

# *Unit 2*

# 14 FUNCTIONS OF HUMAN RESOURCE/PERSONNEL MANAGER—II

## Learning Objectives

By the time you study this chapter, you should be able to

- explain in detail the functions of human resource/personnel manager
- explain the concept of job evaluation
- evaluate different methods of job evaluation
- analyse the concept of merit rating
- evaluate the different methods of merit rating

## INTRODUCTION

The functions of personnel management are varied. The personnel manager has to look after all stages, from identifying the manpower requirements to the stage of ensuring that the employees contribute to the corporate goals: The list of functions of the personnel manager include: manpower planning, recruitment, selection, induction, training and development, placement, wage and salary administration, performance appraisal, motivation, grievance handling, and welfare.

## MANPOWER PLANNING

The manpower position keeps on changing in the organisations because of several factors such as transfers, promotions, demotions, retirements, and death of the employees. Hence, it is the direct responsibility of the personnel manager to ensure that the right number of right people are made available at the right departments. The techniques such as manpower audit, manpower inventory, and others, help the personnel manager to identify the gaps in the manpower position in the organisation. The plans of succession, recruitment, staff development, and redundancy guide him to do his job in the right way.

## RECRUITMENT

When the manpower plans reveal the need for additional people in the organisation, the personnel manager has to initiate the search for prospective employees and see that they apply for jobs in the organisation. Recruitment is often called a *positive* function. It is because the applications are invited at this stage for further scrutiny and shortlisting. Before advertising for the position, it is common to check up if the position could be filled internally.

**SITUATION ANALYSIS****What some of the leading companies look for**

The thinking of the top management is undergoing a significant change. Let us see the opinions of a few top executives in the following organisations:

- *Pepsi Foods* "We are hiring people who are capable of growing the business rather than just growing with the business."
- *Reebok* "We need youth, vitality, openness, a zest for life. And the willingness to get their hands dirty."
- *Indian Hotel, Taj Group* "We want people who have patience to stay and rise with the company. We want our people to say 'yes, sir' to anybody. Besides these, we look for communication skills, the ability to work long and stressful hours, mobility, attention to personal appearance, and assertiveness without aggression. We do not look for academic high-flyers. Consistency is the priority for us rather than academic brilliance."

What do these statements indicate?

The sources of recruitment include: internet, executive search agencies (popularly called head-hunters), advertisements in the media including TV and radio, employment exchanges, university and college campuses, technical and trade journals, and so on. These are the sources of recruitment for employees at different managerial levels.

The sources of recruitment for shop floor employees continue to be traditional. These include display of vacancy position on the factory gate, recommendation of the existing employees, employment exchanges, and others. Certain progressive industry associations maintain for different positions a waiting list based on applications received from the unemployed graduates and others living nearby.

**SELECTION**

The process of identifying the most suitable persons for the organisation is called *selection*. Selection is also called a *negative* function because at this stage the applications are screened and shortlisted on the basis of the selection criteria. The main purpose of selection is to choose the right person for the right job. The job analysis, job description, and job specifications are carried out before the position is advertised. These provide adequate insight about nature of the job, its description, and its specifications, and further focus on what type of person is to be selected for a given position. These simplify the process of selection.

The selection process, depending upon the cadre, involves different stages such as aptitude tests, group discussions, and personal interviews in professionally-run organisations. However, there is no standard practice in this regard. Many factors such as urgency, position advertised, costs involved, availability of candidates, and so on, govern the process of selection. If it is a senior executive position, selection may be based on one or two personal interviews. If it is for junior executive positions, it may be a written test, or group discussion followed by personal interview. The organisations are free to formulate their own selection procedures. Normally, the selection process involves the following stages:

- (a) *Initial screening/shortlisting* It is customary that the organisation gets enquiries seeking information about the availability of posts, salary range, place of work, working conditions, and others. At this stage itself, the organisation screens the enquiries and considers only such cases, which can result

in a potential candidature for a given vacant position. Based on the job specification, most of the enquiries can be eliminated. This process is called *shortlisting*. Also, in cases where the applicants are considered to possess the necessary qualifications and aptitude, they are encouraged to make a formal application. In the cases where the post is advertised, the applicants come to know the requirements of the job and apply for the same. The applications of those who do not have necessary qualifications are eliminated at this stage.

- (b) *Comprehensive application/biodata screening* Once the initial screening is completed, the applicants are asked to complete an application form provided by the organisation. The details of the comprehensive employment profile of the applicants are to be furnished in the given format.

In some cases, the organisations ask the applicants to send their biodata with all the particulars about their education, professional training and accomplishments, skills, experience, and so on. Some organisations would like to know the personal interests of the applicants for managerial positions, and hence, insist that a detailed note on 'why the applicant wants to join this organisation' has to accompany the applications. Here, the applicant furnishes all the relevant information. In cases where the information is incomplete, such applications are dropped at this stage.

**Stages in campus recruitment**

- Keep in touch with the placement officer in the college
- See the schedule of campus recruitment
- Choose the companies of your choice and submit the application
- If shortlisted, attend the written test, if any
- If shortlisted, attend the preliminary interview
- If shortlisted, attend the final interview
- If shortlisted, attend the medical examination
- If found fit, negotiate with the company for your terms of joining
- If both of you reach a consensus, fix the date for reporting for duty.

- (c) *Aptitude or written tests* Organisations usually rely, to a considerable extent, on intelligence, aptitude, ability, and interest tests to provide a major input to the selection process. The aptitude tests enable the organisations to predict who would be successful on the job. The main purpose of the employment tests is to predict how the candidates are likely to perform the given job. For instance, for the position of an engineer trainee, basic concepts in science and engineering are tested. Also, the aptitude of the applicant on issues relating to creativity, judgement, situation analysis, and so on is tested. For positions of service engineer trainee, the aptitude for troubleshooting is particularly assessed.

- (d) *Group discussion* Those who pass in the aptitude test are called for group discussion. In group discussion, the following abilities of the candidate are assessed: communication skills, presence of mind, reacting to others' viewpoints, ability to convince, leadership skills, and others. At times, some controversial topics are given for group discussion. How best one organises one's thoughts and presents these to the group in a convincing manner is assessed here. The proceedings of the group discussion are closely watched and monitored by a facilitator (who is normally with a psychology background). In general, it is ensured that every candidate gets an opportunity to participate in the discussion. The candidates are shortlisted for the next selection stage based on their performance in the group discussion.

- (e) *Personal interview* Such of those who are shortlisted in group discussion are invited for attending a personal interview. The interview board consists of the personnel manager, one or two senior managers

within the organisation, and a psychologist to assess whether the candidate possesses the abilities as demanded by the job specification. Apart from this, the sociability, adaptability, ability to cope with stress, ability to achieve targets, degree of commitment of the candidate, and so on, are assessed at the time of personal interview. The original certificates relating to the qualifications and skills are verified to ascertain the reliability of the information submitted. The candidate may also be asked to show reference letters, if required. These will be cross-checked at a later date, in case the candidate is selected. Here, the members of the interview board will make a list of the successful candidates in the order of merit.

The personnel manager should ensure that the interview members assess the performance of the candidates in the interview in an objective, unbiased, and dispassionate manner.

(f) **Medical examination** Those who are shortlisted in the interview are referred to for medical examination. This is intended to ensure that the candidate is in good health and has enough capacity to comply with the requirements of the job. It is also used to show that minimum standards of health are taken care of by enrolling those who fall short in company health-and-life insurance programmes. In such cases where the candidates fail to meet the minimum requirements at this stage, they may be given an opportunity to improve their health position within a specified time frame, and sometimes given an opportunity to improve their health position within a specified time frame, and then report. Only those who comply with the medical requirements are considered for the next stage of the selection process.

(g) **Employment offer** This is the last stage of the selection process. Those who are considered medically fit are offered employment in the organisation. The terms and conditions of employment are specified in the letter of the offer of employment. Most of the organisations insist that the candidate sign a contract for a minimum period, say, one or two years.

#### SITUATION ANALYSIS

##### Preparing for interviews

At the time of campus interviews, what do the companies look for?

The following are some of the very important clues:

- Conceptual clarity
- Ability to apply the basic concepts
- Consistent answers
- Confidence
- Ability to work in a team
- Extra curricular activities such as hobbies, sports, participation in competitions such as debates, and others
- Seriousness about the job
- Ability to cope up with stress
- Personal goals for future
- Aptitude and the job description

How much time is left for you to prepare for these?

Once the employment offer is accepted by the candidate, he/she will be placed on probation for a minimum period, say, one year. After this, if his/her services are found to be satisfactory, he/she will be regularised.

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In such cases where the services of such probationer are considered unsatisfactory, either he would be given some time to improve or he would be terminated from employment, as per the terms of the contract.

These are the stages of the selection process, in general, in a medium or large organisation. However, it is to be noted that the selection process widely changes from organisation to organisation. The ultimate objective remains the same — selecting the right person for the right job. It is the personnel manager who has to ensure this at every stage.

#### INDUCTION

The main idea of this function is to share the information about the facts of the company with the new employee so that he feels proud of his association with the company. At the time of getting inducted into the organisation, the personnel manager provides orientation to the new employees about the profile of the organisation, its business, its departments, and their job. This process is also called orientation or indoctrination because the new recruits are taught a particular belief or attitude with the aim that they would only accept that belief or attitude exclusively.

The process of induction includes:

- Familiarising the new employees with the vision, mission, and goals of the organisation and with the functional environment of the organisation
- Providing certain insights into the organisational culture, values and personnel policies, code of conduct, terms and conditions of service, future growth opportunities, grievance handling, disciplinary procedures, and so on

#### TRAINING AND DEVELOPMENT

Training and development are essential for achieving organisational goals. Training and development always go hand in hand. Training leads to human development, that is, better skills, motivation, and personality development.

**Training** Training is a short-term process of utilising systematic and organised procedures by which the staff acquires specific technical knowledge and functional skills for a definite purpose. The focus of training is the job or task.

The role of training in the organisation is governed by the overall purpose of the organisation. In a fast-moving consumer goods company, training will be geared strongly to achieve larger sales than that of competitors. In a high-technology manufacturing company, training will be geared to product quality and innovation. In a hospital, training will be geared to provide a reliable standard of health care.

**Need for training** The need for training need not be over-emphasised, particularly in the world of fast changing technology, eroding values and work ethics, the increasing work pressures, the degree of complexity in the job, changing conditions of work, discontinuities in the skill levels as a result of foreign technologies, and so on, demand based training programmes and close monitoring of the progress of the trainees.

**Assessing training needs** Training needs can be assessed in such cases where a gap exists between the actual and standard performance of the job. This can be observed only through periodic appraisal of performance of the workforce at all levels. In addition, the following indicate training needs:

- High turnover among the new recruits

- Increase in wastage of materials
- Increase in the number of rejected units of production
- Increase in the number of customer complaints
- Increase in the accident rate
- Reduced productivity levels
- Increase in machine breakdowns

**Training policy** Although many organisations provide on-the-job training, it is necessary for the organisation to define its training policy. Most often, the training policy is reflected in a range of policies connected with human resources. The policy statement sets out what the organisation is prepared to do in terms of developing its employees.

#### Training policy statement

For some organisations, the policy is stated as briefly as follows:

'The company will provide an opportunity for every employee to get adequately trained in the basic tasks of his or her employment. The company believes that this is one of the prominent ways of maintaining its competitive edge.'

The personnel manager has to formulate training programmes in consultation with the departmental managers as per the needs of the organisation. Organisations such as Titan, Wipro, and others, train their staff for creativity (see Exhibit 14.1). Senior managers are deputed to the training programmes of leading management institutions such as Indian Institutes of Management (IIMs) in Ahmedabad, Bangalore, Kolkata, and Lucknow, Administrative Staff College of India in Hyderabad, National Institute of Training in Industrial Engineering (NITIE) in Mumbai.

#### Exhibit 14.1 Moulding human resources for creative thought and action: Titan's way

Titan, the premier watch-making company, has its own design section as the source of knowledge to teach elements of creativity to its executives. With inputs from National Institute of Design, Ahmedabad, Titan conducts training courses and workshops to teach its managers how to apply the creative principles of design to their own work.

Titan applies the strategy of transferring knowledge from a different field to its own business. It trains the designers for innovative work by exposing them to processes and products that share many features with watches—such as cars, jewellery, garments, and sport goods. Titan believes that the methods used in creative pursuits like art, literature, or even scientific research can be applied to solve corporate problems innovatively. The phenomenal success made by Titan so far has been due to its training of human resources for creative thought and action.

**Training Methods** Training methods are of two types: On-the-job training and off-the-job training.

**On-the-job training methods** are designed to make the employees immediately productive. It is learning by physically doing the work. The focus here is to provide specific skills in a real situation. These methods include:

- (a) *Job instruction training* This is a method used for such jobs which can be performed with relatively low skill. Here, the trainees systematically acquire skills by following routine instructions in key processes from a qualified instructor. This helps to improve their morale, and thus, reduces the employee turnover also.
- (b) *Experiential learning* This is a modern approach to the learning process. This method is more used for training the senior executives. It is a technique, which empowers the manager-trainee with the freedom of choice to act upon and the capacity to initiate, rather than simply respond, to circumstances. This technique transplants the corporate managers from real situations to a non-threatening climate where they can participate, commit mistakes, learn in the process, and emerge wiser. The mistakes made in this process do not cost anything to the organisation. To bridge the gap between the reality of the workplace and the classroom environment, trainers symbolically recreate actual working conditions. And the experience that managers derive from operating under these conditions is then linked to the actual work environment. Experiential learning provides the managers a free environment to learn.
- (c) *Demonstration* Here, the work procedures are demonstrated to the trainees. Each of the trainees is asked to carry out the work, on a sample basis, based on his/her observation and understanding of the demonstration.
- (d) *Apprentice training* Those who are selected to work in the shop floor are trained as apprentices in the factory for a brief period ranging from three months to one year, depending upon the complexity of the training. Those who show good progress in this training are likely to be absorbed in the same organisation. Those who complete apprentice training are likely to get good jobs outside also.

**Off-the-job training methods** provide a relatively broad idea relating to a given job or task. These are meant for developing an understanding of general principles, providing background knowledge, or generating an awareness of comparative ideas and practice. These methods include:

- (a) *Lectures/talks and class room instructions* These techniques are designed to communicate specific interpersonal, technical, or problem-solving skills. Here, the trainer can maintain a tight control over learning. However, this method restricts the trainee's freedom to develop his/her own approaches to learning.
- (b) *Conferences* Conferences refer to get-together of the experts from different areas of a given topic. These experts present their views based on their work experience and research results. When employees participate in such events they get a feel of the real world. They may also get motivated to perform better.
- (c) *Seminars* Seminars are held periodically by the professional organisations for the benefit of all the practising managers by taking into consideration the recent advances in a specialised area. Participation in such seminars enables the executives to get exposed to the recent developments in the area of their interest.

- (d) **Team discussions** This technique develops team spirit among the executives from different departments. It also enables them to understand and appreciate each other's problems. It reinforces a feeling of unity among those who work towards common goals.
- (e) **Case study** This is a predominant technique followed even in premier management institutes. This technique helps to provide an understanding of what has gone wrong in a particular case, such as Delhi Cloth Mills (DCM)\*. Similarly, what are the factors responsible for the success of organisations such as Reliance or Hindustan Lever. Case study technique is a very good method of learning the principles and concepts. However, this method has one weakness. The circumstances are likely to face in your life may be totally different from the cases you have analysed earlier! Case studies help to enhance the analytical & decision making skills.
- (f) **Role-playing** The participants are assigned roles and are asked to react to one another as they would do in their managerial jobs. These roles are eventually exchanged. In other words, each participant will get a turn to play all the roles. For instance, the role playing in a grievance handling situation involves two players: In the first step, the worker presents his grievance to the personnel manager. In the second step, the worker plays the role of the personnel manager while the personnel manager plays the role of the worker. Role playing allows participants to understand problems of each other. It enhances the interpersonal-handling skills.
- (g) **Programmed instruction** It is a system of instruction within which pre-established subject matter is broken into small, discrete steps and carefully organised into logical sequence in which it can be learned by the trainee. Each step is built upon the previous one. The programmed instruction techniques can be in the form of programmed tests and manuals, or video displays. For instance, withdrawal of money through automatic teller machines (ATMs) involves responding to programmed instructions; working on a personal computer or internet involves responding to a series of programmed instructions.
- (h) **Simulation exercises** These include interactive exercises in which trainees practice their skills on working models or in mock situations based on real-life situations.
- (i) **Group decision-making** Group decision-making refers to the process of making decisions based on the opinions expressed by all the concerned — may be subordinates, peers, or outside consultants. The manager thus ensures that more people are involved in taking decisions. Each member of the group will accept the responsibility for the decisions made as he is a party to it. This method facilitates to generate more alternative solutions to a given problem because more people are involved in the thinking exercise. This facilitates coordination among the groups also.

The personnel manager is concerned with choosing the right method of training for the right segment of the workforce. The right segment of the workforce may include workers, supervisory staff, junior managers, senior managers, and so on. It is necessary to optimise the benefits of training. However, the personnel manager has the option of consulting the qualified corporate trainers who may offer consultancy services also.

**Evaluation of training programmes** The real effectiveness of a training programme comes to light only when it is evaluated. Periodical monitoring of the feedback of the participants may focus on whether the objectives of the training are achieved or not. Where the results are not satisfactory, necessary changes in terms of learning methods can be initiated for better results.

\*DCM was a leading brand in clothing in earlier times. It was almost a century-old manufacturing organisation which gradually sank due to lack of modernisation and financial bottlenecks.

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**Development** Development is an activity aimed at career growth rather than immediate performance. Employee development is the process which helps him or her to understand and interpret knowledge rather than teaching a specific set of functional skills. Development, therefore, focuses more on employee's personal growth in the near future.

Training and development always go hand in hand. Training leads to human development in terms of better skills, motivation, and strong character and personality. Successful employees prepared for positions of higher responsibility have analytical, interpersonal, conceptual, and specialised skills. Training, by itself, cannot enable an individual to understand cause-and-effect relationships, to synthesise from experience, to visualise relationships, or to think logically. As a result, employee development is considered as an educational process that supplements the training function.

**Advantages of training and development programmes** By focusing on its training and development needs, an organisation can produce a high standard of goods and services in a cost-effective manner through its well-trained workforce. In other words, the following are the specific benefits that result from training and development:

- Maintaining sufficient and suitable range of skills among the employees
- Developing knowledge and skills in the workforce
- Achieving higher job performance and productivity
- Improving service to customers
- Enhancing job satisfaction to the employees
- Improving prospects for internal promotions, and so on

Most of the corporate houses such as Satyam Computers, Larsen and Toubro, Mahindra and Mahindra, the Taj Group of Hotels, the Eicher group, and others, have been successful in training their workforce to meet the global standards. Such organisations, which envisage the need to integrate training into its operations on a regular basis, recruit a director for training who will report to the personnel manager.

### PLACEMENT

After training, the employee is placed in his/her position under the charge of a manager. The new recruit is allowed to exercise full authority and is held responsible for the results.

### Promotion/Demotion, Transfer, Separation, and Absenteeism

The personnel manager is to administer promotions/demotions or transfer among the workforce as per the needs of the organisation. He has to handle the cases of separation and absenteeism with care and diligence. These concepts are explained below:

- (a) **Promotion** Promotion refers to the advancement of an employee to a job with a higher authority and responsibility. It may also carry a better compensation package. Promotion can also be viewed as a means of filling up vacancies in the organisation occurring from time to time. The basis of promotion could be merit or seniority depending upon the nature and level of job. The promotion policy defines the criteria the candidates have to fulfil to become eligible for promotion. Promotion is viewed as a reward for the better services one has rendered in a particular position. As and when the vacancies arise, the qualified staff may get promotion.

- (b) **Demotion** Where an employee is not in a position to perform a given job, he may be demoted or transferred to a position with a lower authority and salary. In other words, demotion is a punishment.
- (c) **Transfer** It is a lateral shift that moves an individual employee from one position to another. It may be in the same department, or to a different department or location. This does not involve any changes in the duties, responsibilities, or skills needed. The salary benefits also may remain the same. To optimise the human resources at different locations or departments, employees are transferred from one location to another. Transfer is also viewed as a tool for punishing the employee in case of misconduct or misbehaviour. The transfer policy sets the guidelines for the personnel manager to use this tool effectively. At times, the requests for transfer from an employee may be accommodated provided this does not affect the interests of the organisation adversely.
- (d) **Separation** Separation refers to termination of employment. In other words, the employee is separated from his job. In cases of misconduct or misbehaviour, or where the employee is not in a position to improve his performance despite notice, his/her employment is terminated. This is also called dismissal. At times, for want of raw material or power supply, the workers may not be provided work. In such a case, the workers are said to be laid-off and they are entitled for wages provided they do not take up work outside. In other words, separation includes dismissal and lay-off.
- (e) **Absenteeism** Absenteeism refers to the practice of an employee who does not report to work for any particular reason. Absenteeism affects the productivity adversely. It becomes difficult for the departments to cope up with the work pressures, if any particular employee is absent. As a measure of control, the employees are not allowed to be absent without prior permission from the management. The terms and conditions of employment specify 'no work-no pay', which implies that the employee would not be eligible for the salary for the days he/she does not report for duty. It is the personnel manager's responsibility to ensure that people do not abstain from duty.

#### **WAGE AND SALARY ADMINISTRATION**

Wage and salary administration is the process of fixing wage/salary for different jobs in the organisation through job evaluation (this technique is discussed, in detail, later in this chapter), negotiations with the unions, and so on.

#### **The best HR practices**

Why do companies such as General Electric and Microsoft consistently figure among the top organisations? It is because these are among those organisations which are well-known for their best human resources (HR) practices with the most positive effect on shareholder value.

There is a considerable degree of research going on to establish a positive relationship between good HR practices and superior shareholder returns. The following five key links describe most of these best practices.

- (a) **Recruit and manage excellent people** It is not only necessary to recruit excellent people but also necessary to be aware how to manage such an excellent talent. It is because the value to the shareholder gets maximised from the way a company manages its people. One of the best recruitment practices continues to be the campus recruitment on the premier management and technological institutions.

(Contd.)

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This gives new recruits an opportunity to know the company, and for the company to know the new recruits. The transition will be smooth and recruits can get into their job from day one.

- (b) **Make rewards and accountability clear** Designing attractive rewards and clear accountability systems is an equally tough but creative task. The assessment process should be continuous with regular feedback system and what is important is that it should be completely transparent. This way a company can ensure that its employees grow from time to time, and it can further mentor and train its employees, as it envisions, supplementing the missing inputs, if any. Employees should be taught well to review the performance of peers and seniors. It works extremely well in small groups, and hence, it is advisable to integrate this practice into the system.
- (c) **Provide congenial and flexible workplace** Providing a congenial and flexible working place where rewards are instantaneous is a challenge in itself. Research reveals that there is a significant relationship between this and increase in market value of the share of the company. The real crux is decentralisation of power and building the employee-commitment to the firm.
- (d) **Take advantage of technology for communications** Gain access to technology for communications. This is one of the easiest ways of enabling every employee at all levels with more information-flow, and reflecting trust and respect among managers and employees at all levels.
- (e) **Use resources prudently** There is a lot of discussion about prudent use of resources than practised. Train people to use resources prudently. Make them look at the links between rewards for success, even in bad times for the company. Be prudent to implement HR practices and execute them well for the desired results. Good financial performance empowers the organisation with large resources and time to invest in programmes related to human resources. It is interesting to note that good HR practices pay back richly to the organisations in terms of employee loyalty and commitment.

The list of companies practising these is on the rise. The list includes Infosys, Oracle, General Engineering, Microsoft, Asian Paints, Electrolux, La Farge, Goldman Sachs, Citibank, Bacardi, and others.

Where wage is paid on the basis of the time spent in the organisation it is called *time wage system*. This method is followed in all such cases where the services of the employees cannot be valued or quantified exactly. In the production or sales department, the production or sales staff can be paid based on the units produced or sold. This method is called *piece wage system*.

The salary constitutes the basic salary, dearness allowance\*, house rent allowance, and other allowances. Depending upon the nature of organisation, there are different types of employee benefits. Some of the benefits include profit sharing, bonus, leave travel concessions, medical reimbursement (subject to a limit), provident fund, gratuity, group insurance schemes, pension, accident compensation, leave with pay, educational allowance, and so on. The wage/salary and the related benefits constitute compensation package.

\*Dearness allowance is paid to meet the rise in prices.

The objectives of the compensation policy should be clearly defined. The compensation levels should be fixed in a rational and objective manner. It should be adequate enough for the employee to meet his basic needs and security needs. The security needs here mean protection during old age or after retirement, and so forth. There should be incentives for rewarding better work. The wages/salaries have to be disbursed on time and should be acceptable to the employees also. To ensure this, most of the organisations enter into wage agreements with their employee unions. The employee unions also negotiate for increments, additional service benefits, perquisites, and so on, at the time when the wage revision is due. It is through the personnel manager that the top management and the employees interact with each other.

*Fair compensation package* The personnel manager is responsible for evolving a flexible and rational compensation package, which satisfies the interests of both the management and the employees. The compensation package is said to be fair when it can

- attract new applicants for different positions in the organisation
- retain the existing staff
- reward good performance
- satisfy the employees

*Wage differentials* It is common to find different wages in different industries or different states for the same job or position. The magnitude of difference in wages is called 'wage differential'. Wage differentials could result because of variations in employee characteristics such as productivity level, inter-occupational differences or inter-industry differences. The personnel manager has to be aware of these factors affecting such wage differentials.

*A balanced compensation package* The personnel manager has to ensure that the compensation package is a balanced one. It is said to be a balanced one when it is unbiased, employee-welfare oriented and fully rewarding the efforts of the employee.

If the compensation package is not a balanced one, it may very frequently lead to conflicts in the organisation. Employees, if paid arbitrarily, feel disappointed that they are not treated equal. This will be the starting point to disturb the harmonious employee relations and lose cohesiveness in the groups and departments, which will, ultimately, lead to the collapse of the organisation.

#### How the knowledge-based companies pay their staff

Some of the knowledge-based companies pay not on the basis of the worth of the services of the employee but on the basis of the employee potential. In most of the organisations it is viewed that offering shares (of course, by imposing a lock-in-period) in the company to the employees kindles ownership values and helps to retain people. Some of the progressive companies link incentives to team appraisal. The idea is to create a homogeneous work group and yet foster a competitive environment in which every one is performance driven, both as an individual and as a team member.

*Wage negotiations and agreements* The personnel department administers the wage agreements between the management and the unions. As a part of administration, the scales of pay for different levels of jobs, associated perquisites, financial and non-financial incentives have to be worked out in detail.

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The compensation policy has to be formulated considering the fair wages. Wages are said to be fair if they are equal to the rate prevailing in the industry for similar work. 'Equal pay for equal work' is one of the guidelines the personnel manager should keep in mind to rationalise the wage structure of different positions across different departments. There are minimum wages fixed by the Government of India for certain positions and it is the statutory liability for the personnel manager to administer these minimum wages where Minimum Wages Act is applicable.

*Factors affecting compensation policy* The following are the significant factors that affect the compensation policy:

- The firms' ability to pay
- Cost of living
- Remuneration in the comparative industries
- Degree of productivity
- Union pressures
- Government Legislation such as Minimum Wages Act, Payment of Wages Act, and so on.

Transparency in the compensation policy is to be established to win the confidence of the employee and employer. The management should make its policies and procedures underlying wage and salary administration clear or transparent. The wage or salary structure should be well defined and communicated to all the concerned employees to avoid confusion. Also, it is necessary that the personnel manager collects data about the various factors affecting the compensation to support his/her arguments at the time of wage revisions or negotiations with the unions.

#### PERFORMANCE APPRAISAL

Performance appraisal is the process of measuring and evaluating the performance or accomplishments, including individual behaviour, of an employee on the job front for a given period. The purpose is to assess the worth and value of a person to the organisation. It is also meant for assessing his/her potential for future development in an objective manner.

*Why appraise the performance* There are several reasons for carrying out performance appraisal. They are:

- (a) To assess the employee's present level of performance
- (b) To identify the strengths or weaknesses of individual employee
- (c) To provide feedback to the employee so that he can improve his/her performance
- (d) To provide an objective basis for rewarding the employees for their performance
- (e) To motivate those employees who perform
- (f) To check and punish those employees who fail to perform
- (g) To identify the gaps in performance, and thus, assess training and development needs
- (h) To identify the employee's potential to perform
- (i) To provide a database for evolving succession strategies
- (j) To provide a basis for many other decisions such as fixation of incentives or increment, regularisation or confirmation of the services of the employee, promotion, transfer or demotion.

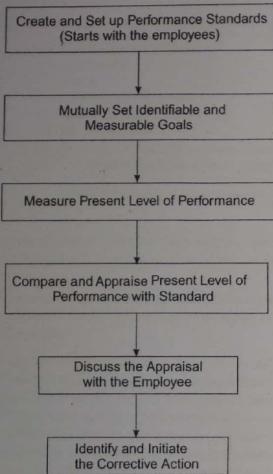


FIGURE 14.1 Steps in performance appraisal

**How is the performance appraised** Figure 14.1 outlines the following stages in the process of performance appraisal:

- Creating and setting up performance standards** This should be done for every employee at each level in every department, in accordance with the organisational goals. These standards should be clear and objective, capable of being understood and measured.
- Setting mutually the identifiable and measurable goals** Communicate with the employees to discuss with them how best the goals can be set in an identifiable and measurable manner. Seek information about their expectations regarding the performance standards.
- Measuring present level of performance** The present level of performance is assessed by collecting information relating to it from managers and personal observation by oral or written reports.
- Comparing and appraising the present level of performance** The focus here is to note the deviations in the actual performance from the set standards.
- Discussing the appraisal with the employee** To ensure that the appraisal is transparent and free from bias or subjectivity, discuss with the concerned employee. The employee may raise his/her objections in case the appraisal is far from reality. Free exchange of such information reduces not only the scope for subjectivity errors in the process of appraisal but also may strengthen the morale and self-esteem

Date: 20/8/2018

of the employees. When the appraisal is discussed with the employees, it is likely that the employee may take it positively or negatively. Particularly, where the appraisal is negative, the employee is to be handled with a lot of care so that he does not get disillusioned.

- Identify and initiate the corrective action where necessary** Suitable corrective action may be identified and initiated immediately. At times, this may yield only temporary results. Immediate corrective action is often described as 'putting out fire'. Most often, this may not be the solution. It is necessary to identify the source of deviation and try to adjust the difference permanently. This calls for corrective action for permanent results. Though it may be difficult or time-consuming to go to the source of deviation, it saves time and resources tomorrow when the problem may get bigger.

**Basis of performance appraisal** The principal basis of performance appraisal is to check how far the performance of the employee has contributed to the attainment of the organisational goals. The parameters to evaluate the performance widely differ from job to job. However, the common measures of performance appraisal include

- volume of sales
- total revenue generated
- return on investment
- volume of production
- quality standards achieved
- operating costs
- time saved
- number of customer complaints processed or pending
- timely completion of the projects
- number of projects or orders completed or secured
- debt recoveries
- loan advances
- deposits mobilised
- number and quality of training programmes conducted
- customer satisfaction level

**Instruments of performance appraisal** The performance of the employees is evaluated by using checklists or questionnaires. A typical questionnaire is outlined in Figure 14.2.

**Who will appraise** The performance of the employees is appraised or evaluated by any of the following:

- Supervisors** The immediate supervisor is the right person to evaluate the performance of the employee. It is because the supervisor monitors the progress of the employee on a day-to-day basis.
- Peers** Peers are those who are more knowledgeable about the job or work. They will tell whether the performance of the employee is satisfactory or not by observing his year-long accomplishments or activities.
- Subordinates** The subordinates assess the performance of the manager and this is not very common in our country, at least.

**Managers by themselves** This is called self-appraisal. The manager is encouraged to assess his own performance and forward his report to the management for necessary action.

Performance Factor	Performance Rating			
	Excellent	Good	Satisfactory	Poor
(a) Quality of work in terms of				
■ accuracy				
■ skill				
■ completeness of work				
(b) Volume of work done per day				
(c) Job knowledge				
(d) Dependability (ability to follow directions and company policies without supervision)				

FIGURE 14.2 A questionnaire for rating the performance of an employee

**Users of services** Most of the times, the customers of the services are the real judges of the performance of the department. The personnel in the service department can be assessed based on the customer satisfaction surveys.

**Consultants** More often, an outside consultant is engaged for appraising the performance of the employees at different levels. This method is preferred to overcome the problem of bias or subjectivity in the process of appraisal.

The success of performance appraisal richly depends on how best it is carried out in an unbiased manner. Performance appraisal is a tool to diagnose the deficiencies of the employees' skills and knowledge, and also, to determine their training and development needs.

Normally, the results of performance appraisal are treated as confidential. For good results, it is advisable to share the results of the performance appraisal with the concerned employee. Progressive organisations give an opportunity to the employee to justify his/her actions before any decision is taken unilaterally. Also in this process, the difficulties faced by the employee in the course of achieving the targets can be identified and discussed.

The personnel manager is responsible for the periodical appraisals of the performance of the employees. He should be familiar with the problems associated with performance appraisal. The real purpose of performance appraisal is not to punish but to develop the employee.

#### Motivational Climate

The performance of an individual employee is the function of his/her ability to do the job and his/her willingness to do it. It is the motivational climate in the organisation that creates this willingness among the employees. The personnel manager is directly responsible for creating a proper motivational climate, in which the management guides the development and growth of people at all levels by training, counselling, delegation, and communication.

Motivational climate, in most of the organisations, is a way of life. It is characterised by the way

- (a) the affairs are managed
- (b) people are recognised and treated
- (c) people are empowered with the appropriate authority
- (d) ideas, initiative, and enterprise are encouraged

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- (e) opportunity is provided to experiment and test the new concepts, tools, and techniques for projection of a company's goals, policies, and philosophy.

**Organisational climate and organisational culture** The organisational climate is said to be favourable when plans are drawn in consultation with the people concerned and communicated to them for necessary administration and functioning. Organisation culture refers to the norms and standards that pervade in the organisation. Organisational culture influences the behaviour of individual employees at work. In other words, organisational culture affects both the individual and the organisational performance. Not passive, not reactive, but proactive organisational culture has to be evolved for sustained growth and development. Proactive organisational culture is the outcome of the sustained efforts of far-sighted, progressive, and professional chief executives. This creates a competitive climate through recognition of work. People tend to be more productive in such type of organisational climate.

The personnel manager should consider creating a climate for interdependent work, which develops team spirit and team building among the employees. Where required, the employees need to be motivated individually through personal guidance and counselling. It is necessary to create a climate of direct approach and problem solving rather than avoidance. The results can be better if a competitive climate is created through recognition of good work. It should be ensured that the employee's energies are not spent off totally in meeting only their basic needs.

**Financial and non-financial incentives** The personnel manager has to formulate rewards or incentives, which adequately satisfy the employees. These rewards can be of two types: Financial incentives and non-financial incentives.

**Financial incentives** include the following:

- (a) **Compensation based on performance** Where the performance exceeds the given standards, the employee is paid better in terms of piece rate, sharing profits, or bonus. This is different from the traditional compensation plan, which does not reflect the additional incentive for better performance. In case of compensation programmes based on performance, the incentives the individual employee receives from time to time reflect some performance measures such as individual productivity, team or group productivity, or overall organisation profit for a given period. As there is a strong relationship between the effort and the rewards, employees tend to perform better if incentives are better designed.
- (b) **Compensation based on competency** Under this method, the pay and rewards are designed based on the competency of the employees. Competency is judged based on one's leadership skills, troubleshooting strategies. Pay levels may vary in tune with the degree of competency. In other words, an employee's rewards are determined by one's capability to contribute to the organisational goals and objectives.
- (c) **Stock options** Employees are given shares in the company in which they work. The potential growth in the market price of the share is the incentive to keep working in the company. There could be a restriction that the employees cannot sell the shares for a given period. This practice is perceived to develop, among the employees, a sense of loyalty to their organisations.
- (d) **Rewards** Rewards are individual incentives intended to reward individual performance. These include merit pay, time saving bonus, and commission.
- (e) **Group bonus** Where the employee's tasks are interdependent and thus require cooperation, group incentives such as group bonus make a lot of difference.

**Non-financial incentives** refer to the incentives related to the job. These include:

- (a) **Consultation** Today, most of the successful companies are those which invite participation from their employees on strategic issues such as working environment, introduction of changes, and so on. When the management consults the employees for their opinions, the employees feel motivated. This enhances their morale also. The consultation may take any of the following forms: inviting the employees for workshops, joint committee consisting of representatives of employers and employees, suggestion schemes, and others. The employees are encouraged to suggest on issues relating to productivity or cost-saving. Those who offer practical suggestions are recognised and the best suggestions are even rewarded.
- (b) **Teamwork** Here, the workforce is organised into small groups or teams who work together. A line manager may have one or more such groups and brief them regularly. There is a spirit of competition among the groups. Each group tries to outperform the other. In the process, the employees feel highly motivated and thereby develop a sense of belonging and loyalty to the organisation. Such an environment in the organisation is likely to enhance the overall performance level.
- (c) **Quality circles** Quality circle is a body of employees who meet from time to time under the guidance of a supervisor to discuss ways and means to improve the quality of the products and services of the organisation.
- (d) **Job security** When the employee is assured of the security of his job, he feels safer and this provides him adequate incentive to perform better.
- (e) **Job enrichment** Here, the employees are given greater scope in deciding how the tasks should be performed. In other words, they are allowed to assume increased responsibility for planning and self-evaluation.
- (f) **Job rotation** Doing the same job for years together may create boredom for the employee. To overcome this problem, the employee is given a different job, may be in the same department or a different one, after a particular period of time. This enables the employees to diversify their activities and develop multiple skills.
- (g) **Flexitime** Flexitime is a method of organising the working hours for the employees in such a way so as to provide greater flexibility in choosing their own working hours. It enables the employees to choose working hours of their choice within agreed parameters and provided they are present during a 'core' time (usually between 1000 hrs–2100 hrs). With the growing Internet and PC culture, the place of work is getting shifted from offices to personal computers. Most of the knowledge-based organisations insist on results, not on the physical presence of the employees during office hours.

#### GRIEVANCE HANDLING

A complaint from an employee, when ignored, takes the form of a grievance. Grievance is a complaint, genuine or otherwise, about any issue relating to the job such as about supervisor, wages, working conditions, and so on. It is necessary to create an in-built mechanism to redress the grievances, at the earliest, at the departmental level. If the individual grievances are ignored, they may take the form of industrial disputes. The procedures of handling industrial disputes are clearly laid down in the Industrial Disputes Act, 1947.

Since employees with grievances cannot contribute their best to the organisation, grievances must be handled, at the earliest, firmly and with care. The grievance handling is the first step to initiate better industrial relations. Hence, the personnel manager has to own responsibility to handle the grievances effectively.

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The following are the steps in setting up a grievance redressal machinery:

- **Conference among the aggrieved employee, supervisor, and union representative, if any** This is intended to identify the source of the problem and settle the problem once and for all, if possible. If the grievance is about the issue within the control of the supervisor, it is normally settled at this level itself. In case the grievance is not settled, it is referred to the conference with the middle management and middle union leadership.
- **Conference with middle management and middle union leadership** This is the second stage of grievance redressal. The middle management gets pressure from the unions to redress the grievance. If the grievance is related to any of the issues within the control of the middle management and the grievance can be redressed without any damage to the organisational interests, necessary changes are initiated in the policies or procedures. Where the grievance is not settled at this level also, it is referred to the conference between the top management and the top union leadership.
- **Conference among the top management and the top union leadership** Here, the top management and the top union leadership explore the possibility for redressal of the grievance. Considering the interests of the organisation, the top management takes an appropriate decision to redress the grievance. Where the grievance still continues, the last alternative is to refer the grievance to arbitration.
- **Arbitration** is usually handled either by a single person or by a panel of three persons: the first one representing the union, the second one representing the management, and the third one is an impartial person. Whatever decision the arbitrator or arbitration committee takes, it is binding on both the parties: the employer and the employee.

**Steps in Handling a Grievance** The following are the steps involved in handling a grievance:

- (a) **Receiving the complaint, in writing, from the aggrieved employee** This constitutes the documentary evidence for the dissatisfaction of the employee. The complaint should be complete in all aspects. This forms the basis for further investigation.
- (b) **Defining the nature of dissatisfaction** Identify the source of dissatisfaction and its nature. The dissatisfaction may arise due to disproportionate wages, poor working conditions, strained interpersonal relations among employees in the shop floor, and so on.
- (c) **Getting the facts** Collect all the related information about the complaint by enquiring from all the concerned parties.
- (d) **Analysing and deciding** Considering the policies and procedures, analyse the problem and decide what is the best course of action to be taken to redress the grievance. The nature of disciplinary measures, if any, should be clearly spelt out.
- (e) **Reply answer to the complainant** Inform the decision taken to the complainant within a given time frame.
- (f) **Following up** Verify whether the disciplinary measures pointed out were implemented or not. What is very important is to verify whether the grievance is redressed or not.

**Disciplinary action** In case it is decided that the guilty has to be punished, in the process of grievance redressal, the punishment may take any of the following forms:

- Oral or written warning to the concerned
- Loss of privileges
- Deferring annual increment
- Lay-off, demotion or discharge from the service

Establishing an environment of trust and confidence, in the course of grievance redressal, is the primary responsibility of the personnel manager.

#### WELFARE ASPECTS

The personnel manager is responsible for implementing the legal provisions under the Factories Act, which deals with the safety, welfare, and health of the industrial workers. There are legal enactments to govern payment of bonus, minimum wages, compensation, administration of various benefits such as sickness benefit, and so on. In relation to these issues, it is the primary job of the personnel manager to ensure the legal compliance of the provisions of the following enactments:

- The Payment of Wages Act, 1936
- The Minimum Wages Act, 1948
- The Workmen's Compensation Act, 1923
- The Employee State Insurance Act, 1948
- The Employee Provident Fund Act, 1952

To sum up, the personnel manager is the direct link between the labour and the management in an organisation. The position of the personnel manager is very sensitive and critical in view of the fact that, if things go wrong, both the labour and the management point their fingers at the personnel manager. So, in the interest of the organisation, the personnel manager has to operate in a professional way. One must be alert, particularly, to the wrong signals, if any, from the management or the employees, and act in an unbiased and mature manner considering the long-term interests of both the parties. It is always advantageous to have defined personnel policies to prepare the organisation to move in the progressive direction.

#### JOB EVALUATION

Job evaluation is the technique of assessing systematically the relative worth (in monetary terms) of each job. It provides valuable insights into certain questions such as why the chief executive is paid the highest, why the production supervisor in the shop floor is paid lesser, and so on.

A fundamental prerequisite to the establishment of a compensation policy is the determination of the comparative values of jobs throughout the hierarchy. These values form the basis to build the pay and the benefits package. Once the range of job values is available, they can be compared with those of other companies in the same or different industries in order to establish the prevailing market rates. The procedures used must be easy to understand and administer, and the employees must perceive the system as fair.

#### Aims of Job Evaluation

The aims of job evaluation are:

1. To provide a basis for ranking jobs to grade and group them under a salary scale
2. To ensure that job values are assessed on an objective basis, from an analytical study of the job content, to the extent possible
3. To provide a database to facilitate the review and update of job values

This is a very important technique for it provides the information that can be used by the personnel manager for wage and salary administration purpose. Job evaluation produces a rank order of jobs, based on a rational

and reasonably objective assessment of a number of key factors taken from a representative cross section of all the jobs in a particular job hierarchy.

#### Advantages of Job Evaluation

1. It provides a rational basis for discussions with the trade unions at the time of wage negotiations.
2. It provides a justification for allocating pay differentials between groups. This adequately compensates in financial terms, and thus, keeps the people who take up creative and innovative roles adequately motivated.
3. It eliminates, to a large extent, grievances about remuneration.
4. It provides data based on which an incentive scheme can be formulated.
5. It provides benchmarks for comparing the complexities.
6. It facilitates career planning.
7. It streamlines responsibility levels.
8. It helps flatten organisational levels.
9. It ensures the hiring of the right people.

#### Methods of Job Evaluation

The methods of job evaluation can broadly be classified as (a) Non-analytical methods and (b) Analytical methods.

**Non-analytical methods**: These methods are traditional and simple. They consider all the jobs available, compare them, and then rank them. In complex organisations, they cannot be used. They can be used in such cases where the jobs are distinctly different and not similar. Non-analytical methods of job evaluation are: (a) Ranking method and (b) Job classification method.

**Ranking method**: Under this method, the jobs in the organisation are arranged either in the ascending or descending order and numbered serially. The basis of such arrangement could be the job description in terms of duties, responsibilities, qualifications needed, relative difficulty involved in doing the job, or value to the company. The job, which carries the highest value to the company, is paid the most, and vice versa. Similarly, the job that carries critical duties and responsibilities carries a relatively higher worth.

**Evaluation**: Conceptually, this is easy to understand and implement, particularly for a smaller organisation. However, it fails to indicate the degree of difference between each grade. Subjectivity cannot be ruled out in the process of ranking. In other words, value is placed on the people doing those jobs rather than on the job itself. However, this method cannot be used in larger organisations.

**Job classification method**: This is also called job-grading method. Here, the number of grades and the salary particulars for each grade are worked out first. The grades are clearly described in terms of knowledge, skill, and so on. Then the jobs in the organisation are allocated to these grades as per the job description and grades identified.

**Evaluation**: This is relatively simple to understand and easy to carry out. It is totally based on the number of grades and salary particulars for each grade worked out first. It may not be possible to make clear distinctions between jobs. In a complex organisation with a wide variety of specialist roles, it is very difficult to implement this method.

**Analytical methods** Under these methods, the jobs are broken down into different tasks. Different factors such as skill, responsibility, education level, and so on, are assessed for each job. The comparison of factor by factor, sometimes, allocating points or monetary sums for each factor is made for meaningful interpretation.

There are two types of analytical methods: (a) Factor comparison method and (b) Points rating method.

**Factor comparison method** Every job requires certain capabilities on the part of the person who does the job. These capabilities are considered as critical factors, which can be grouped as listed below:

- Mental requirements (education, alertness, judgment, initiative, creativity, ingenuity, versatility)
- Skill requirements (use of equipment and materials, dexterity, precision)
- Physical requirements (strength, endurance)
- Responsibility (for the safety of others; for equipment, materials, processes; cost of error; extent of supervision exercised)
- Working conditions (work pressure, accident hazard, environment)

The factor comparison method consists of six well-defined steps:

- (i) Identify the key jobs
- (ii) Rank the key job, factor by factor
- (iii) Apportion the salary among each factor and rank the key jobs
- (iv) Compare factor ranking of each job with its monetary ranking
- (v) Develop a monetary comparison scale
- (vi) Evaluate non-key jobs based on the monetary comparison scale

The principle of a college is paid a higher salary than the lecturer in view of several factors, one of which is higher responsibility. Considering other factors also, weightage (in terms of money) is given to each factor and the total weight and the monetary value is taken. This provides a basis for arranging the jobs in relation to their relative worth.

**Evaluation** It provides a better basis for assessing the relative worth of each job when compared to the non-analytical methods. The list of factors is not a standard one. It can be changed as per the specific needs of the organisation. Non-key jobs are evaluated on the basis of monetary comparison scale.

It is difficult to comprehend, and hence, may be difficult to explain to the employees. Periodic adjustment of salary rates may lead to the development of inequities in the organisation's salary structure. Inequities in salary rates of key jobs will further affect the non-key jobs in terms of their evaluated worth. The list of requirements is very critical. Any lapse in identifying any of the factors or its weightage appropriately may affect very badly the validity of the entire exercise.

**Point-rating method** There are four widely accepted factors used in the point-rating method: skill, effort, responsibility, and job conditions. Each of these factors is divided into sub-factors.

**Skill:**

- (i) Education and job knowledge
- (ii) Experience and training

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- (iii) Initiative and ingenuity  
(iv) Physical dexterity (skills)

**Effort:**

- (v) Physical effort  
(vi) Mental and/or visual effort

**Responsibility (for):**

- (vii) Tools and equipment  
(viii) Materials or products  
(ix) Safety of staff  
(x) Others' work

**Job Conditions:**

- (xi) Working conditions  
(xii) Unavoidable hazards  
(xiii) Immediate surroundings

In the above list, skill is a factor and it has four sub-factors. Like this, each of these factors is further subdivided into sub-factors. Depending upon the complexity involved, each sub-factor is assigned a degree and points. The following table explains how the sub-factor 'responsibility for equipment or tools' is divided into degrees and each degree is assigned points.

Responsibility for Equipment or Tools		
Degree	Amount of Responsibility	Points
1	The equipment is less likely to get damaged due to use. Hence, the equipment does not require special care.	6
2	The equipment requires some care in recognising trouble and shutting down to prevent or minimise danger. Equipment is likely to get damaged if care is not taken.	10
3	Equipment running on power needs moderate care to prevent damage.	20
4	Equipment is very expensive, and hence, is to be operated very carefully considering the rapidly changing conditions.	30

Once a factor is evaluated in accordance with its degree and points, the points attained for each factor are added up to obtain a score for the job. Based on this score, the jobs are ranked from the lowest to the highest or the other way. If two jobs obtain equal score, that indicates that both jobs are equal in every respect, and hence, should be given equal wages also. The number of jobs may cluster around certain groups of scores. This can simplify the process of allocating wage grades.

**Evaluation** It is difficult to develop factors, sub-factors, degrees, and points. Working out a point scale and selecting degrees are not simple jobs. They are complex in nature, and hence, involve a lot of time and skill. Allocation of points among sub-factors may appear to be arbitrary than realistic and scientific.

### Point rating method: industry applications

Point rating is widely applied in the industry. A variation of the usual points method is the widely used Hay method — developed by Edward Hay, the founder of the Philadelphia (US)-based Hay Group which is one of the world's largest management consultancy firms. This method is more judgemental than scientific. However, it is more consensus-based. A group of evaluators measure the relative complexity of every job in the organisation.

The points are awarded on the basis of three criteria: the job knowledge, the problem solving skills, and the accountability levels that relate to a job. Each job has a certain degree of complexity or size, which can be measured by a standardised and transparent evaluation technique, expressed in terms of a score. The final score is then a linear measure of the job's complexity. So a job with a score of 1,200 Hay points is half as complex as one with a score of 2,400 Hay points.

In advanced countries like the United States, it is not unusual for an employer to ask a prospective employee for his last job's Hay points in order to place the candidate better.

The number of companies (such as Ballarpur Industries) using this system in India is also increasing year by year. The benefits realised were both general such as 'bringing order from chaos' as well as specific such as:

- to identify the positions not contributing value to the bottom line
- to flatten the organisations by streamlining the organisational hierarchies,
- and so on.

However, this is more rational because factors, sub-factors, degrees, and points are identified in an objective manner. In other words, it is less subjective. It provides consistent results. It is standardised to such an extent that it offers no scope for manipulations. Salary increases do not affect the basic system of grouping. The system is flexible to cater to the varying requirements of the organisations.

### MERIT RATING

Merit rating is the process of evaluating the relative merit of the person on a given job. It is an essential task of the personnel manager to distinguish the meritorious employees from the others. The data collected from this task is used for strategic decisions such as releasing an increment in pay, promotion, transfer, transfer on promotion to a critical assignment, or even discharge.

It is distinctly different from job evaluation. In job evaluation, the jobs are evaluated, not the doers of the job. In merit rating, the person doing the job is evaluated based on his or her performance.

#### Objectives of Merit Rating

Merit rating provides the management certain valuable inputs which can be used for the following:

- (a) To determine salary increments
- (b) To decide who has to be transferred, promoted, or demoted
- (c) To enhance employee morale, and thus, stimulate positive thinking among employees about the work and the organisation
- (d) To discover the workers' needs for retraining and advanced training

- ✓ 2nd Q
- (e) To unfold the exceptional skills among the employees, based on their innate potentials
  - (f) To guide and monitor the performance of those who are lagging behind

Merit rating is a systematic evaluation of the personality and performance of each employee by his/her supervisor or some other qualified persons. A positive evaluation indicates that the employee has reached the standards of performance. On the other hand, a negative evaluation shows that the employee could not reach the minimum standards of performance. In such cases, it is necessary to probe into the minute details of employee performance to identify the real bottlenecks. This data provides valuable insight into the areas where the employee requires further training or orientation to do the job better. While evaluating the merit of an employee, the following traits of the employee are closely observed and analysed:

- Ability to carry out the instructions to do the job assigned
- Knowledge of every detail of the job
- Ability to solve problems on the job
- Special qualities such as creativity, quality of interaction, and so on
- Supervisory capabilities
- Ability to adapt or manage crisis
- Ability to work in a team
- Capability to work against hard targets

The list is, however, not a standard one. The list of such traits can be flexible considering the requirements of the organisations. The purpose for which the employee is evaluated is, more often, the better guide to suggest the parameters of evaluation.

#### Methods of Merit Rating

There are different methods of assessing the performance of the person on the job. While most of them are based on supervisor's remarks, some of them are based on self-evaluation. In other words, particularly at higher executive positions, the employee is given an opportunity to evaluate his own performance against his own preset objectives. Such reports are evaluated based on the merits of each case. The following are the different methods of merit rating:

**Ranking method** In this method, all the staff of a particular cadre or a department are arranged either in the ascending or the descending order in order of merit or value to the firm. Though this is a simple method, it cannot be followed where the employees in the department are many in number. This method fails to identify the degree of differential merit among the staff.

**Paired comparison method** Here, every employee is compared with all others in a particular cadre in the department. By comparing each pair of employees, the rater can decide which of the employees is more valuable to the organisation. This method is more useful for an overall comparison of employees and if the number of employees is reasonable.

**Rating scale** Here, the factors dealing with the quantity and quality of work are listed and rated. A numeric value may be assigned to each factor and the factors could be weighed in the order of their relative importance. All the variables are measured against a three or five point scale. For instance, if a variable such as skill on the job is evaluated, a three point scale could be:

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Traits	Good	Fair	Poor
Skill on the job	3	2	1
Punctuality	3	2	1
Cooperation	3	2	1
Care towards the equipment and tools	3	2	1

Similarly, a five-point scale could be excellent, good, satisfactory, average, and poor in which case the weightage could be 5, 4, 3, 2, and 1, respectively. Several traits or attributes such as punctuality, efficiency, cooperation, initiative, accuracy, and others are evaluated on such a scale. The indication is recorded by marking the concerned number representing the degree to which the individual satisfies the standard. The numbers also serve as weights, which can be added to judge the relative merit of each employee.

The rating scale is a widely used method of evaluating performance because it is economical to develop and easily understood by the worker and the evaluator. A major weakness is that each evaluator is apt to interpret the factors such as skill on the job and the degrees describing that factor are marked off along the scale (such as good, fair, poor). This method is simple to administer but cannot sharply differentiate the employees.

**Forced distribution method** Here, employees are given a set of alternatives and they have to choose one, which reflects their understanding of the true nature of the job. Their thinking is conditioned by the one, which they think correct. Based on their answers, their judgement skills, analytical, and reasoning skills are assessed. The answers given may be very close to each other and to select the right answer, the candidate has to understand the job in its true perspective and in its entirety. The main parameters tested here are the employee's performance on the job and scope for promotion.

**Narrative or essay method** Here, the candidate is required to narrate in an essay format his/her strengths, weaknesses, and potential to perform. Here, the candidate is not restricted by any given set of alternatives. The candidate is free to decide what to furnish or what not to furnish. The advantage with this method is that the evaluator is also not bound by any constraints such as scaling, and others. This method is often used in evaluating employees, mostly in the service organisations. All the eligible candidates may be asked to enclose in their application for promotion, a page write-up on 'why they should be promoted'. One who presents his arguments in a logical and justifiable manner is likely to emerge victorious. One difficulty with this method is the comparison. Since the candidates are likely to cover different aspects of performance and personal traits, it is difficult to compare the relative merit of each employee.

**Management by objectives (MBO)** The short-term objectives mutually agreed upon by the management and the employee are used as performance standards. This method considers the actual performance as the basis for evaluation. It is a systematic method of goal setting. Also, it provides for reviewing performance based on results rather than personality traits or characteristics. However, this is not practical at all levels and for all kinds of work in the organisations.

To sum up, merit rating is a crucial function which has to be carried out dispassionately and objectively. If it is not done in a professional way, this could be the source of complaints and tensions. Further, it should not be viewed as an annual ritual. Merit rating is a continuous phenomenon. Progressive organisations create an in-built system to enable their employees to constantly monitor their own performance periodically.

## SUMMARY

- ◆ Recruitment is the process of attracting application for a particular position in the organisation.
- ◆ Selection is the process of selecting the right person for the right job. There could be several stages in the selection process such as initial screening, written test, group discussion followed by an interview. The stages in the selection process may differ from organisation to organisation.
- ◆ Induction refers to familiarising the new employee with the functional environment of the organisation.
- ◆ Training leads to human development. It is necessary that an organisation identifies its needs and evolves a suitable training policy.
- ◆ Training may be given on the job or off the job.
- ◆ On-the-job training methods include: job instruction training, experiential learning, demonstration, and apprentice training.
- ◆ Off-the-job training methods include: lecture method, conferences, seminars, team discussions, case studies, role playing, programmed instructions, simulation exercises, group decision-making and so on.
- ◆ An employee is said to be promoted to a higher post, if the post carries additional authority, responsibility, and a higher compensation package.
- ◆ An employee is said to be transferred if he is shifted from one position to another, may be in the same department or location. There may not be any change in the compensation package or in duties.
- ◆ Separation refers to termination of employment.
- ◆ Wage differential refers to the difference between wages in different industries or different states for the same job or position.
- ◆ Performance appraisal is the process of measuring and evaluating the accomplishments and individual behaviour of an employee on the job front for a given period. It should be carried out in an unbiased manner. It is a powerful tool to make or mar an organisation.
- ◆ Motivational climate brings forth the best performance from the employees.
- ◆ Financial incentives include pay for performance, competency-based compensation, employee's share ownership, individual incentives, group incentives, and other fringe benefits such as free furnished housing, car, and other perquisites.
- ◆ Non financial incentives include: consulting the employees, team working, quality circles, job security, job enrichment, job rotation, flexitime.
- ◆ Grievance handling procedures have to be established in the organisations.
- ◆ Job evaluation is the technique of assessing the relative worth of a given job.
- ◆ The methods of job evaluation include ranking method, job classification method, factor comparison method and point-rating method.
- ◆ Merit rating is the process of evaluating the relative merit of the person on a given job. The methods of merit rating include: ranking the employees on merit, paired comparison method, rating scale and forced distribution method, narrative or essay method, or management by objectives.

## Unit IV

### Introduction to H.R.M.

Every organization irrespective of its

nature and size, has four resources namely, men, material, money and machinery. Of these men & people are the most vital resources and only they make all the difference in an organization.

In this connection L.F. Urwick says that "Business houses are made or broken in the long-run not by the markets or capital, patents or equipments, but by men". Peter F. Drucker says that "Man, of all the resources available to man, can grow and develop". This gives genesis to the concept of HRM. Of all the systems, HR is the central sub-system of an organization. As the central sub-system, it controls the functions of each sub-system and the whole organization.

The prosperity and growth of an organization depends mainly upon the policies, programmes and practices of HR sub-system. So, an organization aiming at growth from all dimensions should maintain a dynamic and effective HR sub-system.

#### Concept of HRM:-

→ HRM is concerned with the human beings, in an organization. It reflects a new philosophy, a new outlook, approach and strategy, which views an organization's manpower as its resources and assets.

→ HRM is a managerial function which facilitates the effective utilization of people

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(manpower) in achieving organizational goals.

⑥

- Earlier HRM was called by different names like personnel Management, personnel Administration, Staff Management, manpower Management, Labour Relations, Industrial Relations, Labour Management, Labour Administration, Labour Management Relations, Employee-Employer Relations, Human Capital Management and Human Asset Management.
- Simply, HRM is a management function that helps the managers to recruit, select, train and develop people for the purpose of achieving the stated organizational goals.
- In the present scenario, HRM is used as a synonym to personnel Management and the personnel Department is called the HR Department.

Definitions of HRM!—

According to Hilkovich and Boudreau:-

HRM is a series of decisions that effect the relationship between employees and employers; it effects many constituencies and is intended to influence the effectiveness of employees and employers.

Functions of HRM!— The main function of HRM is to effectively utilize available human resources by developing their competencies in tune with organizational requirements.

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## iii. Introduction to H.R.M.

The functions of HRM are broadly classified into two categories:

(1) Managerial Functions and

(2) Operative Functions.

(1) Managerial Functions:- The managerial functions which are performed by each and every manager as follows:

a) planning

b) Controlling

c) Directing

d) ~~Controlling~~ Organizing

Planning:- Planning is a determined course of action. It is concerned with determining organizational goals and formulating the policies and procedures for attaining those goals. Planning is future oriented and charts out the directions for attaining the goals. Forecasting is the important element of a planning process. The other functions or actions of the managers are dependent on the planning process.

Controlling:- The next function is controlling which is the process of checking the performance to confirm whether the activities are going according to the plans made. Controlling involves the activities like setting performance standards, checking, verifying and comparing the actual with the help of plans and taking corrective action if needed.

Directing:- It is the execution of the plan. In other words, it is the process of activating and coordinating the individual group efforts in order to achieve the goals and objectives. Directing includes activities like maintaining morale, getting things done by subordinates, motivating subordinates etc.; in accordance with goal achievement.

Organizing:- Organizing is the method of achieving the planned task. It is the process of allocating the jobs in the direction of achieving the goals. Organizing includes activities like allocation of tasks to subordinates, establishing channels of communication, delegation of authority, establishing departments, coordination of work and so on.

(c) Operative functions:-

(i) Acquisition:-

↳ Job Analysis:-

↳ H.R. planning or manpower planning:-

↳ Recruitment:-

↳ Selection :-

↳ placement :-

↳ Induction :-

↳ Transfer :-

↳ promotion and Demotion:-

(ii) Development:-

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↳ Performance Appraisal:-

↳ Training:-

↳ Career Planning and Career Development

iii) Integration:-

↳ Motivation:-

↳ Job Satisfaction:-

↳ Grievance Handling:-

↳ Collective Bargaining:-

↳ Employee participation:-

↳ Discipline:-

(iv) Maintenance:-

↳ Organizational Health

↳ Human Resource Audit

↳ Human Resource Accounting

(v) Compensation:-

↳ Job Evaluation:-

↳ Wage and Salary Administration:-

↳ Incentives:-

↳ Bonus:-

↳ Fringe Benefits:-