

**Reference Points in IMS**  
**Module-1**  
**HUMAN RESOURCE MANAGEMENT**  
**THE PRINCIPLES OF A GOOD WAGE PAYMENT SYSTEM**

No	Topic	Key Points
1	<b>HRM</b>	<p>The process of managing people in organization in a structured and thorough manner.</p> <p>HRM is management function concerned with hiring, motivating and maintaining workforce in an organization.</p>
2	<b>Functions of HRM</b> <ul style="list-style-type: none"> <li>Managerial Functions           <ul style="list-style-type: none"> <li>1. Planning</li> <li>2. Organizing</li> <li>3. Staffing</li> <li>4. Directing</li> <li>5. Controlling</li> </ul> </li> <li>Operative Functions           <ul style="list-style-type: none"> <li>1. Employment</li> <li>2. Development</li> <li>3. Compensation</li> <li>4. Maintenance</li> <li>5. Motivation</li> <li>6. Personnel records</li> <li>7. Industrial relation</li> <li>8. Separation</li> </ul> </li> <li>Advisory Functions           <ul style="list-style-type: none"> <li>1.Advice to top Management</li> <li>2.Advice to dept. heads</li> </ul> </li> </ul>	<p><b>Managerial Functions</b></p> <p><b>Planning:</b> Planning is determination of courses of action to achieve desired goals.</p> <p><b>Organizing:</b> Organizing process of bringing together physical, financial and human resources and developing productive relationship amongst them for achievement of organizational goals.</p> <p><b>Staffing:</b> Managerial function of staffing involves manning the organization structure through proper and effective selection; appraisal &amp; development of personnel to fill the roles designed un the structure.</p> <p><b>Directing:</b> Direction is that inert-personnel aspect of management which deals directly with influencing, guiding, supervising, motivating sub-ordinate for the achievement of organizational goals.</p> <p><b>Controlling:</b> Controlling is the measurement &amp; correction of performance activities of subordinates in order to make sure that assure the enterprise goal.</p> <p><b>Operative Functions</b></p> <p><b>Employment:</b> The first operative function of the human resource of personnel department is the employment of proper kind and number of persons necessary to achieve the goal of the organisation. This involves recruitment, selection, placement, etc. of the personnel.</p>

**Development:** Training and development of personnel is a follow up of the employment function. It is a duty of management to train each employee properly to develop technical skills for the job for which he has been employed and also to develop him for the higher jobs in the organization.

**Compensation:** This function is concerned with the determination of adequate and equitable remuneration of the employees in the organization of their contribution to the organisational goals. The personnel can be compensated both in terms of monetary as well as non-monetary rewards.

**Maintenance (Working Conditions and Welfare):**

Organization must be provided with good working conditions so that they may like their work and workplace and maintain their efficiency. Working conditions certainly influence the motivation and morale of the employees.

**Motivation:** The human resource manager helps the various departmental managers to design a system of financial and non-financial rewards to motivate the employees.

**Personnel Records:** The human resource or personnel department maintains the records of the employees working in the enterprise. It keeps full records of their training, achievements, transfer, promotion, absenteeism etc.

**Industrial Relations:** These days, the responsibility of maintaining good industrial relations is mainly discharged by the human resource manager. The human resource manager can help in collective bargaining, joint consultation and settlement of disputes, if the need arises.

**Separation:** Since the first function of human resource management is to procure the employees, it is logical that the last should be the separation and return of that person to society.

		<p><b>Advisory Functions:</b></p> <p><b>Advised to Top Management :</b> Personnel manager advises the top management in formulation and evaluation of personnel programs, policies and procedures. He also gives advice for achieving and maintaining good human relations and high employee morale.</p> <p><b>Advised to Departmental Heads:</b> Personnel manager offers advice to the heads of various departments on matters such as manpower planning, job analysis and design, recruitment and selection, placement, training, performance appraisal, etc..</p>
3	<p><b>Manpower Planning</b></p> <p><b>Requirement of manpower Planning</b></p> <p><b>Factors affecting manpower planning</b></p>	<p>Manpower planning is basically a process in which an organization ensures that the right number of people at the right place and at the right time doing the right work for the achievement of goals of the organization.</p> <p><b>Requirement of manpower Planning</b></p> <ol style="list-style-type: none"> <li>1. To ensure optimum use of current employees.</li> <li>2. To forecast future skill requirements.</li> <li>3. Manpower planning helps effective recruitment</li> <li>4. To create efficient work force</li> <li>5. To utilize and make higher productivity</li> <li>6. To calculate cost involved in a project</li> <li>7. Which helps in organizational planning</li> <li>8. To control human resources already deployed in the organization</li> </ol> <p><b>Factors affecting manpower planning</b></p> <ol style="list-style-type: none"> <li>1. Organization structure</li> <li>2. Growth and planning</li> <li>3. Business location</li> <li>4. Demographic changes</li> <li>5. Environmental changes</li> <li>6. Expansion</li> </ol>

4	<p><b>Job Evaluation</b></p> <p><b>Steps in Job Evaluation:</b></p> <ol style="list-style-type: none"> <li>1. Gathering the data</li> <li>2. Selecting compensable factors</li> <li>3. Evaluating a job</li> <li>4. Assigning pay to the job.</li> </ol>	<p><b>Job evaluation:</b> Job evaluation can be defined as a systematic process designed to determine the relative worth of jobs within a single work organisation.</p> <p>It is the process whereby an organisation systematically establishes its compensation programme.</p> <p>In this process, jobs are compared in order to arrive at each job's appropriate worth.</p> <p><b>Steps in Job Evaluation:</b></p> <p><b>Gathering job analysis data:</b></p> <p>Firstly, information must be collected through a method of job analysis. In which the job analyst must accurately capture all of the content.</p> <p>Job analysis has two components</p> <ol style="list-style-type: none"> <li>1. <b>Job description:</b> It is a document that describes duties, responsibilities, job title, location, machines used and working conditions etc.</li> <li>2. <b>Job specification:</b> It is a statement in which mainly contains primary duties and responsibilities, and the minimum qualifications and requirements necessary to perform the essential functions of the job.</li> </ol> <p><b>Selecting compensable factors:</b></p> <p>Compensable factors are the factors the organisation chooses to reward through differential pay. The most typical compensable factors are skill, knowledge, responsibility, and working conditions.</p> <p><b>Evaluating job using certain methods:</b></p> <p>There are four fundamental methods of job evaluation.</p> <ol style="list-style-type: none"> <li>5. Ranking system</li> <li>6. Grading system</li> <li>7. Factor comparison</li> <li>8. Point system</li> </ol> <p><b>Assigning pay to the job:</b></p> <p>The end product of a job evaluation exercise is a hierarchy of jobs in terms of their relative value to the organisation. Assigning pay to this hierarchy of jobs is referred to as pricing the pay structure.</p>
---	--	---

<p><b>Methods of Job evaluation</b></p> <p><b>Non quantitative method</b></p> <ol style="list-style-type: none"> <li>1. Ranking system</li> <li>2. Grading system</li> </ol> <p><b>Quantitative method</b></p> <ol style="list-style-type: none"> <li>3. Point system</li> <li>4. Factor comparison</li> </ol>	<p><b>Ranking system method</b></p> <p>The ranking method is the simplest form of job evaluation. In this method, each job as a whole is compared with other and this comparison of jobs goes on until all the jobs have been evaluated and ranked. All jobs are ranked in the order of their importance from the simplest to the hardest or from the highest to the lowest</p> <p><b>Advantages:</b> Simple, Economical, Little paper work.</p> <p><b>Disadvantages</b> There are no definite standards of judgment and also there is no way of measuring the differences between jobs.</p> <p><b>Grading system</b></p> <p>Grading method is also known as ‘classification method’. This method of job evaluation was made popular by the U.S. Civil Service Commission. Under this method, job grades or classes are established by an authorised body or committee appointed for this purpose. A job grade is defined as a group of different jobs of similar difficulty or requiring similar skills to perform them. Job grades are determined on the basis of information derived from job analysis.</p> <p><b>Advantages:</b> Economical, Easy to understand and simple to operate.</p> <p><b>Disadvantages:</b> Personal bias, It cannot deal with complex jobs</p> <p><b>Points Rating:</b></p> <p>This is the most widely used method of job evaluation. Under this method, jobs are broken down based on various identifiable factors such as skill, effort, training, knowledge, hazards, responsibility, etc. Thereafter, points are allocated to each of these factors.</p> <p><b>Advantages:</b> Accurate, Human judgment minimized, Systematic method.</p> <p><b>Disadvantages:</b> Time-consuming and expensive method, Difficult to understand, more clerical works.</p>
--	--

### Factor comparison

This method is a combination of both ranking and point methods in the sense that it rates jobs by comparing them and makes analysis by breaking jobs into compensable factors. This system is usually used to evaluate white collar, professional and managerial positions.

<i>Key Jobs</i>	<i>Base Rate (Daily)</i>	<i>Mental Requirements</i>	<i>Physical Requirements</i>	<i>Skills</i>	<i>Working Conditions</i>	<i>Responsibility</i>
Electrician	60	13	12	5	12	18
Welder	50	10	19	5	4	12
Mechanist	80	25	5	23	24	3

**Advantages:** Flexible, easy method to explain to employees.

**Disadvantages:** Expensive and time-consuming method, Difficult to understand and operate.

<i>Scheme</i>	<i>Characteristics</i>	<i>Advantages</i>	<i>Disadvantages</i>
Factor Comparison	Jobs graded by reference to market rate data and direct comparisons with jobs at or near the same level within the organization.	Realistic, practical, straightforward and quick.	Market rate information may be difficult to obtain or inaccurate.
Ranking	Whole job comparisons are made to place them in order of importance.	Easy to apply and understand.	No defined standards of judgement-differences between jobs are not measured.
Job Classification	Job grades are defined and jobs are slotted into the grades by comparing the whole job description with the grade definition.	Simple to operate and standards of judgement are provided in the shape of the grade definitions.	Difficult to fit complex jobs into one grade without using excessively elaborate grade definitions.
Point Ranking	Separate factors are scored to produce an overall points score for the job.	The analytic process of considering separate defined factors provides for objectivity and consistency in making judgements.	Complex to install and maintain-judgement is still required to rate jobs in respect of different factors.

5.	<p><b>Merit Rating/Performance appraisal.</b></p> <p><b>Objectives of merit rating</b></p> <p><b>Methods of Merit Rating:</b></p> <p><b>Traditional Methods</b></p> <ul style="list-style-type: none"> <li>Ranking Methods</li> <li>Paired Comparison Method</li> <li>Forced distribution method</li> <li>Check list method</li> <li>Critical incident method</li> <li>Free essay method</li> </ul>	<p><b>Merit Rating:</b> Merit Rating is also known as performance appraisal or performance evaluation. It is a systematic process for measuring the performance of the employees in terms of job requirements.</p> <p><b>Main objectives of merit rating are as follows:</b></p> <ol style="list-style-type: none"> <li>1. To assess the work of employees in relation to their job requirements.</li> <li>2. To consider employees/workers for promotions, transfer, layoffs etc.</li> <li>3. To assess the good and bad points in working of employees and then making suggestions for improvement.</li> <li>4. To help in wage and salary administrations and taking decisions about incentives and increments to be given to the workers.</li> <li>5. To evaluate skill and training capabilities of employees and helping in planning suitable training and development programmes for workers.</li> <li>6. To know the problems faced by workers while doing various jobs.</li> <li>7. To provide a basis for comparison to segregate efficient and inefficient workers.</li> <li>8. To help management in placement/transfer to workers according to their capacity, interest, aptitude and qualifications.</li> <li>9. To help supervisors to know their subordinates more closely for increasing their efficiency and improving productivity.</li> </ol> <p><b>Traditional Methods:</b> The various traditional methods used are mentioned below:</p> <p><b>1. Ranking Methods:</b> It is the simplest, oldest and most conventional method of merit rating. Every employee is judged as a whole without distinguishing the rates from his performance. In this method a list is then prepared for ranking the workers in order of their performance on the job so that an excellent employee is at the top and the worst at the bottom. It permits comparison of all employees in any single rating</p>
----	---	---

	<p><b>Modern Methods</b></p> <p>Management by objectives Assessment center method</p>	<p>group regardless of the type of work.</p> <p><b>1. Paired Comparison Method:</b> In this method every person is compared trait wise, with other persons one at a time, the number of times one person is compared with others is recorded on a piece of paper. These numbers help in yielding rank of employees. For example, if there are five persons to be compared.</p> $\text{Number of Comparisons} = N(N-1) / 2$ $= 5(5-1)/2 = 10$ <p><b>2. Grading system:</b></p> <p>Under this system certain features like analytical ability, cooperativeness, dependability, job knowledge, etc. are selected for evaluation. The employees are given grades according to the judgment of the rater.</p> <p>The grades may be such as: A-outstanding, B-very good: C-satisfactory, D-average, etc. The actual performance of every employee is rated with various grades in the mind of the rater.</p> <p><b>3. Forced distribution method:</b></p> <p>Some evaluators suffer from a constant error i.e. either they rate all workers as good, average or poor. They do not evaluate the employees properly. This system minimizes rater's bias so that all employees are not equally rated. This system is based on the presumption that all employees can be divided into five categories. Outstanding, above average, average below average and poor. The main aim in this system is to spread ratings in a number of grades. This method will be useful only when the group of employees is large, it is also easy to understand and simple to apply.</p>
--	---	---

#### **4. Check list method:**

In this technique the supervisors are provided with printed forms containing descriptive questions about the performance of workers. The supervisor has to answer in yes or no. After putting answers to these questions the forms are sent to Personnel Department where final rating is done. Various questions in the form may be weighted equally or certain questions may be given more weight age than others.

Example:

- Is the employee hard working? (Yes/No)
- Is he regular on the work? (Yes/No)

#### **5. Critical incident method:**

This method measures worker's performance in terms of certain events or incidents that occur in the course of work. The assumption in this method is that the performance of an employee/ worker on the happening of critical incidents determines his failure or success. The supervisor keeps a record of critical incidents occurring at different times and then rates him on this basis.

Examples of critical incidents are:

- (i) Refused to follow instructions without a detailed discussion with superiors.
- (ii) Refused to follow instructions even when these were made clear.

#### **6. Free essay method:**

In the free essay method the supervisor writes a report about the worker which is based on his assessment about performance of workers. The supervisor continuously watches the workers or subordinates and writes his assessment in the report. The covered factors are the behaviour with employees, job knowledge, employee traits, development requirements for future, etc.

		<p><b>Modern Methods:</b></p> <p>The modern methods used in merit rating are as follows:</p> <ol style="list-style-type: none"> <li>1. <b>Management by objectives:</b> The system of management by objectives can be described as a process whereby the superior and subordinate managers of an organization jointly identify its common goals, define each individual's major areas of responsibility in terms of results expected of him and use these measures as guides for members.</li> <li>2. <b>Assessment centre method:</b> The purpose was to assess people in particular situations. The evaluators record their assessment regarding various people when they perform in an actual situation. This method is utilized, generally, to determine the suitability of persons for first supervisory levels. It also helps in determining training and development requirements of employees. The distinguishing characteristics normally assessed are organizing and planning ability, getting along with other, quality thinking, resistance to stress, orientation to work etc. The assessment centre ratings are said to be influenced by the participant's interpersonal skills.</li> </ol>
6.	<p><b>Training</b></p> <p><b>Importance of Training</b></p>	<p><b>Training:</b> A process by which someone is taught the skills that are needed for an art, profession, or job.</p> <p>Training is a program that helps employees learn specific knowledge or skills to improve performance in their current roles.</p> <p><b>Importance of Training</b></p> <p>Training is crucial for organizational development and success. It is fruitful to both employers and employees of an organization. An employee will become more efficient and productive if he is trained well.</p>

	<p><b>Training is given on four basic grounds:</b></p> <p><b>New candidates who join an organization</b> are given training to familiarize them with the organizational mission, vision, rules and regulations and the working conditions.</p> <p><b>The existing employees</b> are trained to refresh and enhance their knowledge.</p> <p><b>If any updatations and amendments take place in technology</b>, training is given to cope up with those changes. For instance, purchasing a new equipment, changes in technique of production, computer implantation. The employees are trained about use of new equipments and work methods.</p> <p><b>When promotion and career growth</b> becomes important. Training is given so that employees are prepared to share the responsibilities of the higher level job.</p> <p><b>Benefits of training</b></p> <p><b>The benefits of training can be summed up as:</b></p> <p><b>Improves morale of employees-</b> Training helps the employee to get job security and job satisfaction. The more satisfied the employee is and the greater is his morale, the more he will contribute to organizational success and the lesser will be employee absenteeism and turnover.</p> <p><b>Less supervision-</b> A well trained employee will be well acquainted with the job and will need less of supervision. Thus, there will be less wastage of time and efforts.</p> <p><b>Fewer accidents-</b> Errors are likely to occur if the employees lack knowledge and skills required for doing a particular job. The more trained an employee is, the less are the chances of committing accidents in job and the more proficient the employee becomes.</p> <p><b>Chances of promotion-</b> Employees acquire skills and efficiency during training. They become more eligible for promotion. They become an asset for the organization.</p>
--	--

	<p><b>Increased productivity-</b> Training improves efficiency and productivity of employees. Well trained employees show both quantity and quality performance. There is less wastage of time, money and resources if employees are properly trained.</p> <p><b>Methods of Training</b></p> <ol style="list-style-type: none"> <li>1. On the job training</li> <li>2. Off the job training</li> </ol>
	<p><b>Methods of Training</b></p> <p>Training is generally imparted in two ways:</p> <p><b>On the job training-</b> On the job training methods are those which are given to the employees within the everyday working of a concern. It is a simple and cost-effective training method. The inproficient as well as semi-proficient employees can be well trained by using such training method. The employees are trained in actual working scenario. The motto of such training is “learning by doing.” Instances of such on-job training methods are job-rotation, coaching, temporary promotions, etc.</p> <p><b>Off the job training-</b> Off the job training methods are those in which training is provided away from the actual working condition. It is generally used in case of new employees. Instances of off the job training methods are workshops, seminars, conferences, etc. Such method is costly and is effective if and only if large number of employees have to be trained within a short time period. Off the job training is also called as vestibule training,i.e., the employees are trained in a separate area( may be a hall, entrance, reception area,etc. known as a vestibule) where the actual working conditions are duplicated.</p> <p><b>Labor Turnover :</b>The ratio of the number of employees that leave a company through attrition, dismissal, or resignation during a period to the number of employees on payroll during the same period.</p> <p><b>Causes of labor Turnover:</b></p> <ul style="list-style-type: none"> <li>• Lower wages;</li> <li>• Bad working conditions;</li> <li>• Unsympathetic attitude of the management;</li> <li>• Bitter relationship between management and workers;</li> <li>• Lack of conveyance, accommodation, medical and educational facilities and recreational amenities etc.</li> </ul>

7	<p><b>Wage</b></p> <p><b>Importance of good wage plan</b></p> <p><b>Requirement Of A Good Wage Payment System</b></p>	<p>A wage may be defined as the sum of money paid under contract by an employer to worker for services rendered.</p> <p><b>Importance of good wage plan:</b> The amount of wages paid to the workers is one of the major elements of cost. It has a great bearing on the cost of production and profitability of the concern. The importance of wage payment system can be summarized as follows:</p> <ol style="list-style-type: none"> <li>1. Wage payment system facilitates the preparation of wage plan for future.</li> <li>2. Wage payment system helps to determine the cost of production and the profitability of the organization.</li> <li>3. Wage payment system determines the amount of earning of the workers and their living standards.</li> <li>4. Wage payment system affects the interest and attitude of the workers.</li> <li>5. Wage payment system determines the level of satisfaction of the workers and affects the rate of labor turnover.</li> <li>6. Wage payment system helps in recruiting skilled, experienced and trained workers.</li> <li>7. Wage payment system helps to increase the productivity and goodwill of the organization.</li> </ol> <p><b>Requirement Of A Good Wage Payment System</b>  A sound system of wage payment is one that satisfies employer and employee by fulfilling following criteria.</p> <ol style="list-style-type: none"> <li>1. Wage payment system should be fair and justifiable to the workers and organization.</li> <li>2. Wage payment system should help in maximizing workers' satisfaction and minimizing labor turnover.</li> <li>3. Wage payment system should assure minimum guaranteed wages to all workers.</li> <li>4. Wage payment system should assure equal pay for equal work.</li> <li>5. Wage payment system should provide more wages to efficient and skilled workers.</li> <li>6. Wage payment system should follow government policy and trade union's norms.</li> <li>7. Wage payment system should be simple and understandable to all the workers.</li> </ol>
---	---	---

	<p>8. Wage payment system should help in improving performance and productivity of the workers.</p> <p>9. Wage payment system should be flexible enough to suit the needs of the organization.</p>
<b>Type of wages</b>	<p><b>Type of wages</b></p> <p><b>Nominal wages:</b> Nominal wages are the wages received by a worker in the form of money.</p> <p><b>Real Wage:</b> Real wage includes the amount needed to necessities, comforts, luxuries and cash payments which a worker can get in return of his effort and work.</p> <p><b>Minimum Wage:</b> A minimum wage is a compensation to be paid by an employer to his workers irrespective of his ability to pay.</p> <p><b>Living Wage:</b> A living wage is one which should enable the earner to provide for himself and his family not only the bare essentials of food, clothing and shelter but a measure of frugal comfort including education for his children, protection against ill-health, requirement of essential social' needs and a measure of insurance against the more important misfortunes, including old-age. Thus, a living wage represents a standard of living.</p> <p><b>Fair Wage:</b> Fair wage, according to the committee on Fair Wage, is the wage which is above the minimum wage but below the living wage. The lower limit of the fair wage is obviously the minimum wage; the upper limit is set by the capacity of the industry to pay. The concept of fair wage is essentially linked with the capacity of the industry to pay.</p> <p>The fair wage depends on considerations of such factors as:</p> <ul style="list-style-type: none"> <li>• The productivity of labour,</li> <li>• The prevailing rates of wages in the same or neighboring localities,</li> <li>• The level of the national income and its distribution, and</li> <li>• The place of the industry in the economy of the country.</li> </ul>

8	<p><b>Incentives</b></p> <p>1.Financial Incentives 2. Nonfinancial Incentives 3.Semi financial Incentives</p>	<p><b>Incentives:</b> The term incentive means an inducement which rouses or stimulates one to action in a desired direction. An incentive has a motivational power;</p> <p><b>Financial Incentives:</b></p> <p>Money is an important motivator. Common uses of money as incentive are in the form of wages and salaries, bonus, retirement benefits, medical reimbursement, etc</p> <p><b>Nonfinancial Incentives:</b></p> <p>Once money satisfies his/her physiological and security needs, it ceases to be a motivating force. Then, higher order needs for status and recognition and ego in the society emerge. It may take in the form of,</p> <ul style="list-style-type: none"> <li>• Appreciation of Work Done</li> <li>• Group Incentives</li> <li>• Knowledge of the Results</li> <li>• Worker's Participation in Management</li> <li>• Opportunity for Growth</li> <li>• Job Enrichment</li> </ul> <p><b>Semi financial Incentives:</b></p> <p>This is the combination of financial and nonfinancial incentives. This may include the following,</p> <ul style="list-style-type: none"> <li>• Canteen facility at a subsidized rate</li> <li>• Pension and other benefits</li> <li>• Conveyance facility at concession rate.</li> </ul>
---	---	---