employees, such as pay of common categories, dearness allowance, matters relating to categories of staff, common to two or more departments, which are not grouped together in a single departmental council. Matters affecting staff of a single department are considered in the departmental council and local or regional questions at the level of office councils. Prior approval of the chairman is taken before a subject is included in the agenda for consideration of the National Council. The council's recommendation became operative after the approval of government is obtained. If there is final disagreement at the level of JCM on arbitral issues, it is open to either side to refer the matter to the Board of Arbitration. The Board of Arbitration follows quasi judicial procedures. Awards of the Board of Arbitration can be modified or rejected by the Government with the approval of the Parliament only on grounds of "National Economy" and "social justice."

### **Working of the JCM**

As per the assessment of the fifth pay commission, the scheme of JCM has functioned well and been able to provide a viable platform for sorting out problems through consultation between employees and the government. This is evidenced by the fact that since 1968, no general strike has taken place. In Railways the last general strike took place as far back as in 1974.

In most cases the awards of the board of arbitration are accepted by the government. Inordinate time is expended between receiving such awards and implementing them. The fifth pay commission has called for a specific time limit on implementation of such awards.

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## **18.6 LABOUR LAWS**

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To have better understanding of industrial relations, it is better to know the labour laws in India since independence.

1. Relating to Service Conditions: - Trade Union Act, 1926; Industrial Employment (Standing Orders) Act, 1946; Industrial Disputes Act, 1947; Employment Exchange (Compulsory Notification of Vacancies) Act, 1959; Contract Labour Act, 1970;

and Sales Promotion (Employees Conditions of Service) Act, 1976.

2. Relating to Wages and Salary: The Payment of Wages Act, 1936; Minimum Wages Act, 1948; Payment of Bonus Act, 1965; and Equal Remuneration Act, 1976.
3. Relating to Social Security: Workmen's Compensation Act, 1923; Employees State Insurance Act, 1948; Employees Provident Fund and Miscellaneous Provisions Act, 1952; Maternity Benefit Act, 1961; Payment of Gratuity Act, 1972; and Employee's Pension Scheme, 1995.
4. Relating to Safety and Welfare: The Factories, Act, 1948; Plantation Labour Act, 1951; and Mines Act, 1952, etc.

### **The Unorganised Sector**

Many of the laws mentioned above apply to the unorganised sector also. In some cases, a separate notification may be necessary to extend the application of a particular law to a new sector.

It is useful to notice that some pieces of legislation are more general in character and apply across the board to all sectors. The Trade Union Act 1926, The Minimum Wages Act 1948, The Contract Labour (Regulation and Abolition) Act 1970, The Workman's Compensation Act 1923, and The Payment of Wages Act 1936 are examples of this type. In certain cases, even the IDA, 1947, would be included.

In addition to the above, there are special sectoral laws applicable to particular sectors unorganised like the Building and Construction Workers Act, 1996; the Bonded Labour System (Abolition) Act, 1976; The Interstate Migrant Workers Act, 1979; The Dock Workers Act, 1986; The Plantation Labour Act, 1951; The Transport Workers Act, The Beedi and Cigar Workers Act, 1966; The Child Labour (Prohibition and Regulation) Act, 1986; and The Mine Act, 1952.

A recent trend has been to seek the creation of a welfare fund through the collection of a levy from which medical benefits or pension provisions are made, like, Kerala, where a large number of such boards have already been set up to take care of welfare in different sectors of employment.

### **The Industrial Disputes Act, 1947**

The Industrial Disputes Act, 1947 was enacted to make provisions for investigation and settlement of industrial disputes and for providing certain safeguards to the workers.

It provides for a special machinery of conciliation officers, work committees, court of inquiry, Labour courts, Industrial Tribunals and national Tribunals, defining their powers, functions and duties and also the procedure to be followed by them.

It also enumerates the contingencies when a strike or lock-out can be lawfully resorted to, conditions for lay off, retrenching discharging or dismissing a workman, circumstances under which an industrial unit can be closed down and several other matters related to industrial employees and employers.

The Central Government is the appropriate government for the industries, which are carried on:

- (a) By or under the authority of the central government;
- (b) By a railway company;
- (c) A controlled industry, specified for this purpose;
- (d) In relation to certain industries enumerated in sec 2(a) of the act (Central government has delegated its power in respect of 199 industries to the state government)

### **The Workman's Compensation Act, 1923**

The Workman's Compensation Act, 1923, covers all cases of accidents arising out of and in the course of employment' and the rate of compensation to be paid in a lump sum, is determined by a schedule proportionate to the extent of injury and the loss of earning capacity. The injured person can claim the compensation. In the case of his death the dependent can claim the compensation. This law applies to the unorganised sectors and to those in the organised sectors who are not covered by the Employees State Insurance Scheme, which is conceptually considered to be superior to the Workman's Compensation Act.

### **The Employees' State Insurance Act, 1948**

The Employees State Insurance Act, 1948, provides a scheme under which the employer and the employee must contribute a certain percentage of the monthly wage to the Insurance Corporation that runs dispensaries and hospitals in working class localities. It facilitates both outpatient and in-patient care and freely dispenses medicines and covers hospitalisation needs and costs. Leave certificates for health reasons are forwarded to the employer who is obliged to honour them. Employment injury, including occupational disease is compensated according to a schedule of rates proportionate to the extent of injury and loss of earning capacity. Payment, unlike in the Workmen's Compensation Act, is monthly.

### **The Maternity Benefit Act, 1961**

The Maternity Benefit Act of 1961 is applicable to notified establishments. Its coverage can therefore extend to the unorganised sector also, though in practice it is rare. It regulates employment of women in certain establishments for a certain period before and after child birth and provides for maternity and other benefits. The Act applies to mines, factories, circus, industry, plantation and shops and establishments employing ten or more persons, except employees covered under the Employees State Insurance act, 1948.

A woman employee is entitled to 90 days of paid leave on delivery or on miscarriage. Similar benefits, including hospitalisation facilities are available under the law

There are two types of retirement benefits generally available to workers. One is under the Payment of Gratuity Act and the other is under the Provident Fund Act. In the first case a worker who has put in not less than five years of work is entitled to a lump sum payment equal to 15 days' wages for every completed year of service. Every month the employer is expected to contribute the required money into a separate fund to enable this payment on retirement or termination of employment. In the latter scheme both the employee and the employer make an equal contribution into a national fund. The current rate of contribution is 12 percent of the wage including a small percentage towards family pension. This contribution also attracts an interest, currently 9.5 percent per annum, and the accumulated amount is paid on retirement to the employee along with the interest that has accrued.

### **Equal Remuneration Act of 1976**

This Act applies to an extensive range of classes of employment listed in the schedule which includes the informal sector. It requires employers to pay all workers, men and women *equal remuneration for equal work done*. Remuneration is defined as the basic wage or salary and includes payments in kind. "Same work or work of a similar nature" is defined as work in respect of which the skill, effort and responsibility are the same when performed under similar working conditions or where any differences are not of practical importance in relation to the conditions of employment.

Discrimination on the basis of gender is deemed unacceptable. Employers must also not discriminate on the basis of sex in the recruitment of workers for the same or similar work, or in any terms or conditions of employment, such as promotion, training or transfer. However, priority reservation in recruitment is allowed in relation to any "class or category of persons". Employers are also subject to record keeping requirements

The provisions of this law are regularly monitored by the Central Ministry of Labour and the Central Advisory Committee. In respect of an occupational hazard concerning the safety of women at workplaces, in 1997 the Supreme Court of India announced that sexual harassment of working women amounts to violation of rights of gender equality. As a logical consequence it also amounts to violation of the right to practice any profession, occupation, and trade. The judgment also laid down the definition of sexual harassment, the preventive steps, the complaint mechanism, and the need for creating awareness of the rights of women workers.

According to Government sources, out of 407 million total workforce, 90 million are women workers, largely employed (about 87 percent) in the agricultural sector as labourers and cultivators. In urban areas, the employment of women in the organised sector in March 2000 constituted 17.6 percent of the total organised sector.

### **Employees State Insurance Act, 1948**

This Act is administered by the Employees State Insurance Corporation made up of representatives of employees and employers. The funds under the Act come from employer and employee contributions. All employees are required to be insured under this act, which provides certain benefits to employees subject to a wage limit

The Act provides for the payment of maternity benefit which is described as periodic compensation to women who are insured in the event of confinement, miscarriage, sickness related to pregnancy, confinement, premature birth. Confinement is defined as labour (including still birth) after 26 weeks of pregnancy. Compensation is paid if the competent authority certifies that the employee is eligible. In addition, the Act provides for the conditions for the payment of maternity benefits, its rates and the period for which it is to be paid to be set by Central Government.

### **Payment of Bonus Act, 1965**

The Act applies to all factories and every other establishment, which employs twenty or more workmen. It provides for a minimum bonus of 8.33 percent of wages. The salary fixed for eligibility purposes is Rs. 3,500 per month and the payment is subject to the stipulation that the bonus payable to employees drawing wages or salary between Rs 2,500 and Rs. 3,500 per month would be calculated as if their salary or wages is Rs. 2,500 per month.

### **Trade Unions Amendment Act, 2001**

Salient features of the Trade Unions (Amendment) Act, 2001:

- No trade union of workmen shall be registered unless at least 10% or 100, whichever is less, subject to a minimum of 7 workmen engaged or employed in the establishment or industry with which it is connected are the members of such trade union on the date of making of application for registration;
- A registered trade union of workmen shall at all times continue to have not less than 10% or 100 of the workmen, whichever is less, subject to a minimum of 7 persons engaged or employed in the establishment or industry with which it is connected, as its members;
- A provision for filing an appeal before the Industrial Tribunal / Labour Court in case of non-registration / restoration of registration has been provided;
- All office bearers of a registered trade union, except not more than one-third of the total number of office bearers or five, whichever is less, shall be persons actually engaged or employed in the establishment or industry with which the trade union is connected;
- Minimum rate of subscription by members of the trade union is fixed at one rupee per annum for rural workers, three rupees per annum for workers in other unorganised sectors and 12 rupees per annum in all other cases; and
- For the promotion of civil and political interest of its members unions are authorised to set up separate political funds.

### **Contract Labour Regulation and Abolition Act, 1970**

The contract labour (regulation and abolition) act 1970 has been enacted to regulate the employment of contract labour in certain establishments and provide for its abolition in certain circumstances and related matters. The act provides for the constitution of Central and State Advisory Boards to advise the concerned governments on matters arising out of the

administration of the Act. The Central Advisory Contract Labour Board has also constituted a number of committees to enquire into the question of prohibition of contract labour system in different establishments.

### **Child Labour (Prohibition and Regulation) Act, 1986**

The Child Labour (Prohibition & Regulation) Act, 1986 prohibits employment of children in hazardous occupations and processes and regulates their employment in some other areas.

### **Industrial Employment Standing Orders Act, 1946**

The Industrial Employment (standing orders) Act, 1946, applies to every industrial establishment wherein 100 (reduced to 50 by the central government in respect of the establishments for which it is the appropriate Government) or more workmen are employed. All regional labour commissioners have been declared certifying officers in respect of the establishments falling in the central sphere. Central labour commissioner, joint labour commissioner and deputy labour commissioners have been declared appellate authorities under the act.

### **Hours of Employment Regulations, 1961**

It regulates hours of work and periods of rest. Workers aggrieved by classification can approach regional labour commissioner who is empowered to decide such cases.

### **Health and Safety of Workers**

The provisions of the Factories Act ensure that protection of the health and safety of workers in all industries is maintained. Since it is a statutory obligation, both employers and employees are required to observe the safety and protection requirements. Noncompliance with these requirements would call for penal action from the concerned government authority.

### **Termination of Employment**

The Industrial Disputes Act provides strict rules for layoff, retrenchment and compensation. No employee in any industrial establishment who has worked for more than one year may be retrenched without being given one month's notice in writing indicating the reasons for retrenchment. The employee is also entitled to compensation equivalent to 15 days' pay for each year of service completed. The government has activated the National Renewal Fund (for rehabilitation and retraining of workers displaced from such units) on a non-statutory basis.

Tax concessions have been extended to beneficiaries under approved Voluntary Retirement Schemes (VRS) of private-sector companies and employees of an authority established under a central, state or provincial act or local authority that meet the guidelines framed for this purpose.

Certain other amenities, such as canteens, rest shelters, first-aid centers, crèches (day-care centers for female employees' children), and educational and recreation centers, etc., are to be provided by the employer in factories, mines and plantations. Large industrial units outside the main cities sometimes provide subsidised housing for their workers. Some states require the setting up welfare fund the

contributions payable by the employer, employees and the state government for promoting activities connected with the welfare of labor.

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## **18.7 ADMINISTRATIVE ARRANGEMENT**

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The Organisation of the Chief Labour Commissioner (C) known as Central Industrial Relations Machinery was set up in April 1945, charged mainly with duties of prevention and settlement of industrial disputes, enforcement of labour laws and promotion of welfare of workers in the undertakings falling within the sphere of the Central Government.

Presently, there are 18 regions each headed by a Regional Labour Commissioner .The Industrial Relations Division (Policy Legal) within the Ministry of Labour deals with labour legislation and schemes applicable to all organisations in India.

The Ministry of Labour has the responsibility to protect and safeguard the interests of workers in general and those constituting the deprived and the marginal classes of society in particular. The Ministry seeks to achieve this objective through enacting and implementing labour laws regulating the terms and conditions of service and employment of workers. All labour laws provide for an inspectorate to supervise implementation and also have penalties ranging from imprisonment to fines. Cases of non-implementation need to be specifically identified and complaints filed before magistrates after obtaining permission to file the complaint from one authority or the other.

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## **18.8 CONCLUSION**

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Industrial Relations involve human problems which require human solutions. Legislation may assist pre-empt and tackle problems, but lasting solution lies in addressing the key concerns of poverty and unemployment among the masses. Industrial Relations are currently going through a phase of transition in India. Socialist rhetoric is slowly giving way to a capitalist orientation. If labour reforms are carried out, which seems likely, industrial climate will undergo a drastic change. The feasibility of proposed changes would have to be discussed thoroughly before the imperatives of globalisation are accepted. Free entry and exit of firms and unimpeded hire and fire of labour could be inimical to labour security. Concerns of labour welfare have to be reconciled with competitiveness of businesses which presently feel thwarted due to ‘rigid’ labour laws.

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## **18.9 KEY CONCEPTS**

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**Grievance:** Grievance is manifest discontent. Grievance articulation requires institutional mechanism to nip discontent in the bud. Grievance articulation and redress form part of corporate social responsibility. The idea of organisation as a social unit is stressed and also endorsed by recognition of these aspects of organisational

functioning. An organisation is a human enterprise requiring human solutions to human problems.

**Industrial Unrest:** Strikes, lock outs and indiscipline on the part of workers are manifestations of industrial unrest. There are many causatives of such unrest, which could be classified as specific organisational problems such as , poor pay, , lack of benefit and assistance schemes, and wider socio- economic problems like unemployment and poverty in the country.

**Negotiation:** Negotiation functions as a ‘safety valve’ by providing outlet for cathartic reactions on the part of workers in organisations. The Human Relation School of Thought epitomised the idea of constructive management- worker interface. By Follett’s understanding, conflict should be resolved with a positive perception, without insisting on either “domination” or “compromise” on the part of any party. The idea of Negotiation is to avoid referral the dispute to courts, or adjudication, which might involve protracted proceedings.

**Retrenchment:** Lay off of workers, following mergers and an acquisition of undertakings is termed retrenchment. Retrenchments are a problem area in personnel administration in the era of globalisation where mergers and acquisitions have become a common business strategy, especially in free- market economies which practice hire and fire policy of employment and free entry and exit of firms.

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## **18.11 ACTIVITIES**

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1. Address the semantic confusion between Personnel Management, Human Resource Management and Industrial Relations.
2. Discuss the scope of Industrial Relations in the context of democracy and social change.
3. Evaluate Conciliation, Arbitration and Adjudication as dispute resolving mechanisms by quoting relevant examples.

**Structure**

- 19.0 Learning Outcome
- 19.1 Introduction
  - 19.1.1 Aspects of Discipline
  - 19.1.2 Progressive Discipline
  - 19.1.3 Requirements of Effective Discipline
- 19.2 Approach of Negative Discipline
  - 19.2.1 Reasons of Indiscipline
  - 19.2.2 Judicial Approach to Discipline
- 19.3 Disciplines in Civil Service
  - 19.3.1 Issue with Discipline
  - 19.3.2 All India Civil Service Conduct Rules, 1968
- 19.4 Conclusion
- 19.5 Key Concepts
- 19.6 References and Further Reading
- 19.7 Activities

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**19.0 LEARNING OUTCOME**

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After going through this unit, you should be able to;

- Gain understanding positive and negative concepts of discipline;
- Know the details of disciplinary procedure; and;
- Understand Civil Service Conduct Rules.

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**19.1 INTRODUCTION**

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Promotion and maintenance of employee discipline is vital for smooth functioning of an organisation. The fundamental purpose of discipline is to establish harmonious relationship between the employers and employees. Other incidental purposes are, willing acceptance of the rules, regulations and procedure of the ‘system’ (society, organisation),

on the part of workers, securing responsible behaviour on the part of employees, developing a sense of equanimity and spirit of tolerance and adjustment among superiors and subordinates, improving overall effectiveness of the organisation by emphasising *organisational culture*.

Discipline, in a more inclusive sense, refers to the state of employee self-control and effectiveness at work. It indicates the development of genuine team work and proper appreciation of the hierachal superior-subordinate relationship. Behaviour of employees is also governed by informal norms. Such informal rules and norms that support and legitimise organisational practice are based on the *conventions and culture* of the organisation.

Discipline may be *corrective* or *pre-emptive*, depending on whether it comes into effect pre or post-occurrence of alleged aberrant behaviour. Disciplinary action acts as a deterrent or potentially thwarts future undesired behaviour or corrects aberrant behaviour on the part of an employee. In its *negative aspect*, disciplinary action implies punishment. Satisfactory results cannot be obtained however, if discipline is perceived only in terms of control and punishment.

Discipline in its *positive aspect* implies training of the mind that leads to self-control, character, orderliness and thereby efficiency at work. It indicates the development of genuine teamwork and proper appreciation of the hierarchical superior- subordinate relationship.

### **19.1.1 Aspects of Discipline**

The positive concept of discipline assumes a certain degree of self-discipline. The concept of discipline is related to the idea of ‘self – actualisation’ (Maslow, 1954) at work which represents higher order need satisfaction of employees. Such discipline is achieved when management applies the principles of positive motivation along with appropriate leadership. Positive discipline is also known as ‘*co-operative discipline*’ or ‘*determinative discipline*.’

Behaviour of employees is also governed by informal norms besides formal. Such informal rules and norms that support and legitimise organisational practice are based on the conventions and culture of the organisation. It would be pertinent here to discuss the major aspects of discipline.

Peter Senge’s (1990) idea of personal mastery, systems thinking and mental models is applicable here. ‘Systems thinking is ‘concerned with a shift of mind from seeing parts to seeing the whole, from seeing people as helpless reactors to seeing them as active participants in shaping their reality, from reacting to the present to creating the future.’

Personal mastery entails developing the self with commitment to truth. *Mental models* are our perception of the world. Directing energy towards positive pursuits in organisations involves fostering openness in organisational climate. It also involves seeking to distribute responsibly, far more widely, while retaining coordination and control. “Learning organisations are localised organisations that believe in decentralisation and delegation. Workers are encouraged to take up responsibility and are

relied upon to produce expected results.” (Senge, 1990). Senge discusses these concepts in the context of organisations as *learning systems*. Adoption of innovative ways is an imminent aspect of discipline, by the modern inclusive understanding of the concept.

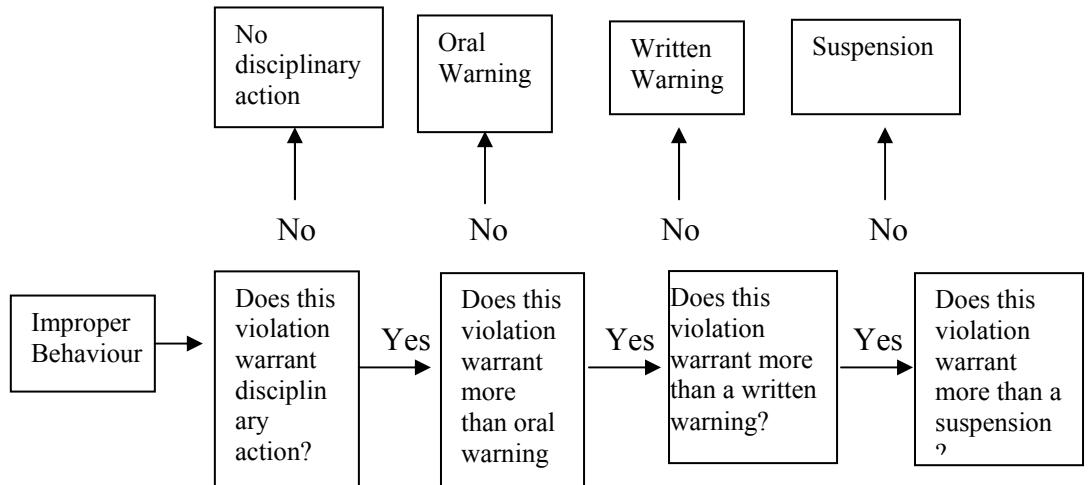
Positive discipline requires certain pre-requisites to be effective. The same are recounted as follows:

- (a) The aim is to help and not harm employees;
- (b) Communication of requirements of job and rules to the employees are necessary to secure better compliance;
- (c) Performance standards should be fair and consistent throughout the organisation;
- (d) Superior should create a climate of responsibility and observe self-discipline, to lead by example. The principle is ‘example is better than precept’;
- (e) Individual differences among men are recognised and methods applied take the specifics of each case into account; and;
- (f) Employee gains a sense of security with the knowledge of scope of actions, particularly limitations thereof, which help him conform better to organisational stipulations (concerning formal and informal norms of work behaviour).

### **19.1.2 Progressive Discipline**

Progressive discipline is liberal in nature and ideally progresses sequentially and systematically through a prescribed series of steps to be effective. These steps are as follows: *oral reprimand*, *written reprimand*, *second written warning*, *temporary suspension* and finally, *dismissal* or *discharge*. Observance of the sequence ensures compliance with the principle of ‘natural justice’, represented diagrammatically (Wayne and Noe, 1985):

**Fig.1 Progressive Discipline Steps**



In view of above facts, the idea is endorsed that it is important to have self-discipline for healthy organisational behaviour.

### 19.1.3. Requirements of Effective Discipline

Requirements of effective discipline are different in the present climate of '*knowledge era*,' where employees are better educated and do not acquiesce unquestioningly to autocratic behaviour. Unions also exert considerable influence on disciplinary matters. For effective discipline the following principles need to be considered: -

1. Discipline should be constructive, in that, emphasis should be on work efficiency and not mere compliance with rules and regulations.
2. Disciplinary action should not be initiated unless there is imperative need for it and no other means is expected to be effective.
3. Discipline is not to be administered unthinkingly. Each case should be treated keeping the specifics in view.
4. All facts regarding a case should be collected to gain proper appreciation of the case.
5. Employee should be given a fair chance to explain his side of the story.
6. Attempt should be made to know the worker's perception. It helps better appreciation of the situation. Also, admission of mistake on the part of the offending party should be encouraged.

7. Employee should not be disciplined in the presence of his colleagues or subordinates.
8. Right timing of action is important. Action should be taken as soon as possible after the occurrence of questionable behaviour
9. Corrective measure should be adequately served in order to be effective.
10. Consistency in disciplinary action is important.
11. Once disciplinary action is taken, normal attitude should be resumed towards the offending employee.
12. Occasions of ‘disciplining’ should be reduced to the minimum by showing constant and sincere interest in each worker's welfare on and off the job.
13. Admission of mistake should be encouraged on the part of the offending party.
14. Every action taken requires auditing in due course to judge its efficacy, specifically in terms of;
  - (a) The extent to which the situation was corrected.
  - (b) Extent to which the employee realised his mistake.
  - (c) Impact on organisational climate.

## **19.2 APPROACH OF NEGATIVE DISCIPLINE**

Employees are forced to obey orders and compliance is exacted as per rules by use of coercive means such as penalties, threat, fear or force. Such discipline is known as *punitive, corrective or autocratic* discipline. This approach to discipline inhibits behaviour and ensures only a minimum standard of performance on the part of employees. The approach of negative discipline entails: -

- (a) 'Big shock', rule-through 'fear' or 'be tough' line;
- (b) Punishment is to be deterrent i.e., make one an example for others;
- (c) There is no emphasis on ‘why’ regarding punishment;
- (d) No fact is essential to explain it; and
- (e) Dealing with misconduct is important

### **19.2.1 Reasons of Indiscipline**

Indiscipline implies, unabashed nonconformity to formal and informal stipulates of work behaviour of the organisation, which has the effect of disrupting organisational practice. Environmental (socio-economic and socio-cultural) and behavioural factors contribute to expressed impunity on the part of workers. It has been found, that many cases of indiscipline in an organisation arise out of managerial actions and decisions. Such actions and decisions are recounted below:

- (i) Lack of proper communication
- (ii) Ineffective leadership
- (iii) Unfair labour practices
- (iv) Inadequate wages and salary system
- (v) Unreasonable declaration of payment of bonus or non payment
- (vi) Ineffective grievance procedure
- (vii) Victimisation by the management, without assigning reasons for actions
- (viii) Inappropriate placement policy, leading to employee resentment.
- (ix) Undesirable derogatory behaviour of senior officials
- (x) Error of judgement of the management leading to gross impropriety
- (xi) Unfavourable physical working conditions and social working relations
- (xii) 'Divide and rule' policy of the management.

Other incidental causes with wider systemic implications are:

- (i) Illiteracy and low intellectual level of workers
- (ii) Social background of workers, such as drinking habit, oppressive family structure, caste discrimination, etc.
- (iii) Natural reaction of workers towards rigidities and multiplicity of rules
- (iv) Employee's personal problems and subjective fears
- (v) Incorrigible tendency to flout organisational rules and instructions in some cases

Some other manifestations of disorderly behaviour displayed during work hours at the establishment include:

- Sleeping while on job

- Disobedience, smoking in a prohibited area
- Failure to obey safety rules
- Concealing defective work
- Unauthorised collection of funds, and
- Allowing unauthorised persons to operate machines, etc.

In a nutshell, indiscipline is the result of inter-related and underlying general, socio economic, or particular organisational factors, for which the management and the employees, both are responsible. Control requires effective leadership. Leadership function should not be construed as a management prerogative alone. Employees are expected to exhibit an equal measure of responsibility for maintenance of organisational discipline.

Indiscipline if allowed to grow creates an environment of non-cooperation in the organisation, whereby strikes, go slow tactics, and unauthorised absenteeism and loss of production are potentially possible.

Clause 14 of the model standing orders provided in the Industrial Employment (Standing Orders) Act (1946) give an illustrative list of omissions and commissions which are regarded as constituting misconduct, and refers to disciplinary action that needs to be taken in case of misconduct. Indiscipline is categorised into two broad groups: (i) minor or moderate offences (ii) serious offences. It is difficult to give an exhaustive account of all behaviours constituting indiscipline. Examination of facts relating to indiscipline would however be desirable.

### **Categories of Offences**

#### **A. Minor or Moderate Offences**

Minor or moderate offences include:

- unauthorised absence on one or more scheduled work days
- leaving job or work area without proper authorisation
- wandering around to the general disquiet, and ,
- fighting

#### **B. Serious Offences**

Serious offences involve malicious damage or wilful destruction to organisational property, gross insubordination, deliberate negligence of duty, stealing and fraud, carrying dangerous weapons inside organisational premises, promotion of gambling, frequent repetition of offensive act (s), striking work, tempering with official records, misappropriation of funds etc.

## **Disciplinary Action**

The disciplinary action process is dynamic and on-going but there is no hard and fast rule to deal with it. Discipline involves behaviour-management skills, which may be subjectively determined. Several concepts regarding administration of disciplinary rules have been developed. Counselling and educating employees can be effectively and positively applied to check indiscipline. One view regarding disciplinary action is commonly referred to as the 'Hot Stove Rule'.

According to this approach, disciplinary action should follow precepts such as: -

1. *Burns Immediately* - Disciplinary action should be taken immediately for maximum impact.
2. *Provides Warning* - It is also important to provide advance warning to errant employee to deter future occurrence of unacceptable behaviour. The analogy offered to express the situation is; punishment grows in succeeding stages, as one 'feels the heat' as one moves closer to a stove and is likely to be burnt on touching it;
3. *Gives Consistent Punishment* - Disciplinary action should be consistent. As with a hot stove, each should be affected (burnt) in equal measure (to an equivalent degree) by it (on touching it); and;
4. *Burns Impersonally*- Disciplinary action should be impersonal.

In order to maintain the motivation and morale of employees at a desirable level, it is relevant to adopt a formal system for dealing with indiscipline. Informal approach to managing discipline is not recommended as it creates bitterness, is mostly based on hear say, and also lacks effectiveness. The formal system mainly refers to the *judicial approach*.

### **19.2.2. Judicial Approach to Discipline**

In order to ensure security of jobs, the government has assured a measure of protection to industrial workers from apprehended misuse of managerial power of hire and fire.

Industrial Employment (Standing Orders) Act, 1946, defined the conditions of recruitment, discharge, disciplinary action, holidays, leave, etc. This act is applicable to industrial establishments where hundred or more workmen have been employed. Under this act, every establishment is required to submit standing orders for approval of the Labour Commissioners of the respective areas. A copy of this draft is forwarded to the trade union of workmen or to individual workmen requiring them to submit their objections within fifteen days from the receipt of the draft.

If modifications or additions have been made by the parties, the Commissioner sends a copy of the certified standing orders to the employer. Any party aggrieved by the orders of the commissioner can appeal to the appellate authority. The order of the appellate authority is final. The standing orders come into force at the expiry of thirty days from the date on which the copies are sent by the certifying officer.

Acts amounting to Misconduct:

1. Wilful insubordination or disobedience;
2. Theft, fraud or dishonesty in connection with employer's business
3. Refusal to accept any order or notice or charge sheet communicated in writing;
4. Wilful damage to work in progress or property of the employer ;
5. Non-observance of safety precautions or rules;
6. Taking or giving bribe or any other form of illegal gratification;
7. Late attendance and absence without leave on more than four occasions within a month;
8. Habitual absence without permission for more than ten consecutive days or overstaying the sanctioned leave without sufficient grounds or any satisfactory explanation;
9. Absenting without express permission;
10. Assault, abuse or threat to any officers or colleagues ;
11. Drunkenness or reporting to duty under the influence of alcohol;
12. Smoking or spitting in prohibited areas;
13. Sleeping while on duty;
14. Unlawful interference in the work of other employees;
15. Habitual neglect ;
16. Malingering or pursuing slow down tactic;
17. Preaching or inciting violence;
18. Striking work without tendering fourteen day's notice ;
19. Conviction in any court of law for any criminal offence;
20. Unauthorised communication of official documents;
21. Collecting money or canvassing for any purpose during work hours without permission of the management;

22. Organising meetings in company premises without the consent of the management;
23. Money lending or carrying on any private business activity within the premises of the organisation;
24. Giving false information about personal particulars, name, age, father's name, qualification, previous experience, etc., at the time of employment;
25. Spreading rumours or giving false information or making defamatory statements, which bring the management or officers into disrepute;
26. Speculation in any commodity;
27. Abetment or commission of any act of misconduct;
28. Breach of any rule applicable to the establishment.

From the above recount, it is clear that the model standing orders specify the terms and conditions of employment and define day-to-day employer-employee relationship. The Manager has the right to take disciplinary action against subordinates for misconduct but has to observe the principles of natural justice in the process. The subordinate should be given 'reasonable opportunity' of being heard.

### **Domestic Enquiry**

There is no statutory regulation of disciplinary action. However, case law has been developed by the Supreme Court, the High Courts and Labour Courts and Industrial Tribunals in India. Awards of courts have indicated detailed procedure for disciplinary action and made it compulsory on the part of the management to hold domestic enquiry before a worker is punished for misconduct.

The principle behind domestic enquiry is to do justice to the accused. No employee should be punished unless proven guilty. The rules of 'natural justice' require that a party should be afforded the opportunity of providing relevant evidence and that the evidence of the opponent should be taken in his presence and that he should be given the opportunity of cross examining the witnesses who were examined in support of the charges and no materials should be relied upon against him without availing an opportunity of explaining.

The purpose of an enquiry is to ascertain facts with respect to a case. This has to be done through oral evidence given witnesses or documents produced by the official counsel in support of arguments.

In cases where an employee has been punished, it has to be established that action taken was in conformity with legal requirements, and, even

otherwise, manifestly just. In this context certain legal aspects which managers might come across when dealing with a delinquent employee need to be discussed.

- (a) When there is reported misconduct on the part of an employee, the manager should immediately arrange for a preliminary investigation. Disciplinary action should be instituted only if there is a *prima facie* case against the employee and that too, if the management is convinced that corrective action like oral reprimand or warning would not be sufficient to meet the situation.
- (b) If the management decides that the misconduct alleged against the employee is grave enough to warrant issue of a charge sheet and institution of further proceedings, certain simple guidelines should be followed to ensure that no unjust action is taken against the employee.

These principles have been discussed by the Highest Court of the country and form the corner stone of legal requirements of disciplinary proceedings. The same are: -

- (i) Action taken should be in good faith;
- (ii) There should not be victimisation or any unfair labour practice;
- (iii) Proceedings should be free from basic errors and principles of natural justice should always be observed; and;
- (iv) Case against an employee should be based on the material facts presented during the proceedings.

The management has full power to regulate internal administration but any action taken by the management opposed to above principles is bound to be resisted by workmen and quashed by the courts on grounds of victimisation.

Victimisation implies punishment of an innocent employee in an arbitrary manner, and, also, illegally, because he has in some way displeased the employer. An active member of union is given punishment quite out of proportion to the gravity of the offence simply because he has incurred the displeasure of the employer.

If findings at the enquiry are based on extraneous considerations or the employee is held guilty and punished for an act not mentioned in the charge sheet, the enquiry officer is held guilty of basic error.

### **Procedure of Domestic Enquiry**

From the above analysis, it is clear that disciplinary proceedings (including holding an enquiry) cannot be deemed to have been properly instituted, unless the following requirements have been met: -

- (a) The employee concerned has been informed of the charges levelled against him. Sufficient notice has to be given to the employee to enable him to prepare his defence and ready all documentary evidence;
- (b) Enquiry officer should be unbiased and independent. He may be a senior officer of the organisation or an outsider or a lawyer, as mentioned in the standing orders of the organisation;
- (c) Witnesses are to be examined in the presence of the employee, in respect of the charge or charges levelled against him;
- (d) Employee is to be given a fair opportunity to cross-examine the witnesses;
- (e) Employee are to be given a fair opportunity to produce his witnesses, including him self in his defence; and ;
- (f) Enquiry officer is required to record his findings with reasons for the same in his report.

Apart from the principles of natural justice, the other two requirements are:

- (1) Unbiased enquiry proceedings; and ;
- (2) Opportunity to the other party to be heard in good faith.

The Supreme Court has set out the duties of a Labour Court in terms of its role in domestic enquiry. First step is to determine the validity of a domestic enquiry. If no enquiry or a defective enquiry was held, the labour court can quash the proceedings and conduct a fresh enquiry on its own. Both the management and employee are allowed to produce witnesses and adduce evidence in their support. Based on the principles discussed above a domestic enquiry consists of the following stages: -

**Issue of Charge Sheet:** - The charge sheet should be carefully drafted and should be based on a written complaint or report. It must contain, in clear terms, full particulars of information regarding date, time, place, description etc., relating to alleged offence. The relevant standing orders should also be cited. The charge sheet should be duly served to the employee.

**Reply to the Charge Sheet:** - A specific time period should be allowed to the employee to submit his explanation in reply to the charge sheet. If reply to the charge sheet is found satisfactory, there is no question of any enquiry and the employee is exonerated of the charge. If satisfactory, the employee should be intimated and asked to attend the enquiry.

**Enquiry:** - The enquiry officer should not have any personal knowledge of the incident, nor should have any personal interest in the case. Enquiry officer should also not be a likely witness in the case.

**Examination of Witnesses:** - The charge sheet should be read over and explained to the employee concerned who should again attest to

understanding it. The complainant and his witnesses should be examined before the charge-sheeted employee. The employee can be asked to make any statement regarding the incident on which he stands charged. The underlying principle is that the complainant should prove the commission of offence and the employee concerned is not to be required to disprove the charges levelled against him.

**Admission of Guilt:** - If the charge-sheeted employee admits to guilt, it does not necessarily follow that the enquiry is to be dispensed with. To ensure that any punishment awarded has been justly meted out, it is suggested that even when the employee admits guilt, a formal enquiry should be held to have his admission confirmed.

**Findings:** - On the material available to the enquiry officer in the course of the enquiry, should be considered the evidence on record and he state his own conclusions. The object of holding an enquiry is to enable an independent person to arrive at a just decision as to charge. The conclusion should be recorded precisely and clearly indicating the reasons for arriving at the same. No extraneous information should be relied on and the totality of the evidence should be considered. On receipt of enquiry report, appropriate authority examines the proceedings, evidence, documents and the findings of the enquiry officer. In case the appropriate authority agrees with the findings of the enquiry officer and decides to impose punishment on the basis of conclusions arrived at, the second stage of enquiry begins because it is the right of the delinquent employee to make a presentation against such findings in the report which is the demand of the reasonable opportunity as has been laid down by the Supreme Court in MD, ECIL vs. K Karunakaran(1993). Denial of the right to a copy of the enquiry report amounts to denial of 'reasonable opportunity' and violation of Articles 14 and 21 of the Constitution of India and principles of 'natural justice'. Accordingly, a copy of the enquiry officer's report is supplied by the disciplinary authority to the delinquent employee, for him to submit his explanation against the findings of the enquiry officer against. In response, the delinquent employee has a right to question the fairness and findings of the enquiry officer and the employee submits his explanation or representation against the report. The explanation so submitted by the employee is to be considered by the disciplinary authority the seriousness of the charges proven against the employee. Punishment order is passed in accordance by the disciplinary authority. Punishment should be based on the findings of the enquiry and should be in proportion to proven misconduct and considering the past record of the employee.

### **Punishments for Misconduct**

- (i) Workmen who are adjudged guilty of a major misconduct are liable to any of the following punishments: -
  - (a) Withholding increment (s)
  - (b) Demotion to a lower post in the same cadre or to a lower cadre
  - (c) Suspension; or;
  - (d) Dismissal

(ii) The employer may award the following punishments for minor misconduct: -

- (a) Fine
- (b) Warning
- (c) Censure

**Imposition of Fine:** - A fine shall be imposed in accordance with the provisions of the Payment of Wages Act, 1936, by the officer authorised to impose fines. The proceeds of all the fines realised are to be remitted to the Welfare Commissioners under U.P. Welfare Funds Act, 1965 as per the rules made there under.

Punishment should be only awarded after affording reasonable opportunity of being heard to the workmen in accordance with the principles of natural justice.

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### **19.3 DISCIPLINE IN CIVIL SERVICE**

Government servants have to comply with strict norms of behaviour relating to prevention of corruption and personal and professional ethical conduct. Enquiries are instituted against government employees in case of breach of stated provisions in accordance with Article 311 of the Constitution of India. It reads as under:

Dismissal, removal or reduction in rank of persons employed in civil capacities under the Union or a state

(1) No person who is a member of a civil service of the Union or an all India service or holds a civil post under the Union or a state shall be dismissed or removed by an authority subordinate to that by which he was appointed.

(2) No such person as aforesaid shall be dismissed or removed or reduced in rank except after an inquiry in which he has been informed of the charges against him and given a reasonable opportunity of being heard in respect of these charges.

(3) Provided that where it is proposed after such inquiry, to impose upon him any such penalty, such penalty may be imposed on the basis of the evidence adduced during such inquiry and it shall not be necessary to give such person any opportunity of being of making representation on the penalty proposed.

(4) Provided further that this clause shall not apply-

a. where a person is dismissed or removed or reduced in rank on the ground of conduct which has led to his conviction on a criminal charge; or

- b. where an authority empowered to dismiss or remove a person as aforesaid, a question arises whether it is reasonably practicable to hold such inquiry as is referred to in clause 2, the decision thereon of an authority empowered to dismiss or remove such person or reduce him in rank shall be final.

The distinction between '*dismissal*' and '*removal*' lies in the consequences of the respective orders. In the former case, the person is ineligible for reemployment in government service, while in the latter case he is eligible. To constitute 'reduction' in rank within the meaning of clause (2), there should be reduction relating to classification as a government servant, and such reduction or demotion must be by way of a *penalty*. The decision should cast entail 'stigma' on the employee and entail of penal consequences to imply dismissal, reduction in rank or dismissal within the meaning of Article 312. Punishment may not be handed down to a civil servant by any authority subordinate to that by which he was appointed. The term 'subordinate' refers to subordination in rank and not in respect of 'function.' The power under article 311 cannot be delegated. But the power to inquire to the charges against the employee and report may be delegated to a subordinate authority or to an independent individual or a tribunal provided the final consideration and dismissal is by the appointing authority. The advice of the union public service commission is taken in every case where it is necessary to consult the commission before making an order imposing penalty (Hidaytullah, 1986). Members of defence services or those who hold an any post connected with defence like civilians in defence establishments are not governed by the clause. It has also been held that employees of a government company or of statutory corporation being juristic entities apart from the state cannot be said to hold civil posts within the meaning of the clause.

As per Central Civil Services (Classification, Control and Appeal) Rules, 1965, Part IV , Suspension (Rule 10), "The appointing authority or any authority to which it is subordinate or the disciplinary authority empowered in that behalf by the President, by general or special order, may place a Government servant under suspension:-

- a. Where a disciplinary proceedings against him is contemplated or pending; or; where, in the opinion of the authority aforesaid, he has engaged himself in activities prejudicial to the interest of the security of the state; or
- b. where a case against him in respect of any criminal offence is under investigation, inquiry or trial:

Provided that, except in case of an order of suspension made by the Comptroller and Auditor-General in regard to a member of the Indian Audit and Accounts Service and in regard to an Assistant Accountant General or equivalent (other than a regular member of the Indian Audit and Accounts Service), where the order of suspension is made by an authority lower than the appointing authority, such authority shall forthwith report to the appointing

authority the circumstances in which the order was made.” (R. Kannan)

Penalties classified as per Rule, 11 are as follows:

**A. Minor Penalties-**

- i. censure;
- ii. withholding of his promotion;
- iii. recovery from his pay of the whole or part of any pecuniary loss caused by him to the Government by negligence or breach of orders;
- iv. withholding of increments of pay;

**B. Major Penalties**

- v. reduction to a lower stage in the time-scale of pay for a specified period, with further directions as to whether or not the Government servant will earn increments of pay during the period of such reduction and whether on the expiry of such period, the reduction will or will not have the effect of postponing the future increments of his pay;
- vi. reduction to lower time-scale of pay, grade, post or Service which shall ordinarily be a bar to the promotion of the Government servant to the time-scale of pay, grade, post, or Service from which he was reduced, with or without further directions regarding conditions of restoration to the grade or post or Service from which the Government servant was reduced and his seniority and pay on such restoration to that grade, post or Service;
- vii. Compulsory retirement;
- viii. removal from service which shall not be a disqualification for future employment under the Government;
- ix. dismissal from service which shall ordinarily be a disqualification for future employment under the Government

The President may impose any of the penalties specified in Rule 11 on any Government servant (Rule 12)

The President or any other authority empowered by him by general or special order (Rule 13) may:

- a. institute disciplinary proceedings against any Government servant;
- b. direct a disciplinary authority to institute disciplinary proceedings against any Government servant on whom that disciplinary authority is competent to impose under these rules any of the penalties specified in rule 11.

A disciplinary authority competent under these rules to impose any of the penalties specified in clauses (v) to (ix) of Rule 11 may institute disciplinary proceedings against any Government servant for the imposition of the penalties specified in clauses (v) to (ix) of Rule 11 notwithstanding that such disciplinary authority is not competent under these rules to impose any of the latter penalties. (*ibid.*)

### **19.3.1 Issue with Discipline**

It is felt that discipline in government is based on ‘archaic’ rules governing civil service *neutrality* and *anonymity*. Particularly, the Weberian construct of the ideal type bureaucracy is held unsuitable for development administration by a leading group of scholars. While specific merits of the arguments may be discussed separately, it would be in order for the purpose of this discussion to glance at conduct rules for civil servants in India to take sides in the raging controversy about strict construction of the rules. The same has to be appreciated in the context of ‘good governance’ that forms the informing ideal to administration in general and development administration in particular. It is opined that bureaucracy needs to be multi skilled, horizontally integrated with other organisations, both government and non-government and more expressive and articulate with respect to responsiveness and better accountability of personnel in order to be people friendly and truly effective. Present rules ‘gag’ the service and make it unresponsive to peoples’ aspirations. Some select provisions of All India Civil Service Conduct rules could now be studied, as mentioned in the following text.

### **19.3.2 All India Civil Service Conduct Rules 1968**

Rule 3(1) states the requirement and desirability of every member of the service maintaining *absolute integrity and devotion to duty* and refrain from acts unbecoming of a member of the service. Implications of the rule are as follows:

Every member shall:

- Ensure integrity and devotion to duty of those under his control and authority;
- Shall be courteous;
- Shall not employ time wasting tactics; and
- Shall act in his own best judgment except when acting under the explicit order of the superior. He cannot evade responsibility by seeking instructions or approvals when not necessary.

{Note 1-Oral orders, if absolutely necessary, should be put down in writing as soon as possible.

Note2- A candidate who regularly falls short of deadlines and quality targets should be deemed lacking in devotion to duty within the meaning of rule 3(1)

Note 3-Engagement in proselytising activities are a just ground for initiating disciplinary action against a civil servant under rule 3.)

Rule 4: Employment of near relatives in companies or firms.

No member shall use his position to secure employment for members of his family in private undertakings (rule 4. cl.1) Employment of a near relative or a member of family with a private undertaking having official dealings with the government requires previous sanction (rule 4-cl.2a) or communication forthwith (rule 4-cl. 2b) to the government.

In case of employment of a family member (s) with a private undertaking, or interest in the affairs of the firm, directly or indirectly, concerned member shall refrain from any dealing relating to awards of contracts to the undertaking. If such eventuality arises, the direction of the superior should be taken. As per rule 13 (3), every member of the service shall, if any member of his family is engaged in a trade or business, or owns or manages an insurance agency or commission agency, report that fact to the government.

Rule 5: Taking part in politics and elections.- As per rule 5, no member of the service can in any way be associated with the activities (fund raising or active association) of any political party or organisation with political overtones or support any political movement or activity ideologically or financially (rule 5-cl.1). As per rule 13 (2), a member of the service may, without the previous sanction of the government,-

- (a) undertake honorary work of a social or charitable nature, or
- (b) undertake occasional work of a literary, artistic or scientific character, or
- (c) participate in sports activities as an amateur, or
- (d) take part in the registration, promotion or management (not involving the holding of an elective office) of a literary, scientific or charitable society, or of a club, or similar organisation, the aims or objectives of which relate to promotion of sports, cultural, or recreation activities, registered under the societies registration act, 1860 (21 of 1860), or any other law for the time being in force; or
- (e) take part in the registration, promotion or management (not involving the holding of an elective office) of a co-operative society substantially for the benefit of the members of the service or government servants registered under the co-operative societies act, 1912 (2 of 1912), or any other law for the time being in force in any state:

Provided that:

- (i) he shall discontinue taking part in such activities, if so directed by the government; and

(ii) in a case falling under clause (d), or clause (e) of this sub-rule, his official duties shall not suffer thereby and he shall, within a period of one month of his taking part in such activity, report to the government giving details of the nature of his participation.

The restriction extends to members of his family, in case of organisations involved or suspected to be involved in activities subversive of the government. In case of such eventuality, a report shall immediately be made to the superior (rule5-cl.2)

In case of ambiguity regarding application of the rule, question shall be referred to the government for decision (rule5-cl.3).

No member of the service shall bring to bear, his influence, on the political process in any way, such as canvassing for a political party in elections or interfering in any other way (5-4) for example, propagating political ideology, giving indication of voting preferences, display of electoral symbols on vehicle etc.(explanation to rule 5).

Rule 6: Connection with press or radio: - Previous sanction of the government shall not be required when the member of the service, in the bonafide discharge of his duties or otherwise, publishes a book or contributes to or participates in a public media (rule13-cl.f) provided that he shall observe the provisions of the rules and at all times make it clear that the views expressed are of his own and not that of the government. Participate in, or associate himself in any manner, in the making of:-

- (i) a sponsored media (including radio, television programme, or
- (ii) a media programme commissioned by Government media, but produced by an outside agency, or
- (iii) a privately produced radio or television or other media programme including a video magazine; provided that no previous permission shall be necessary in the case a member of the service participates in a programme produced by the 'Doordarshan' on a subject dealt with by him in his official capacity.

Provided that he shall observe the provisions of rules and at all times make it clear that the views expressed, are of his own and not those of the government.

Rule 7: Criticism of government policy:

As per rule 7, members of service are prohibited from:

- Publicly criticising government policy through publications or announcements (does not include bona fide discharge of duty); and
- Affecting relations between the central and state governments or the Government of India with foreign states

**Rule 9: Unauthorised communication of information:**

Rule 9 prohibits unauthorised communication of information (except in accordance with general or specific order to that effect from the government or in the course of performance of official duties assigned ‘in good faith’) on the part of members of the service (right to information) Quoting from documents not authorised to have access to, is deemed unauthorised communication within the meaning of the rule (explanation to rule 9)

No member of the service may subscribe to fund raising activity, for any object whatsoever, except with the previous sanction of the government (rule 10).

**Rule 13: Previous sanction of the government is needed to:**

- (a) Engage directly or indirectly in any trade or business, or
- (b) Negotiated for or undertake, any other employment, or
- (c) Hold an elective office, or canvass for a candidate or candidates for an elective office, in any body, whether incorporated or not, or
- (d) Canvass in support of any business of insurance agency, commission agency etc. owned or managed by any member of his family, or
- (e) Take part, except in the discharge of his official duties, in the registration, promotion or management of any bank or other company registered or required to be registered under the Companies Act, 1956, or any other law for the time being in force, or of any co-operative society for commercial purposes.

**Rule 14- Investment, lending and borrowing:** As per rule 14 (1), No member of the Service shall speculate in any stock, share or other investments but this provision will not apply to occasional investment made through Stock-brokers or other persons duly authorised on licence under the relevant law.

As per rule 14 (2), No member of the service shall make or permit any member of his family or any person acting on his behalf to make any investment, which is likely to embarrass or influence him in the discharge of his official duties.

As mentioned in Rule 14 (3), if any question arises whether any transaction is of the nature referred to in sub-rule (1) or sub-rule (2) it shall be referred to the government for its decision.

According to 14 (4) (i), No member of the service shall save in the ordinary course of business with a bank or a public limited company, himself or through any member of his family or any person acting on his behalf.

(a) Lend or borrow or deposit money as a principle or agent, to, or from, or with, any person or firm or private limited company within the local limits of his authority or with whom he is likely to have official dealings or otherwise place himself under pecuniary obligation to such person or firm; or

(b) Lend money to any person at interest or in manner whereby return in money or kind is charged or paid;

As per rule 14 (4) (ii) When a member of the Service is appointed or transferred to a post of such nature as would involve him in the breach of any of the provisions of sub-rule (2) or sub-rule (4), he shall, forthwith report the circumstances to the Government and shall thereafter act in accordance with such order as may be made by the Government.

Rule 16 deals with movable, immovable and valuable property: As per rule 16 (1) every member of the service, on his first appointment to the service, submit a return of his assets and liabilities in such form as prescribed by the government giving full particulars.

As per rule 16 (2), every member of the service shall submit an annual return giving full particulars regarding the immovable property inherited by him or owned or acquired by him or held by him on lease or mortgage, either in his own name or in the name of any member of his family or in the name of any other person.

In accordance with Rule 16(3), No member of the service shall, except with the previous knowledge of the government:

(a) Acquire any immovable property by lease, mortgage, purchase, gift or otherwise, either in his own name or in the name of any member of his family; or

(b) Dispose of by lease, mortgage, sale gift or otherwise any immovable property owned by him or held by him either in his own name or in the name of any member of his family:

As per rule 16 (4) every member of the service shall intimate the government in respect of each transaction, whose value exceeds Rs.15,000/- within a month of the completion of such transaction.

Previous sanction of the government shall be necessary in case of transaction with a person having official dealings with the member of the service.

As per rule 16 (5), a member of the service is required to furnish a full and complete statement of such movable or immovable property held or acquired by him or on his behalf or by any member of his family

Rule 17 reads that for vindication of official act, recourse to the court or press might be had after obtaining previous sanction of the government. If within twelve weeks such sanction is not granted the same is taken as accepted.

Members of the service are obligated to observe cultural norms in personal and official capacity. The same are enumerated under rule 17 A:

- (i) Observe strictly, the existing policies regarding age of marriage, preservation of the Environment, Wild Life and Cultural heritage;
- (ii) Observe the existing policies regarding crime against women and
- (iii) Observe the two children family norms.

Rule 18, makes canvassing for political or other influence to bear upon superior authority is deemed undesirable conduct on the part of a service member.

Personal ethical conduct is stipulated for public servants. Rule 19(1) prohibits a member of service from entering into or contract a marriage with a person having a spouse living unless the government sees that such marriage is permissible under the personal law applicable to such member and the prospective spouse or on other grounds and permits such a marriage. Also, a member of the service who has or proposes to marry a foreign national shall intimate the government of such marriage/intent.

20. Consumption of intoxicating drinks and drugs-A member of the service shall:

Strictly abide by any law relating in intoxicating drinks or drugs in force in any area in which he may happen to be for the time being20. (a);

Not be under the influence of any intoxicating drink or drug during the course of his duty and shall also take due care that the performance of his duties at any time is not affected in any way by the influence of such drink or drug20. (b);

Not consume any intoxicating drink or drug in a public place20. (bb);

not appear in a public place in a state of intoxication 20 (c);

not use such drinks or drugs to excess 20 (d).

Above rules have to be studied in the context of ethics in governance. As has been seen government servants are expected to be model employees in that both their personal and professional conduct is expected to be exemplary. Their behaviour is expected to approximate the ‘ideal’. It corroborates the idea that it is indeed people who make an organisation and individual discipline constitutes organisational discipline. (Ministry of Personnel Pension and Pensioners’ Grievances: Official Release, 2005)

## **19.4 CONCLUSION**

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An attempt has been made in the text of this Unit to clarify the meaning and importance of discipline and conduct rules towards effective working of an organisation. Special focus has been on explanation of discipline in empowerment organisations and relevant rules from All India Civil Service Conduct Rules have been highlighted.

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## **19.5 KEY CONCEPTS**

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**Enquiry:** The legal process of inquiring into a dispute is termed an enquiry. Rules of natural justice deem that punishment should follow proper judicial procedure. It should not be arbitrary in any manner. Each party should have a reasonable opportunity of being heard and judgment should be handed down in a fair and impartial manner.

**Indiscipline:** Non conformity with rules and regulations of an organisation constitute indiscipline. Indiscipline could result from express violation of some rule on the part of the employee which constitutes indiscipline in the legal sense or simply unethical or unacceptable behaviour on the part of the offending employee.

**Victimisation:** Punishment of an innocent employee. Victimisation implies harassment. Victimisation is matter of legal interpretation. The court decides what constitutes a general disciplinary action and when an action could be interpreted as an instance of victimisation.

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## **19.6 REFERENCES AND FURTHER READING**

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## 19.7 ACTIVITIES

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- 1) Discuss the negative and positive concepts of discipline. Analyse the extent to which positive discipline is practicable.
- 2) Why is indiscipline caused? Who bears the responsibility? Bring your own ideas on the subject.
- 3) Discuss All India Service Conduct Rules in the specific context of discipline.

**Structure**

- 20.0 Learning Outcome
  - 20.1 Introduction
  - 20.2 Clarifying concepts
  - 20.3 Purposes of Assessing Human Resource Effectiveness
  - 20.4 The Four C's Model
  - 20.5 Effectiveness Standards
  - 20.6 Assessing Effectiveness of HR Management
  - 20.7 Process Perspectives for Effectiveness
  - 20.8 Conclusion
  - 20.9 Key Concepts
  - 20.10 References and Further Reading
  - 20.11 Activities
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**20.0 LEARNING OUTCOME**

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After reading this Unit, you should be able to:

- Explain managerial effectiveness and suggest criteria for evaluating the effectiveness of management;
  - Discuss the role of HR department and line and staff managers in enhancing management effectiveness;
  - Discuss performance assessment purposes; and
  - Explain four C's model for assessing human resources management.
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**20.1 INTRODUCTION**

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Human Resource Management (HRM) is an important and integral component of an organisation (public or private organisation) and of the organisation's administrative processes. HR management both shapes, and is shaped, by organisational processes. HRM addresses the concern of human resources through a set of functions or activities that are designed to influence the effectiveness of the organisation's employees. These include activities such as recruitment, staffing, training and development, and compensation. From a strategy viewpoint, the activities seek to match the ability and motivation of employees with the requirements and rewards at the job. A critical outcome of concern in HRM is the attraction of the necessary numbers and types of employees to the organisation. Without effective HRM, the organisation produces its goods and services inefficiently and may even place its very survival at risk.

The most significant HR outcome involves the contributions made by employees to the achievement of the organisation's goals. These contributions are called employee performance, meaning how effectively employees carry out their job responsibilities and thereby make a contribution to the organisation's goal attainment. Employee performance is significant and purposeful because it serves as a crucial outcome variable in assessing the effectiveness of HR management.

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## 20.2 CLARIFYING CONCEPTS

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Peter Drucker (1973), a founding father of management theory, distinguished efficiency and effectiveness as, "effectiveness is the foundation of success, efficiency is a minimum condition for survival after success has been achieved. Efficiency is concerned with doing things right. Effectiveness is doing the right things". Efficiency relates to the conversion of inputs into outputs, with special attention on how the inputs are used. Effectiveness relates to the production of outputs, which are intended to yield certain desired outcomes (Sapru, 2002). Efficiency (an input – output concept) is the ability to minimise the use of resources (labour, materials, and time) in achieving organisational objectives, that is, doing things right (Stoner, Freeman and Gilbert, 1996).

Management effectiveness depends upon managerial performance, which, in turn, is defined as "the measure of how efficient and effective a manager is, that is how well he or she determines and achieves appropriate objectives" (*ibid.* p.9). The manager must think in terms of performance, rather than personality. It is not so much what a manager does, but what he achieves that is significant. "Managerial effectiveness has to be defined in terms of output rather than input, by what a manager achieves rather than by what he does." (Reddin, 1970).

Focusing on assessing effectiveness suggests that its components and characteristics be systematically assessed (measured) by the organisation.

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## 20.3 PURPOSES OF ASSESSING HRM EFFECTIVENESS

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Human resource management is a staff function. Its managers advise the line managers throughout the organisation. The HRM process is an ongoing procedure that tries to keep the organisation supplied with the right people in the right positions when they are required.

Human resource activities are conducted both by individual (line) managers throughout the organisation and by specialised (staff) managers within the HR department. Since the HR department has the responsibility of administering the numerous activities (dealing with recruitment, training, career development, industrial relations, etc.), assessing the effectiveness of the human resource management is quite important and would seem to be the greatest aid to improving the HR management's functioning. Results of the assessment will indicate how effective HR management has been in the past. The results may serve as an input to guide employees and HR activities in the future. The assessment of HR management serves a wide variety of purposes as explained in the succeeding text.

### (a) To Influence Employee Performance

One of the basic beliefs of HR managers is that the objectives of an organisation should be to produce a good or a service for its customers or clients at a price they are willing to pay and at a cost of production, which will permit the employers (government, stakeholders, owners) a reasonable profit. To this organisation's goal, the objective of HR

managers is to see that the resources available to their organisation are used efficiently and effectively. It follows that these managers should be concerned with improving the performance of their employees.

**(b) To Meet Rapid Challenges**

Because of rapid scientific and technological changes, the problem of human resource development has become particularly acute. Not only must new employees and managers be trained, but also, present ones must be retrained and their skills upgraded. The assessment of the performance of the HR managers requires them to pay attention towards enhancing the knowledge and skills of their employees required for meeting today's organisation's challenges and address the issue of employment. A steadily increasing level of educational achievement and the acceleration of technological changes are accompanied by an increased emphasis on training and education by the management. Consequently, there is a pressure to institute and upgrade formal organisational and developmental programmes.

**(c) Motivational Purposes**

The mere process of assessing has a motivational effect on HR managers. It fosters initiative, develops a sense of devotion and intensifies the management's effort toward achievement of organisational goals (Winfield, Bishop and Porter, 2000). Assessment is also beneficial to the employees to the extent that it gives them better understanding of job responsibilities, of relationships with co-workers, of the work expected of them, and of their training needs. The process also aids the assessors by providing them with a greater understanding of their subordinate's job behaviour, the job itself, and each employee's strengths and limitations. Developing human resources is the responsibility of the organisation. It can be hypothesised that the economic returns from development justify the expenditure of scarce resources to develop HR managers and employees. Assessment has been used for making the HR managers responsible for the performance of assigned tasks. It also helps individual managers with self-development as the assessment of performance enables the individual managers to acquire a greater sense of worth, dignity and well being as they become more valuable to their organisation. It provides a sense of satisfaction in personal and social achievements. It follows that more highly developed and responsible managers will cause fewer problems and will have greater job satisfaction.

**(d) Administrative Purposes**

Assessment of the HR management also serves an administrative purpose. Traditionally, management has used performance assessments primarily to make administrative decisions relating to employees. Questions pertaining to promoting an employee, choosing employees for layoffs or transfers and making salary increase recommendations are examples of such administrative decisions. Managers responsible for such decisions need to obtain and use measures of employee performance.

Further, assessment for administrative reason helps the HR management to place employees in positions where their abilities can be best used and can be helpful in assigning employees to appropriate future positions. High performance is encouraged by rewarding the highest performers with incentives such as, salary increases and promotional opportunities, etc.

**(e) Employee Feedback and Development**

The assessment of the HR management can be used for employee development. It provides employees with information regarding the performance expectations of their

supervisors, feedback regarding subsequent performance, and advice or counseling to help employees meet expectations that have not been met. In part, the feedback helps employees realise their potential as high-performers (the self-developmental objective). Feedback encourages self-development through both instrumentality and expectancy perceptions (the link between effort and performance).

#### **(f) Evaluation of Policies and Programmes**

Assessment (measure) of performance can also be used to evaluate policies and programmes implemented to influence work behaviour. An evaluation of managerial programmes for redesigning jobs, for example, might involve a comparison of employee performance before jobs were changed with performance following the change, or, a comparison might be made between performance in the department where the change had been implemented and that of a similar department where the task redesign programme had not been introduced.

In addition, the purpose of performance assessment will determine the basis for comparison, the techniques to be used in assessment, the role of the supervisor, and the distribution to be made of the assessment (Klatt, Murdich and Shurter, 1978).

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## **20.4 THE FOUR C's MODEL**

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To assess the effectiveness of the HRM process within an organisation, Michael Beer and associates (Beer, Spector, Lawrence, Mills, Walton, 1985), have proposed a four C's model: referring to competence, commitment, congruence and cost-effectiveness.

### **Competence**

Questions to be addressed herein, are: how competent are personnel in the performance of their work? Do they need extra or specialised training? Performance assessment by managers can help a formal organisation determine what potential it has?; and To what extent do HRM policies attract and develop personnel with skills and knowledge needed now and in the future?

### **Commitment**

How committed are personnel to their work and organisation? could it be ascertained through interviews and questionnaires?; More information can be gathered thorough personnel records on voluntary retirement, absenteeism, and grievances. To what extent do HRM policies increase the commitment of employees to their work and organisation?

### **Congruence**

Is there congruence or contract between the basic philosophy and goals of the organisation and its personnel? and Is there trust and common purpose between managers and employees?. Incongruence can be found in the frequency of strikes, conflicts between superiors and subordinates, and employees grievances. Low level of congruence results in low levels of trust and common purpose, stress in the relationship between subordinates and superiors may resultantly increase. The important question is, what levels of congruence between management and employees do HRM policies and practices increase?

### **Cost-Effectiveness**

Are HRM policies cost-effective in terms of pay, turnover, absenteeism, strikes and benefits? More than assessing the extent of the four C's model within an organisation is

the problem of assessing HRM outcomes. In other words, how does one make judgements about the long-term effects of HRM policies on personnel and societal well being and organisational effectiveness? In the ultimate analysis, managers need the participation of a broad range of shareholders, union leaders and managers to obtain the data needed to assess the impact of HRM policies and practices.

Through modified HRM policies to enhance commitment, competence, congruence and cost-effectiveness, an organisation enhances its capacity to adapt to changes in its environment. High commitment, for instance, has meant better communication between employees and the management. High competence has meant that employees are well trained in their skills and can take on new roles and jobs as needed. They can respond to changes in environmental demands. Cost-effectiveness has meant that human resource costs, such as pay, benefits and absenteeism, are kept equal or less than those of competitors. Higher congruence has meant that all stakeholders including the employees and managers share a common purpose in the organisation.

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## 20.5 PREPARING EFFECTIVENESS STANDARDS

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Effectiveness standards are the general output requirements of a managerial position. They define the function of the position. The heart of Management by Objectives is the establishment of effectiveness standards. Reddin (1970) points out that a manager should understand the following with a view to preparing effectiveness standards:

1. Levels of effectiveness standards
2. Bases of effectiveness standards
3. Frames for objectives
4. Who drafts objectives?
5. Soundness of objectives; or,
6. Unsatisfactory objectives
7. Classes of objectives
8. Errors to avoid

### Levels of Effectiveness Standards

For Reddin, there are three general levels of effectiveness standards: Corporate, Departmental and Managerial.

- (i) Corporate standards are concerned with the enterprise as a whole and are established by the top team. The term corporate standards may refer to such matters as employee development, employee relations, and technological position.
- (ii) Departmental or divisional standards are concerned with the particular contribution a sub unit of an organisation can make to the organisation as a whole. They may be concerned with service demands, and the integration of the department's role and its standards with those of other departments.
- (iii) Managerial standards are directly concerned with the outputs of a particular managerial position.

## Bases of Effectiveness Standards

There are numerous standards on which the outputs of managerial positions may be based. Many are directly measurable using existing data generating devices such as accounting or reporting systems. Major areas in which managers set effectiveness standards are profitability, sales targets and logistics management etc. Using this information, a competent manager can select the effectiveness standards, which directly apply to his position.

## Objectives Setting

Once effectiveness standards are set, they are converted into objectives. Examples of the many possible bases, which can be selected for an objective are, unit processed, competitors results and market statistics.

Reddin suggests that managerial objectives may be drafted in one of the following four ways:

1. Superior
2. Superior      ←→      Subordinate
3. Superior      ↘      Superior  
Subordinate      Staff      ↗      Subordinate
4. Subordinate      ←→      Superior

One method entails superior drafting them for the subordinate. The second method involves the superior setting the objectives and then discussing them with the subordinate. The third method involves a third party, an internal or external consultant, who meets both privately and jointly with the superior and subordinate and engineers their agreement to a set of objectives and measurements. The fourth and recommended method is for the subordinate to draft a set of proposed objectives and over a series of several meetings, work out with his superior, what his objectives should be. By this method, both sides contribute evenly to the objectives and both develop a thorough understanding of what they mean.

According to Reddin, in casting up objectives managers and assessors should see that these are measurable and specific. To him following are the sound objectives:

SOUND	PROBABLY UNSOUND
Measurable	Non-measurable
Quantitative	Qualitative
Specific	General
Results-centered	Activity-centered
Individual	Shared
Realistic	Optimistic or pessimistic
Time-bounded	Time-extended

Above objectives should be realistic and time bound, with clear time limits for completion. Using the paired list as a guide, it is an easy matter to detect unsatisfactory objectives. Without training, managers sometimes propose objectives as, 'satisfy my superior', 'keep my subordinates happy' etc. These are clearly unsatisfactory as objectives.

### **Classes of Objectives**

For Reddin, there are three classes of objectives: standard, special, and developmental. (i) Standard objectives are those based directly on the established effectiveness standards of the position. (ii) Special objectives refer to feasibility studies, which explore new areas, new systems, and other more creative and different areas. Special objectives typically have a far lower priority than standard objectives. (iii) Developmental objectives are primarily concerned with the development of the manager's professional competence.

### **Errors to Avoid**

The following errors, which can occur in casting objectives by the managers, have been listed as follows (Reddin):

- (i) Objectives too high (overload)
- (ii) Objectives too low (underload)
- (iii) Objectives not measurable
- (iv) Cost measurement too high
- (v) Too many objectives
- (vi) Too long time period
- (vii) Too short time period
- (viii) Imbalanced emphasis.
- (ix) Too complex or elegant objectives.

Complex objectives tend to be produced as hedges against unsatisfactory performance. Reddin suggests that managers should be wary of the above errors in the introductory stages of installing a 'management by objectives' system.

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## **20.6 ASSESSING EFFECTIVENESS OF HR MANAGEMENT**

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Assessing the effectiveness of HR activities is vital to the success of the organisation. Effectiveness questions are examined for both individual managers and the HR department. Particular emphasis is placed on the HR department and the multiple ways through which the effectiveness may be judged.

### **Human Resource Department**

In a small organisation the HR function may be a part of the general management. As organisation size increases, so does the likelihood of finding the HR function housed within one or more formal departments or separately as the HR departments. Management of the organisation creates a personnel (P) or HR department. At the corporate level, HR department is divided into major P/HR activity areas (planning, employment, compensation, training and development and industrial relations). Managers of both line and staff conduct HR activities.

Employees in the HR department are generally staff employees. They along with the department exist to serve the line management. In fact, it is line management, which creates the HR department. Within the overall framework, there seem to be three more specific roles for the HR department, service, advisory, and control roles.

- (i) Service Role: Certain HR activities are performed as direct services to the line management such as employment laws and regulations, which impose record – keeping requirement on the organisation.
- (ii) Advisory Role: In its advisory capacity, the HR department lends its expertise by providing advice to line management on the conduct of HR activities.
- (iii) Control Role: The control role goes beyond the advisory and service roles because the HR department directly influences line management.

Having referred to the activities and role that the HR department performs, we have to assess its effectiveness. The effectiveness of the HR department ultimately can be determined by judging how well the department performs in achieving the matching process. However, this must now be done at an aggregate level, corporate and/ or operating, at which the department is functioning to serve line management. All of this will depend on the structure of the organisation and the placement of the HR department(s) within it.

### **Approaches of Assessment of Effectiveness**

For assessing HRM effectiveness, some approaches have been suggested:

- i. Managerial performance appraisal systems;
- ii. Aggregate outcome data;
- iii. Aggregate cost data;
- iv. Utility analysis; and
- v. Constituent opinions.

### **Managerial Performance Appraisal Systems**

In order to assess an individual manager's performance vis-à-vis his or her subordinates' outcomes, some managerial performance appraisal systems have been suggested. The HR department normally administers such systems. Thus, one way to assess the effectiveness of the department would be to determine if it is providing an effective appraisal system to the management.

To be effective, performance measures should aid the management in fulfilling two requirements. First, the measurement system must identify in what ways there can be positive employee contribution to the organisation. This component is referred to as identifying the dimensions of performance. Second, the system should help establish standards of contributions for each performance dimension identified in the first step. That is, a procedure should help managers differentiate between employees who are performing well and those who are performing poorly on assigned tasks.

### **Aggregate Outcome Data**

In this approach, results of performance of individual employees can be fed into the HR department for aggregation and analysis. For example, the department can compile data on job satisfaction on an annual basis. Results of outcome assessments of individual employees regarding job satisfaction can be shown for the current year and the two

previous years. With these data, two basic issues involving effectiveness of the HR department can be addressed: outcome levels and outcome trends.

(i) **Outcome Levels:** This is a judgement about whether the organisation's current outcome levels are acceptable and consistent with its goals and strategies. In case outcome levels are found to be less than desired, then this becomes, at least in part a judgement that the HR department is lacking in effectiveness. Such feedback and conclusions can be helpful to the top management in bringing about improvements in management.

(ii) **Outcome Trends:** This involves judging whether the outcome levels are moving in the desired directions over time. For example, one could examine certain indicators related to job satisfaction or voluntary turnover. These judgements about outcomes could indicate about the effectiveness of the working of the HR department.

### **Aggregate Cost Data**

It may be mentioned here that HR activities cannot be cost-free. Thus, costs associated with their occurrence need to be compiled and analysed (Cascio, 1987). Thus, both cost analysis and budget allocation analysis are explained as such:

(i) **Cost Analysis:** Cost analysis involves maintaining detailed records of the costs incurred for a specific activity or programme, such as a particular training programme. Often it is useful to compute these costs on a per employee basis; and

(ii) **Budget Allocation Analysis:** Budget allocation analysis involves an examination of how the total HR department budget is allocated to the major PHR activities. Typically, it is done by calculating the percentage allocation of the budget to each activity. Judgement about the data in cost and budget allocation analysis can be helpful to top management in improving HR management's effectiveness.

### **Utility Analysis**

Utility analysis is another useful means of evaluating the effectiveness of the HR department. It seeks to estimate both the costs and benefits of an HR activity in economic terms (Bourdeau, 1990). The idea is to provide management, information that can be used to answer questions as; is it worth it? Utility analysis involves making numerous guess estimates. These usually involve programme costs, economic value of such programme benefits as an increase in job performance, how big the impact of the programme is expected to be on employees, and how many employees are likely to be affected by the programme.

### **Constituent Opinions**

Finally, the assessment of the effectiveness of the HR department can be studied in relation to the opinions and observations of the constituents, which the department serves. These constituents include employees, line and staff managers, union leaders, and possibly, even government officials.

Such information could be collected through a questionnaire (Mahler, 1979). Examples of constituent interview and questions about the effectiveness of the HR department include:

How appropriate is human resource planning in the organisation? Is the HR department recruiting candidates in relation to the organisation's requirement? Is the HR department organising training programmes acceptable to the organisation's employees?

Responses to the questions are analysed and a report is prepared for the top management. The report contains both positive and negative evaluation information, along with recommendations to bring about improvements in the HR department's functioning.

Another mechanism that has been used to gather such information is to survey the constituents to determine what they view as meaningful criteria for evaluating the HR department's effectiveness. After the constituents have identified and reasonably agreed upon these criteria, they can then proceed to actually evaluate the department, using interviews and/or questionnaires. In this way, the constituents not only evaluate the department, but also participate in developing the criteria on which they will base their assessments.

Tsui (1987) has identified five criteria for evaluating the effectiveness of the Human Resource Department: (i) responsiveness, (ii) managing cost and negative performance, (iii) productivity and innovativeness, (iv) training and development, and (v) affirmative action accomplishments. These criteria were used as the basis for the actual assessment of HR department effectiveness. Thus the effectiveness of the HR department, it is argued, is indeed, a matter of reputation it establishes with the people it serves.

The Criteria for Evaluating the Effectiveness of Human Resource Departments include:

**A. Responsiveness:**

1. Quickness and effectiveness of responses
2. Employees' trust and confidence
3. Level of cooperation from the HR department
4. Degree of objectivity and neutrality
5. Average response time to employee inquiries
6. Degree of uniformity and fairness
7. Average time taken to resolve disputes
8. Number of personnel files lost or misplaced
9. Employees' opinion of HR department's effectiveness
10. Degree to which HR department is open and available
11. Degree of mutual respect and teamwork among line managers
12. Legal conformity of pay plans and benefit programs
13. Degree of involvement in employee grievances
14. Quality of service provided
15. Accuracy of benefit enrolment data
16. Results of personnel audits
17. This HR department compared to others.

**B. Managing Cost and Negative Performance:**

1. Voluntary versus (vs.) involuntary turnover rate
2. Number of complaints from job turnover rate

3. Number of equal pay complaints
4. Rate of voluntary controllable turnover
5. Number of terminations due to poor performance
6. Staffing cost per employee
7. Acceptance per offer ratio
8. Ratio of HR department headcount to population served
9. Number of applicants to each open position
10. Number of grievances filed and resolved
11. Number of complaints that go outside company
12. Percentage of employees received performance appraisal
13. Percentage of employees with development plans

**C. Proactive Approach and Innovativeness**

1. Innovation of personnel policies to enhance employee morale and company allegiance
2. Frequency of line management consultation with HR department.
3. Presence of a “standout” accomplishment or result
4. Having a strategy to support line management business plans
5. Effectiveness in developing a positive company image among employees.
6. Performance against goals
7. Evaluation by corporate HR
8. Effectiveness in dealing with poor performing employees
9. Satisfaction of clients – managers and employees
10. Quality of information and advice to top management
11. Time lapse between establishment of policies at HR and practice in field units.
12. Number of programs initiated by the HR department directed toward enhancing the effective utilisation of the “people” resource.

**D. Training and Development**

1. Number of training programs held per year
2. Percentage of employees who participated in training
3. Training course effectiveness ratings
4. Number of hours of training per employee.

**E. Affirmative Action Accomplishments**

1. Minority promotion rate

2. Percentage of minority in applicant pool
3. Minority turnover rate
4. Affirmative action goal attainment

### **HR Activities: Line and Staff Management**

It is needless to emphasise that HR activities (dealing with personnel matters) are conducted by managers belonging to both line and staff. Line managers (such as executive officer, Education Officer, etc.,) are those, with direct responsibility to the administrative process for establishing goals and strategies and their implementation. On the other hand, staff managers (such as accounting managers, managerial employees, etc.,) are primarily concerned with providing line managers specialised aid and with maintaining coordination and control mechanisms.

Both line and staff managers have an important role to play in attaining the organisation's goals. Mainly due to their varying roles in the administrative process, line and staff managers have differing perspectives on how to best manage human resources in the organisation. HR decisions that line managers make in the supervision of subordinates involve such diverse areas as task assignments, performance appraisal and feedback, training and development, promotions, staffing, discipline, etc.

From a line manager's perspective, the HR activities done by the manager are intended to influence the match between each subordinate and his job. The manager's effectiveness in achieving the match can be assessed by gauging the standing of each subordinate on the HR outcomes. In other words, the individual manager's HR management effectiveness is determined by assessing how well he attracts and retains subordinate, and maximises their job performance, attendance, satisfaction and maintains discipline. Assessing HR management effectiveness, generally, occurs through the organisation's managerial performance appraisal system. Generally speaking, influencing the outcomes of subordinates would first be defined as a standard job requirement for the manager. Accordingly the manager's handling of this requirement would be assessed periodically. Results of the assessment would then be given to the manager, and would influence reward decisions for the manager. Such feedback and rewards will be useful in motivating effective management of human resources in the organisation.

### **Human Resource Planning**

The assessment of the effectiveness of the HR management can also be studied in relation to human resource planning. HR Planning involves two major support functions. In the first place, it seeks to forecast the numbers and types of employees that will be required on each job in some future time period. Secondly, armed with forecasting results, managers may develop plans for coping with the results through a series of coordinated strategies. HR planning is designed to anticipate likely future events in and around an organisation and assess their likely human resource implications and outcomes in the absence of concentrated action, and then, when the prognostication is not encouraging, to design concerted actions that will alter events to bring about more favourable HR management effectiveness.

The assessment of HR planning will help in the formulation of a human resource strategy that establishes an organisation's major goals and indicates the ways in which these goals

will be pursued, that is, which HR activities will receive priority and what the major policies will be in each area.

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## **20.7 PROCESS PERSPECTIVE FOR EFFECTIVENESS**

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It is noted that the assessment of effectiveness of human resource management has not been adequate and there has been little success in efforts to improve it. A broader perspective of appraisal and assessment is emerging with focus on entire appraisal process. There appears to be two ways for improving assessment results: (i) ability to assess; and (ii) motivation to assess.

### **Ability to Assess**

The ability to assess has come to mean that the assessor should have a sufficient knowledge about the criteria and methods involved in assessing the effectiveness of the HR management. In some situations, it may be necessary to provide the assessor with assistance for information on HR activities. Knowledge of effectiveness standards would help the assessor for valid appraisals of the HR activities. Top management must clearly specify what standards of performance are to be followed. In this connection it is suggested that training can be quite useful for this purpose and thus can help improve assessment accuracy.

### **Motivation to Assess**

An assessor or manager will not be motivated to evaluate effectively unless performance appraisal is recognised as an important dimension of his job, a dimension that if performed well, will be rewarded. He should not be punished for providing accurate appraisals. Studies suggest that the purpose of the appraisal influences motivation to evaluate and hence the results obtained (Megginson, 1977).

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## **20.7 CONCLUSION**

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Human Resource Management has an added responsibility for enhancing the contributions of employees towards the effectiveness of the organisation. These contributions are seen in terms of specific HR outcomes, especially, selection, performance, attendance and satisfaction of employees. Influencing employees on these outcomes necessitates matching task requirements and rewards with individual capability and motivation. To implement this matching process several HR activities are undertaken by the HR department in conjunction with the line managers. To this end, assessing the effectiveness of the HR activities is important. There are multiple methods for doing this. The purpose of assessment is to influence employee performance and to improve the organisation's effectiveness.

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## **20.9 KEY CONCEPTS**

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**Actual Performance:** The actual performance is a record of the extent to which the objective, not the programme, was actually achieved.

**Effective Standard:** An effectiveness standard is a general output requirement of a managerial position which remains basically unchanged from year to year.

**Measurement Method:** A measurement method is a clear statement of how the attainment of the objective is to be measured. If no measurement method is available, a note is made on the steps being taken to provide one, or if not, some expression such as “subjective judgments” is added. This should be avoided.

**Objective:** What the manager plans to accomplish, stated as clearly and specifically as possible. There may be more than one objective for a particular effectiveness standard. Essentially, an objective is an effectiveness standard, or part of one, which is as specific, as time-bounded, and as measurable as possible.

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## 20.10 REFERENCES AND FURTHER READING

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## **20.11 ACTIVITIES**

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- 1) What types of skills are necessary for HR department manager to be effective?
- 2) What is management effectiveness? Discuss main standards for assessing management effectiveness.
- 3) Discuss the role of the HR department in evaluating human resource effectiveness.