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HUMAN RESOURCE MANAGEMENT (MBA 2ND SEMESTER)

MODULE 1:
Human Resource Management

Meaning:
Before we define HRM, it seems pertinent to first define the term 'human resources'. In common parlance, human resources means the people. However, different management experts have defined human resources differently. For example, Michael J. Jucius has defined human resources as "a whole consisting of inter-related, inter-dependent and interacting physiological, psychological, sociological and ethical components".
According to Leon C. Megginson "From the national point of view human resources are knowledge, skills, creative abilities, talents, and attitudes obtained in the population; whereas from the view-point of the individual enterprise, they represent the total of the inherent abilities, acquired knowledge and skills as exemplified in the talents and aptitude of its employees".
Sumantra Ghosal considers human resources as human capital. He classifies human capita into three categories-intellectual capitals, social capital and emotional capital. Intellectual capital consists of specialized knowledge, tacit knowledge and skills, cognitive complexity, and learning capacity.
Social capital is made up of network of relationships, sociability, and trustworthiness Emotional capital consists of self-confidence, ambition and courage, risk-bearing ability, and resilience. Now it is clear from above definitions that human resources refer to the qualitative and quantitative aspects of employees working in an organisation.
Let us now define human resource management.

In simple words, HRM is a process of making the efficient and effective use of human resources so that the set goals are achieved.
Let us also consider some important definitions of HRM.
According to Flippo "Personnel management, or say, human resource management is the planning, organising, directing and controlling of the procurement development compensation integration, 4intenance, and separation of human resources to the end that individual, organisational and social objectives are accomplished".
The National Institute of Personnel Management (NIPM) of India has defined human resource/personnel management as "that part of management which is concerned with people at work and with their relationship within an enterprise. Its aim is to bring together and develop into an effective organisationof the men and women who make up an enterprise and having regard for the well-being of the individuals and of working groups, to enable them to make their best contribution to its success".
According to Decenzo and Robbins "HRM is concerned with the people dimension in management. Since every organisation is made up of people, acquiring their services, developing their skills, motivating them to higher levels of performance and ensuring that they continue to maintain their commitment to the organisation are essential to achieving organisational objectives. This is true, regardless of the type of organisation-government, business, education, health, recreation, or social action".
Thus, HRM can be defined as a process of procuring, developing and maintaining competent human resources in the organisation so that the goals of an organisation are achieved in an effective and efficient manner. In short, HRM is an art of managing people at work in such a manner that they give their best to the organisation for achieving its set goals.

Objectives:

The primary objective of HRM is to ensure the availability of right people for right jobs so as the organisational goals are achieved effectively.

This primary objective can further be divided into the following sub-objectives:

1. To help the organisation to attain its goals effectively and efficiently by providing competent and motivated employees.
2. To utilize the available human resources effectively.
3. To increase to the fullest the employee's job satisfaction and self-actualisation.
4. To develop and maintain the quality of work life (QWL) which makes employment in the organisation a desirable personal and social situation.
5. To help maintain ethical policies and behaviour inside and outside the organisation.
6. To establish and maintain cordial relations between employees and management.
7. To reconcile individual/group goals with organisational goals.

Werther and Davis have classified the objectives of HRM into four categories as shown in table 1.2.

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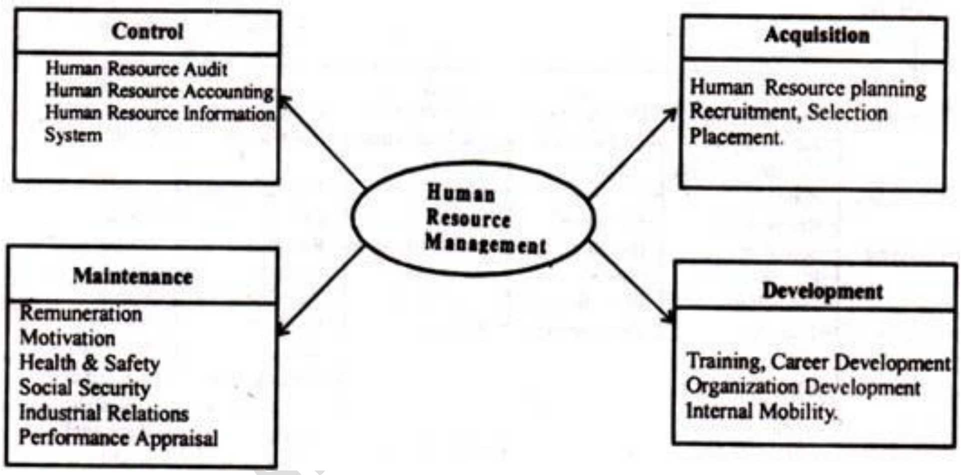
Scope:

Fig. 1.1: Scope of HRM



The scope of HRM is, indeed, very vast and wide. It includes all activities starting from manpower planning till employee leaves the organisation. Accordingly, the scope of HRM consists of acquisition, development, maintenance/retention, and control of human resources in the organisation (see figure 1.1). The same forms the subject matter of HRM. As the subsequent pages unfold, all these are discussed, in detail, in seriatim.

The National Institute of personnel Management, Calcutta has specified the scope of HRM as follows:

1. The Labour or Personnel Aspect:

This is concerned with manpower planning, recruitment, selection, placement, transfer, promotion, training and development, lay-off and retrenchment, remuneration, incentives, productivity, etc.

2. Welfare Aspect:

It deals with working conditions, and amenities such as canteen, creches, rest and lunch rooms, housing, transport, medical assistance, education, health and safety, recreation facilities, etc.

3. Industrial Relations Aspects:
This covers union-management relations, joint consultation, collective bargaining, grievance and disciplinary actions, settlement of disputes, etc.

Functions:

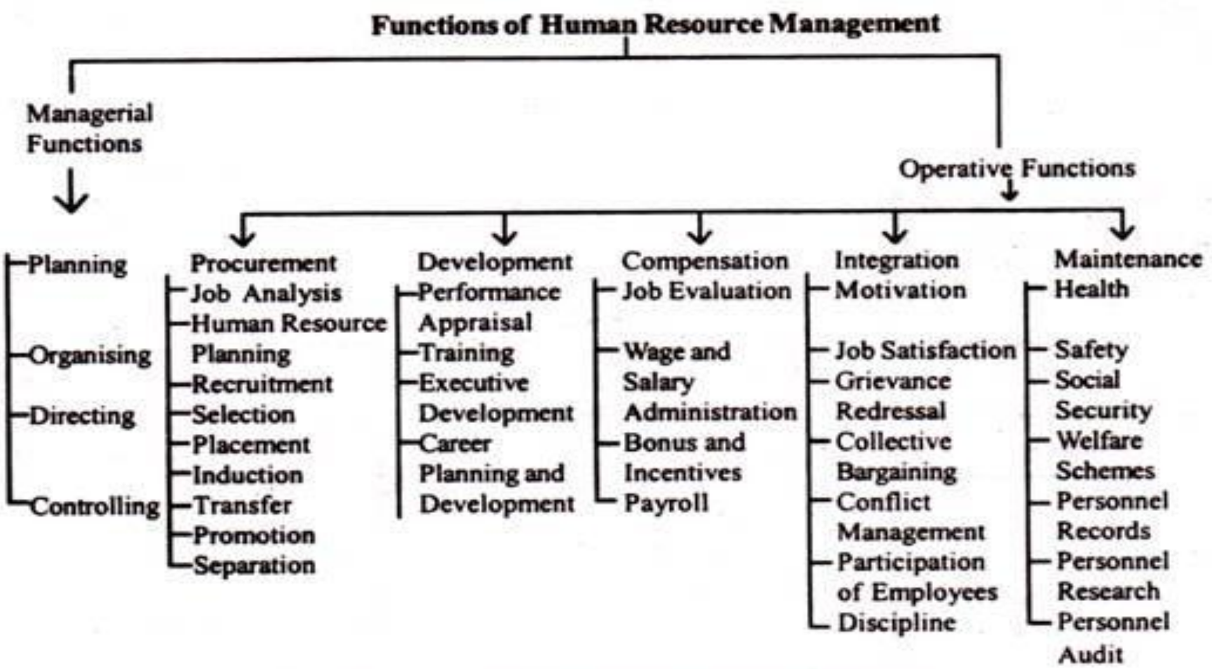


Fig. 1.2 : Functions of Human Resource Management

We have already defined HRM. The definition of HRM is based on what managers do. The functions performed by managers are common to all organizations. For the convenience of study, the function performed by the resource management can broadly be classified into two categories, viz.
(1) Managerial functions, and
(2) Operative functions (see fig. 1.2).

These are discussed in turn.

(1) Managerial Functions:
Planning:
Planning is a predetermined course of actions. It is a process of determining the organisational goals and formulation of policies and programmes for achieving them. Thus planning is future oriented concerned with clearly charting out the desired direction of business activities in future. Forecasting is one of the important elements in the planning process. Other functions of managers depend on planning function.

Organizing:
Organizing is a process by which the structure and allocation of jobs are determined. Thusorganising involves giving each subordinate a specific task establishing departments, delegating authority to

subordinates, establishing channels of authority and communication, coordinating the work of subordinates, and so on.

Staffing:

TOs is a process by which managers select, train, promote and retire their subordinates This involves deciding what type of people should be hired, recruiting prospective employees, selecting employees, setting performance standard, compensating employees, evaluating performance, counseling employees, training and developing employees.

Directing/Leading:

Directing is the process of activating group efforts to achieve the desired goals. It includes activities like getting subordinates to get the job done, maintaining morale motivating subordinates etc. for achieving the goals of the organisation.

Controlling:

It is the process of setting standards for performance, checking to see how actual performance compares with these set standards, and taking corrective actions as needed.

(2) Operative Functions:

The operative, also called, service functions are those which are relevant to specific department. These functions vary from department to department depending on the nature of the department Viewed from this standpoint, the operative functions of HRM relate to ensuring right people for right jobs at right times. These functions include procurement, development, compensation, and maintenance functions of HRM.

A brief description of these follows:

Procurement:

It involves procuring the right kind of people in appropriate number to be placed in the organisation. It consists of activities such as manpower planning, recruitment, selection placement and induction or orientation of new employees.

Development:

This function involves activities meant to improve the knowledge, skills aptitudes and values of employees so as to enable them to perform their jobs in a better manner in future. These functions may comprise training to employees, executive training to develop managers, organisation development to strike a better fit between organisational climate/culture and employees.

Compensation:

Compensation function involves determination of wages and salaries matching with contribution made by employees to organisational goals. In other words, this function ensures equitable and fair remuneration for employees in the organisation. It consists of activities such as job evaluation, wage and salary administration, bonus, incentives, etc.

Maintenance:

It is concerned with protecting and promoting employees while at work. For this purpose virus benefits such as housing, medical, educational, transport facilities, etc. are provided to the employees. Several social security measures such as provident fund, pension, gratuity, group insurance, etc. are also arranged.

It is important to note that the managerial and operative functions of HRM are performed in conjunction with each other in an organisation, be large or small organisations. Having discussed the scope and functions of HRM, now it seems pertinent to delineate the HRM scenario in India.

HRM in India: An Overview:

Now that we have delineated the evolution of the concept of HRM, we are prepared to outline an overview of HRM in India. Like UK and USA, the evolution and development of HRM in India was not voluntary. The aftermath of the First World War rendered the country with difficult conditions. These manifested in various malpractices in the recruitment of workers and payment of wages leading to trade unionism in organisations causing colossal loss in production due to industrial disputes.

Given such scene, government intervened under compulsions to take care of the situation. The Royal Commission of Labour in India, in 1931, under the chairmanship of J.H. whitley recommended the abolition of the 'jobber' system and the appointment of labour officers in industrial enterprises to deal with the recruitment of labour and to settle their grievances.

After Independence, the Factories Act, 1948 laid down qualifications and duties of Welfare Officers and also made it mandatory for companies employing 500 or more workers to appoint Welfare Officers with requisite qualifications and training.

In course of time, two professional bodies emerged: 'The Indian Institute of Personnel Management' (IIPM), Calcutta, now Kolkata' and the 'National Institute of Labour Management '(NILM), Bombay, now Mumbai. These two places were the premier centres of traditional industry (jute and cotton respectively) in pre-independent India.

During the aftermath of the Second World War and Independence, worker's needs and expectations increased. During the 1960s, the personnel functions got expansion beyond welfare function. Three areas were added to it: Labour Welfare, Industrial Relations and Personnel Administration. All these three integrated into the emerging Profession called' personnel management'.

This was followed by the Government's massive thrust to the development of basic and heavy industries since the Second Five Year Plan (1956-61) and also accelerated growth of public sector in the country. This, in turn, resulted in professional approach toward management of organisations.

The professionalism in managing organisations became quite discernible by the 1970s. There was a clear shift from welfare approach to efficiency one. The two professional bodies, IIPM and NILM merged in 1980 to form the National Institute of Personnel Management (NIPM) with Kolkata as the headquarters.

Evolving along the years, the approach has shifted to human values and productivity through people. It is against such a shift in managing people, in the 1990s, a new approach has emerged, i.e., human resource management (HRM). This approach focuses more on development aspects of human resource, i.e., human resource development (HRD).

The fact remains that the buzzword in people management in India is HRD and not the HRM HRD, as is known, as a conscious proactive arrangement by employers that seeks to capacitate employees to give their maximum to the organisation and to fully use their potential to develop themselves.

HRD is only one of the functions of HRM. A survey of changed PM titles in India would reveal that most organisations use HRD -related labels, not HRM-related. Many organisations have no HRM policies-hard or soft- and uncritically name their personnel department as die 'HRM Department.

Each organization works towards the realization of one vision. The same is achieved by formulation of certain strategies and execution of the same, which is done by the HR department. At the base of this strategy formulation lie various processes and the effectiveness of the former lies in the meticulous design of these processes. But what exactly are and entails these processes? Let's read further and explore.

The following are the various HR processes:

Human resource planning

(Recruitment, Selecting, Hiring, Training, Induction, Orientation, Evaluation, Promotion and Layoff).

Employee remuneration and Benefits Administration

Performance Management.

Employee Relations.

The efficient designing of these processes apart from other things depends upon the degree of correspondence of each of these. This means that each process is subservient to other. You start from

Human resource Planning and there is a continual value addition at each step. To exemplify, the PMS (performance Management System) of an organization like Infosys would different from an organization like Walmart. Lets study each process separately.

Human Resource Planning: Generally, we consider Human Resource Planning as the process of people forecasting. Right but incomplete! It also involves the processes of Evaluation, Promotion and Layoff.

Recruitment: It aims at attracting applicants that match a certain Job criteria.
Selection: The next level of filtration. Aims at short listing candidates who are the nearest match in terms qualifications, expertise and potential for a certain job.
Hiring: Deciding upon the final candidate who gets the job.
Training and Development: Those processes that work on an employee onboard for his skills and abilities upgradation.
Employee Remuneration and Benefits Administration: The process involves deciding upon salaries and wages, Incentives, Fringe Benefits and Perquisites etc. Money is the prime motivator in any job and therefore the importance of this process. Performing employees seek raises, better salaries and bonuses.
Performance Management: It is meant to help the organization train, motivate and reward workers. It is also meant to ensure that the organizational goals are met with efficiency. The process not only includes the employees but can also be for a department, product, service or customer process; all towards enhancing or adding value to them.
Nowadays there is an automated performance management system (PMS) that carries all the information to help managers evaluate the performance of the employees and assess them accordingly on their training and development needs.
Employee Relations: Employee retention is a nuisance with organizations especially in industries that are hugely competitive in nature. Though there are myriad factors that motivate an individual to stick to or leave an organization, but certainly few are under our control.
Employee relations include Labor Law and Relations, Working Environment, Employee heath and safety, Employee- Employee conflict management, Employee- Employee Conflict Management, Quality of Work Life, Workers Compensation, Employee Wellness and assistance programs, Counseling for occupational stress. All these are critical to employee retention apart from the money which is only a hygiene factor.

All processes are integral to the survival and success of HR strategies and no single process can work in isolation; there has to be a high level of conformity and cohesiveness between the same.

HUMAN RESOURCE PLANNING:
According to Coleman, “Human Resource Planning is the process of determining manpower requirements of an organization and the means for meeting those requirements in order to carry out the integrated plan of the organization”

According to Stainer, "Human Resource Planning is the strategy for acquisition, movement and preservation of human resources in an organization"

It is basically the process of getting the right number of qualified people into the right job, at the right time so that organizational objectives can be met.

Objectives of Human Resource planning

Forecast personnel needs and requirements

Cope up with changes in market conditions, technology, government regulations

Using existing manpower efficiently and productively

To promote employees in a systematic manner

To maintain a balance between distribution and allocation of employees

To ensure adequate supply of manpower as and when required

To assess surplus and shortages in workforce.

Process of Human Resource Planning:

(1) Environmental Scanning – It involves analysis of the external environment of business to identify issues and opportunities that will influence the organization`s strategic plan. It involves analysis of Economic developments, scanning of the political, legal and technical changes, Competition etc.

(2) Studying Organization`s Objectives and Policies – It involves analysis of the objectives, plans and polices of the organization and understanding the Workforce Factors operating in the organization. The volume of future activity, time horizon, organizational structure, various departmental plans etc. all are taken into consideration while estimating manpower requirements.

(3) Forecasting the Demand for Human Resources – It involves Workforce Analysis, Workload Analysis, Demand forecasting and Job Analysis

(4) Human Resource Supply Forecasts – It involves evaluation of various sources of Supply for the organization. If the organization wishes to hire people from within the organization or its previous employees, the company is said to recruit from Internal Labour Supply. External Labour Supply sources are used by an organization when it wishes to hire people from outside the organization.

(5) Determining Manpower Gaps – It involves determination of Qualitative and Quantitative Gaps in Workforce. The strength and skills of the existing workforce are compared with the forecasted manpower demands of the organization and the number of people to be recruited or made redundant is determined. It forms the basis for formulating HR Plans.

(6) Formulating HR Plans –

It is necessary to formulate plans regarding recruitment, selection, transfer, training, retirement, promotion etc. according to changing needs of the organization. The following plans are prepared by and HR manager –

Recruitment Plan – It indicates the number and type of people required and when and where they are required.

Redundancy Plan – It indicates redundant employees and plans regarding their retraining or retrenchment.

Redeployment Plan – It indicates plans for transfer and training of existing employees for new jobs.

Training Plan – It indicates the number of trainees requires and the training methods and programmes used to train them.

Productivity Plan – It indicates reasons for employee productivity and plans regarding reduction of employee costs through job redesign, work simplification, incentives etc.

Retention Plan – It indicates the employee turnover ratio and suggests strategies to reduce employee turnover and wastages through better compensation management, changes in work environment and improving in working conditions.

Control Plan – It indicates plans for monitoring surplus or deficiencies in performance of employees and changes in manpower inventory. It also provides solutions to HR problems and future manpower needs of the organization.

Importance of Human Resource Planning:

Forecasting future demand of human resources in an organization
To hire the right number of people at the right time at the right place
Helps to avoid manpower surplus
Aids in expansion and growth plans
Helps in setting working standards
Helps to monitor and measure job performance
Helps the top management with workforce problems
Links job seekers to job providers

Problems associated with Human Resource Planning:
Conflict between ideas
Inadequate HR information system
Poor image of company
Restrictive policies of the government
Limited budget
Conservative organizational policies
Changes in Political and Legal environment
Conflict between short-term and long-term plans
Nature of Top management
Meaning of Job Analysis:
Job analysis is pre-requisite to manpower planning. It helps to understand the nature of jobs. Different jobs are performed in the organisation and, therefore, different kinds of people are to be selected, trained, compensated and placed at those jobs. Job analysis means to analyse the requirement of the job and match it with the requirement of the person who will work on that job. It, thus, matches the jobs with the job holders.
Job analysis is "identification of the specific activities performed in a job and the characteristics of the person, the work situation, and the materials or equipment necessary for performing the job effectively."
It is the "systematic collection and recording of information concerning the purpose of a job, its major duties, the conditions under which it is performed, the contact with others that performance of the job requires, and the knowledge, skills and abilities needed for performing the job effectively." It, thus, identifies contents of the job (job description) and characteristics of the persons (job specifications) who will perform those jobs, Why job analysis.
There are two elements of job analysis: Job description and job specification. These are the important documents that managers prepare before recruitment and selection.
1. Job Description:
It describes the duties, responsibilities and working conditions of a specific job. It specifies requirements of the job so that standards of performance can be developed and actual performance can be measured against these standards. It also helps in job grading, recruitment and selection parameters, training and development needs, developing career paths and providing standards for performance appraisal.
It provides details of the job like name, code number, tools and equipment's, location, duties, working conditions, working hours and relationship with other jobs etc. "It is a written statement of what a job

holder does, how it is done and why it is done. It typically describes job content, environment, and conditions of employment."

Specimen of job description:

Job Title: Sales Girls.

Job Number: MK/ 2.

Job Department: Marketing.

Job Summary: Promote sales in rural areas.

Job Duties:

1. Sell in rural areas.
2. Train people to sell goods in rural areas.
3. Impart knowledge to field workers to convince consumers.
4. Acquire knowledge of operating computers.
5. 10 days touring every month anywhere in India.

Working Hours: 8 hours every day.

2. Job Specification:

It describes the knowledge and skills of people who perform the job. Job specification enables to select individuals with skills to perform the job. If people are not competent to do the job, managers provide them training facilities. Selection, training and placement programmes largely depend upon job specification, ie., knowledge possessed by individuals and knowledge required to be possessed by them.

"Job specification states the minimum qualifications that a person must possess to perform a given job successfully." It identifies the knowledge, skills and attitudes needed by job holders to perform their jobs effectively.

Its basic contents are:

1. Personal characteristics (age, gender, education, extracurricular activities etc.).
2. Physical characteristics (height, weight, health, skin, hearing etc.).
3. Mental characteristic (intelligence, memory, farsightedness, judgment etc.).
4. Social and psychological characteristics (emotions, creativity, initiative, flexibility etc.).

Specimen of job specification:

Job Title: Sales Girls.

Job Number: MK/2.

Job Department: Marketing.

Experience: Applicant must have 2 years' experience in sales.

Qualification: Diploma in sales management and a graduate degree in any course.

Personality: Pleasing personality with good communication skills.

Age: Between 18 to 25 years.

After identifying job description and job specification, the jobs are evaluated. Job evaluation means rating the jobs on the basis of their importance in the organisation. The importance of a job can be judged on the basis of skills required to do that job, complexities of the job and difficulties and stress to be faced while performing that job. The jobs are arranged in the descending or ascending order of their importance and rewards and compensation are fixed for each job. It helps in fixing equal pay for equal jobs.

Importance of Job Analysis:

Job analysis is important for the following reasons:

1. Job design:

It provides information about what work is to be performed on the job. It helps in identifying the work, grouping it on the basis of similarity of features, defining relationship amongst different jobs and authority-responsibility structure required to perform those jobs. It, thus, helps in designing the organisation structure.

2. Human resource planning:

It helps in knowing the type of people to be appointed and placed (manpower requirement) on respective jobs. By determining the types of jobs to be performed in the organisation, it also helps in determining the number and type of people (in terms of knowledge, skills and experience) required to work on those jobs.

3. Recruitment and selection:

It helps in recruitment and selection by identifying the sources from where people will be acquired and selecting those who meet the criteria specified in job description. It aims at maintaining balance between the jobs (tasks and responsibilities of the job) and the job holders (skills, knowledge and experience of job holders). While responsibilities of the jobs define job description, skills of job holders define job specification.

4. Placement:

It helps in placing the right person at the right job. When people are appointed for a group of jobs (for example, trainees) rather than specific jobs, job analysis helps in matching requirements of jobs with people who can be placed at those jobs. It, thus, helps in placement — right person at the right job.

5. Training and development:

It helps in training and developing the employees by making them skilled and competent to perform the specific jobs. People work on dynamic jobs with changing job requirements, both present and potential. Job analysis helps in analysing the requirement of jobs up the hierarchy and provides information about training and development needs so that people can be prepared to assume jobs of higher importance.

6. Job evaluation:

It helps in modifying the nature of jobs. Job analysis evaluates jobs in terms of their worth and helps in fixing compensation for the respective jobs. If compensation is not worth the qualification and skills of job holders, it helps in revising either the job contents or the compensation policies.

7. Performance appraisal:

Employees' performance is appraised against job standards to make it conform to desired performance and identify training needs and people worthy of promotions and transfers. Promotions involve assuming jobs of higher status and also have advanced compensation attached to them.

Job analysis helps in effectively identifying the characteristics of jobs at different levels so that promotions and transfers are worth the effort and benefits arising out of them are more than the costs (higher compensation, payment to outside experts for appraisals, etc.).

Recruitment: Meaning and Sources of Recruitment (with diagram)

Recruitment: Meaning and Sources of Recruitment (with diagram)!

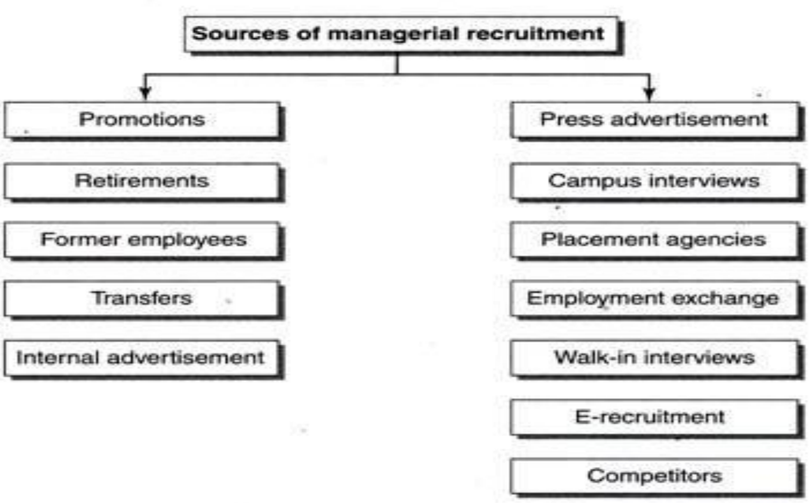


Fig. 5.5 Sources of Recruitment

Whenever there is a vacancy in the organization, generally it is to be filled. To make the candidate available for filling those vacancies, their selection procedure and placement on a proper job comes under the purview of recruitment.

As soon as the available vacancies are known, they are advertised through different media and accordingly the applications are collected for the vacant posts. A group of candidates interested in doing the job and are eligible to do, it is created through recruitment.

It is an operative function of human resource management coming under the managerial function called organizing. In the words of Edwin Flippo, 'recruitment is the process of searching for prospective employees and stimulating them to apply for jobs in the organisation'.

In short, it involves attracting and obtaining as many applications as possible from eligible job seekers.

Sources of Recruitment:

The eligible and suitable candidates required for a particular job are available through various sources. These sources can be divided into two categories, as shown in Figure 5.5.

Internal Sources of Recruitment:

1. Promotions:

The promotion policy is followed as a motivational technique for the employees who work hard and show good performance. Promotion results in enhancements in pay, position, responsibility and authority. The important requirement for implementation of the promotion policy is that the terms, conditions, rules and regulations should be well-defined.

2. Retirements:

The retired employees may be given the extension in their service in case of non-availability of suitable candidates for the post.

3. Former employees:

Former employees who had performed well during their tenure may be called back, and higher wages and incentives can be paid to them.

4. Transfer:

Employees may be transferred from one department to another wherever the post becomes vacant.

5. Internal advertisement:

The existing employees may be interested in taking up the vacant jobs. As they are working in the company since long time, they know about the specification and description of the vacant job. For their benefit, the advertisement within the company is circulated so that the employees will be intimated.

Benefits of Internal Sources of Recruitment:

1. The existing employees get motivated.
2. Cost is saved as there is no need to give advertisements about the vacancy.
3. It builds loyalty among employees towards the organization.
4. Training cost is saved as the employees already know about the nature of job to be performed.
5. It is a reliable and easy process.

Limitations of Internal Sources of Recruitment:

1. Young people with the knowledge of modem technology and innovative ideas do not get the chance.
2. The performance of the existing employees may not be as efficient as before.
3. It brings the morale down of employees who do not get promotion or selected.
4. It may leads to encouragement to favouritism.
5. It may not be always in the good interest of the organization.

External Sources of Recruitment:

1. Press advertisement:

A wide choice for selecting the appropriate candidate for the post is available through this source. It gives publicity to the vacant posts and the details about the job in the form of job description and job specification are made available to public in general.

2. Campus interviews:

It is the best possible method for companies to select students from various educational institutions. It is easy and economical. The company officials personally visit various institutes and select students eligible for a particular post through interviews. Students get a good opportunity to prove themselves and get selected for a good job.

3. Placement agencies:

A databank of candidates is sent to organizations for their selection purpose and agencies get commission in return.

4. Employment exchange:

People register themselves with government employment exchanges with their personal details. According to the needs and request of the organization, the candidates are sent for interviews.

5. Walk in interviews:

These interviews are declared by companies on the specific day and time and conducted for selection.

6. E-recruitment:

Various sites such as jobs.com, naukri.com, and monster.com are the available electronic sites on which candidates upload their resume and seek the jobs.

7. Competitors:

By offering better terms and conditions of service, the human resource managers try to get the employees working in the competitor's organization.

Benefits of External Sources of Recruitment:

1. New talents get the opportunity.
2. The best selection is possible as a large number of candidates apply for the job.
3. In case of unavailability of suitable candidates within the organization, it is better to select them from outside sources.

Limitations of External Sources of Recruitment:

1. Skilled and ambitious employees may switch the job more frequently.
2. It gives a sense of insecurity among the existing candidates.
3. It increases the cost as advertisement is to be given through press and training facilities to be provided for new candidates.

Recruitment Process: 5 Steps Involved in Recruitment Process (with diagram)

The five steps involved in recruitment process are as follows: (i) Recruitment Planning (ii) Strategy Development (iii) Searching (iv) Screening (v) Evaluation and Control.

These are depicted in Figure 6.2.

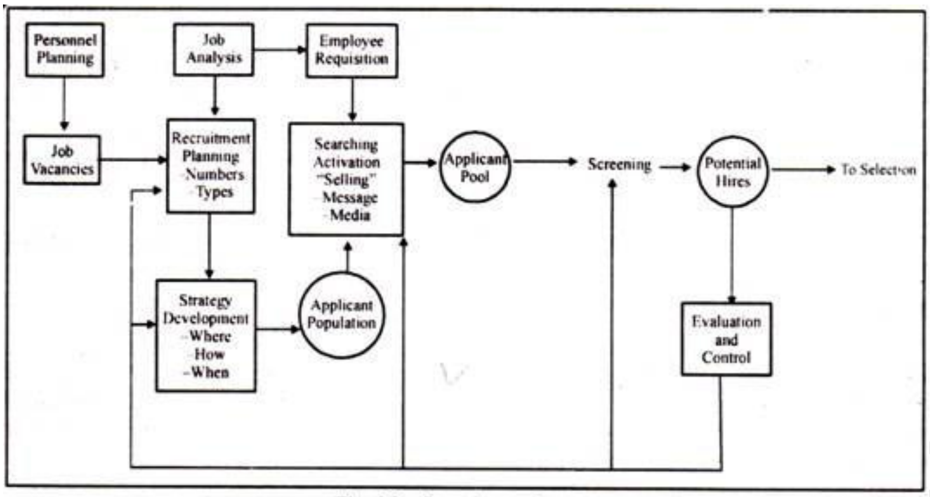


Fig. 6.2 : Recruitment Process

Now, a brief description of these follows:

1. Recruitment Planning:

The first step involved in the recruitment process is planning. Here, planning involves to draft a comprehensive job specification for the vacant position, outlining its major and minor responsibilities; the skills, experience and qualifications needed; grade and level of pay; starting date; whether temporary or permanent; and mention of special conditions, if any, attached to the job to be filled "

2. Strategy Development:

Once it is known how many with what qualifications of candidates are required, the next step involved in this regard is to devise a suitable strategy for recruiting the candidates in the organisation.

The strategic considerations to be considered may include issues like whether to prepare the required candidates themselves or hire it from outside, what type of recruitment method to be used, what geographical area be considered for searching the candidates, which source of recruitment to be practiced, and what sequence of activities to be followed in recruiting candidates in the organisation.

3. Searching:

This step involves attracting job seekers to the organisation. There are broadly two sources used to attract candidates.

These are:

1. Internal Sources, and

2. External Sources

These have been just discussed, in detail, under 6.3 Sources of Recruitment.

4. Screening:

Though some view screening as the starting point of selection, we have considered it as an integral part of recruitment. The reason being the selection process starts only after the applications have been screened and shortlisted. Let it be exemplified with an example.

In the Universities, applications are invited for filling the post of Professors. Applications received in response to invitation, i.e., advertisement are screened and shortlisted on the basis of eligibility and suitability. Then, only the screened applicants are invited for seminar presentation and personal interview. The selection process starts from here, i.e., seminar presentation or interview.

Job specification is invaluable in screening. Applications are screened against the qualification, knowledge, skills, abilities, interest and experience mentioned in the job specification. Those who do not qualify are straightway eliminated from the selection process.

The techniques used for screening candidates vary depending on the source of supply and method used for recruiting. Preliminary applications, de-selection tests and screening interviews are common techniques used for screening the candidates.

5. Evaluation and Control:

Given the considerable cost involved in the recruitment process, its evaluation and control is, therefore, imperative.

The costs generally incurred in a recruitment process include:

(i) Salary of recruiters

(ii) Cost of time spent for preparing job analysis, advertisement

(iii) Administrative expenses

(iv) Cost of outsourcing or overtime while vacancies remain unfilled

(v) Cost incurred in recruiting unsuitable candidates

In view of above, it is necessary for a prudent employer to try to answer certain questions like: whether the recruitment methods are appropriate and valid? And whether the recruitment process followed in the organisation is effective at all or not? In case the answers to these questions are in negative, the appropriate control measures need to be evolved and exercised to tide over the situation.

However, such an exercise seems to be only rarely carried out in practice by the organisations employers. Having discussed recruitment process, it will be now relevant to have an idea about recruitment practices in India. The following section delineates the same.

Selection: Meaning and Steps Involved in Selection Procedure (with diagram)

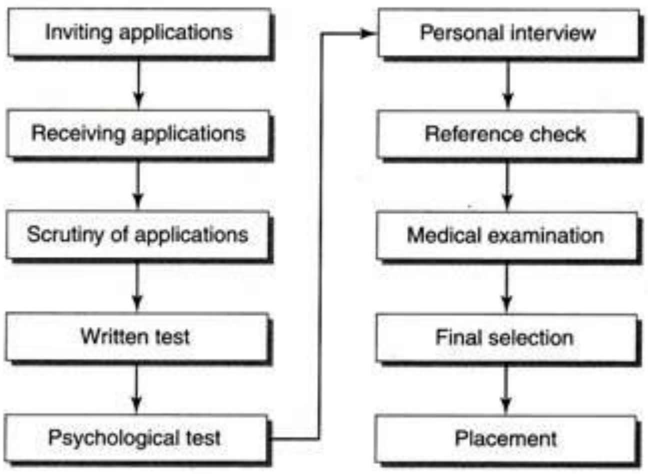


Fig. 5.6 Steps Involved in Selection Procedure

Selection: Meaning and Steps Involved in Selection Procedure!

Finding the interested candidates who have submitted their profiles for a particular job is the process of recruitment, and choosing the best and most suitable candidates among them is the process of selection. It results in elimination of unsuitable candidates. It follows scientific techniques for the appropriate choice of a person for the job.

The recruitment process has a wide coverage as it collects the applications of interested candidates, whereas the selection process narrows down the scope and becomes specific when it selects the suitable candidates.

Stone defines, 'Selection is the process of differentiating between applicants in order to identify (and hire) those with a greater likelihood of success in a job'.

Steps Involved in Selection Procedure:

A scientific and logical selection procedure leads to scientific selection of candidates. The criterion finalized for selecting a candidate for a particular job varies from company to company.

Therefore, the selection procedure followed by different organizations, many times, becomes lengthy as it is a question of getting the most suitable candidates for which various tests are to be done and interviews to be taken. The procedure for selection should be systematic so that it does not leave any scope for confusions and doubts about the choice of the selected candidate (Figure 5.6).

Brief details of the various steps in selection procedure are given as follows:

1. Inviting applications:

The prospective candidates from within the organization or outside the organization are called for applying for the post. Detailed job description and job specification are provided in the advertisement for the job. It attracts a large number of candidates from various areas.

2. Receiving applications:

Detailed applications are collected from the candidates which provide the necessary information about personal and professional details of a person. These applications facilitate analysis and comparison of the candidates.

3. Scrutiny of applications:

As the limit of the period within which the company is supposed to receive applications ends, the applications are sorted out. Incomplete applications get rejected; applicants with un-matching job specifications are also rejected.

4. Written tests:

As the final list of candidates becomes ready after the scrutiny of applications, the written test is conducted. This test is conducted for understanding the technical knowledge, attitude and interest of the candidates. This process is useful when the number of applicants is large.

Many times, a second chance is given to candidates to prove themselves by conducting another written test.

5. Psychological tests:

These tests are conducted individually and they help for finding out the individual quality and skill of a person. The types of psychological tests are aptitude test, intelligence test, synthetic test and personality test

6. Personal interview:

Candidates proving themselves successful through tests are interviewed personally. The interviewers may be individual or a panel. It generally involves officers from the top management.

The candidates are asked several questions about their experience on another job, their family background, their interests, etc. They are supposed to describe their expectations from the said job. Their strengths and weaknesses are identified and noted by the interviewers which help them to take the final decision of selection.

7. Reference check:

Generally, at least two references are asked for by the company from the candidate. Reference check is a type of crosscheck for the information provided by the candidate through their application form and during the interviews.

8. Medical examination:

Physical strength and fitness of a candidate is must before they takes up the job. In-spite of good performance in tests and interviews, candidates can be rejected on the basis of their ill health.

9. Final selection:

At this step, the candidate is given the appointment letter to join the organization on a particular date. The appointment letter specifies the post, title, salary and terms of employment. Generally, initial appointment is on probation and after specific time period it becomes permanent.

10. Placement:

This is a final step. A suitable job is allocated to the appointed candidate so that they can get the whole idea about the nature of the job. They can get adjusted to the job and perform well in future with all capacities and strengths.

Selection Tests, Interviews and Their Types:

Preliminary Interview, Employment Interview and Job Offer, the objective of interviews is to unselect unqualified applications from information supplied in application forms. The basic goal helps in rejecting misfits. On the other hands, it is also known as courtesy interview and develops public relations. Jobseeker selected in these interviews has to give tests. The types of tests are conducted on the basis of jobs and the firms.

Another process in selection is employment interview. Here interview must not be informal and must have core conversation between applicant's acceptability. This method is used as the excellent selection device. The methods of an interview are One-to-One, Panel Interview, or Sequential Interviews, Structured and Unstructured interviews, Behavioral Interviews, Stress Interviews. The selection method includes job offer for those applicants who have passed all the hurdles for recruitment. The letter of appointment is used for offering the job. In this stage, the candidates are offered for accepting or rejecting the job assigned to them.

Selection Decision and physical examination, after collecting the information, the most important step in the selection decision has to be done. The last decision must be made for the candidates who have passed preliminary interviews, tests, final interviews and reference checks. The line manager decisions are considered generally because the line manager is responsible for the performance of the new employee. After the selection, the candidate is must do a physical fitness test. The test includes Aptitude Tests, Personality Tests, and Ability Tests and such test are conducted for judging individual performance related to the job. Besides this test we also have other tests such as Interest Tests, Graphology Test (Handwriting), Medical Tests, Psychometric Tests etc.

Selection, the activity where the company selects a limited number of candidates from a various number of applicants is called selection. The appointment of the workers to fill the vacancies of the company is called selection. The means of placing the right person at the right job is called selection. We all know that there are large numbers of people applying for one job at the time of recruitment, where the recruiters must decide which candidate fits right for the potential job. The selection method requires lots time because the human resources managers identify the qualification for every candidate of the post. Similarly qualification, background, age, and so on are the essential factors where they pay more attention. Finally, the writing exam and interview is a complex activity.

Types of selection tests

There are two types of selection tests they are,

(I) Ability Tests and

(ii) Personality Tests.

Tests that lie in this category are shown in the following chart 7.1

Ability Tests

The abilities test is further divided into,

Aptitude Tests:

Aptitude test is used for measuring the ability and skills of the selected candidates. These tests help in measuring and indicating the performance of employee after training and but not their action. Thus, aptitude tests help in predicting the upcoming ability/performance of an employee. There involve two goals in developing the aptitude tests. One is to assist young about the field of task where they are likely to succeed also known as 'vocational guidance'. Second, involve selecting best workers which help them to succeed also known as 'vocational selection'. Specific aptitude test is being developed for identifying special abilities foe performing a job. Examples include Mechanical Aptitude Test, Clerical Aptitude Test, Artistic Aptitude Test, Musical Aptitude Test, Management Aptitude Test, Differential Aptitude Test, and so on.

Achievement Tests

Achievement tests are used for determining a person's potential in area/job. In other words, these tests determine employee based on skill or knowledge which is developed by him/her. Achievement tests have seen useful in the academic institutions. The grades in previous examinations are used for indicating of achievement and potential for learning in achievement tests. Nepali company have been ever ready conducting these tests that help in judging themselves in the level of proficiency attained rather than understanding scores in academic examinations. The names, proficiency tests, performance, occupational or trade tests are included in achievement tests. The tests resemble of aptitude tests called achievement tests. However, the difference in the outcome is always there. The difference between achievement and aptitude is very transparent in accordance with the past achievement and performance. The differences between them are given with an example. When we ask an individual for studying the paper of human resource management then we can know about his 'achievement'. But the student is tested for seeing weather he would gain from certain training to the subject, it is known as 'aptitude'.

Intelligence Tests:

Intelligence test is measured to identify ability for intellectual performance. The important factor for intelligence test is mental age. It is related to the physical age where intelligence also grows. Exceptions may arise here. Such as if six-year-old child does the test, for seven years mental age would be determined on such basis. The formula of IQ is IQ= Mental Age/Actual Age × 100 It means that the ratio of mental age to actual age multiplying by 100(to remove decimal) is also called IQ. IQ levels may differ due to culture and exposure. The various levels of IQs as below:

Intelligence testing in the company is related to the assumption that if the industry can get bright, alert workers at speed, it can train them quicker than those that are fewer well- endowed.

Personality Tests:

Personality inventories are also known as Personality tests. These tests determine predispositions, motivations and lasting interests of the people. Personality tests are given below,

Interest Tests:

These tests are developed for discovering an individual area of interest and identify the type of task that will satisfy him. Interest is a one of the basic measures successfully performance of some task. These tests define the beginning of the vocational efforts. The most common interest test is Kadar Reference Record, which includes three types as, The first type determine vocational interest such as mechanical, computational, artistic, literary, musical and clerical interest. Interests in individual sectors such as group activities, avoiding conflicts etc., are measured by the second type of interest tests. The third form of interest test is related to the preference on occupations such as accountant, salesman, farmer, etc. The best-known interest three forms of interest test are vocational test.

Personality Tests

These tests are also defined on the basis of personality inventories. These tests are developed for measuring the dimensions of personality such as personality traits which include interpersonal competence, introversions, self-confidence, ability to lead and ambition. The personality tests are also called as the Minnesota Multiphase and California Personality Inventory.

The personality dimensions are as follows

Projective tests:

The tests that are determined by pictures or incomplete items are called projective tests. The candidate is asked for narrating or projecting their own interpretation on these. The way of responding candidate values, motives, attitude, apprehensions, personality, etc is through projective tests. They are known as projective because they put candidates into the situation where project develop the test situation. The type of test includes the Rorschach Blot Test and the Thematic Apperception Test. The RBT include an ink blot and the candidate is asked for describing what he/she sees in it. TAT define the most well-known structured projective test where the candidate is shown pictures and, then, is asked to make-up a story based on the pictures.

Attitude Tests:

Attitude tests are developed for knowing the candidate tendencies towards favouring people, situations, actions, and a host of such other things. Attitudes are the action of the respondents because of emotion disregard the observed or measure the attitude of the candidate. Example of attitude tests is desirability, authoritarianism, study of values, Machiavellianism and employees morale.

Process of selectionPreliminary Interview, Employment Interview and Job Offer, the objective of interviews is to unselect unqualified applications from information supplied in application forms. The basic goal helps in rejecting misfits. On the other hands, it is also known as courtesy interview and develops public relations. Jobseeker selected in these interviews has to give tests. The types of tests are conducted on the basis of jobs and the firms.

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Similarly qualification, background, age, and so on are the essential factors where they pay more attention. Finally, the writing exam and interview is a complex activity.

Interview and its types

The interview is the indispensable Management tool. The procedure for designing to solicit information from candidate responses to speaking inquiries is called interview. Selection interview helps to select the method that is designed for predicting future job performance with the help of the applicants' responses to inquiries. The job analyst and supervisor have close relationship and both of them perform the task together for identifying the employee who knows the job best. Quickly establish rapport with the person you are interviewing. Follow a structured guide or checklist, one that lists open-ended questions and provides space for answers. Tell the employee for listing their duties in order of importance and frequency of occurrence. After completing the interview the supervisor must review and verify the data collected by interviewing the candidate.

Phone Interviews

Workers desire economics things to do these days, so most of them use the first screening rounds with the help of Ma Bell's. Upside: Preparing notes and keeping them in front of you while you are talking with someone. Also, the inability to present ties during the process is a big plus! Downside: It's often difficult for people that talk to a person for getting energised. Strategy: The people who warm up or who like to read an interviewer's face when talking have hope of getting success. About few minutes in an interview, you must be in a quiet place, must not open your eyes, and visualise a time when you were really successful at something. It could be final month at a sales presentation or even when you won a car in racing games. Hold memory for several minutes and get the positive energy from it. Remember your place, people in that place, what people said to you about it and feelings, colours, smells and sounds you recall. When the phone rings, at last, your voice will be energetic as it essentially seems alive over the wires.

Case Interviews

The case interview is used torturing the people consulting, finance and executive positions. Problem: Case interviews measure the ability to solve the problem and analytical thinking around corners with imagination data in front of you. Questions such as, "Why are manholes round?" or "How many pizzas are eaten in Nepal each year?" are just for warming-ups. Sometimes problems like "Toyota is releasing the new model. What issues does the organisation must think about?" Strategy: It's not possible to become the logical thinkers that have business savvy overnight if you're not one of them. But it is possible to subscribe The Globe and Mail, take a logic course, read some books, or contact the Bain & Company consulting firm for a copy of its monograph "How to Ace the Case Interview."

Behavioral Interviews

In a time where the egos and "creative" resume operation, behavioural interviews involve lots of important questions. Problem: Worker wants evidence that helps in backing up possibly exaggerated claims. Strategy: Don't even think about saying, "My company skills are top and best," without any one or two examples of skills that you used. For every non-negative description you plan to prepare a STAR analysis:

**** S = SITUATION that you tends to involve into**
**** T = The TASK you must complete within a limited time**
**** A = describe ACTION you are taking to solve problems**
**** R = RESULTS of your actions must be told to the supervisor**

Patterned, depth and stress Interview:

In this interview, the pattern of the interview is determined for future, for instance, the type of information that must be given, the interview which must be conducted, and the time that is allotted to it, all these are worked out in today for future. In case candidates are guided back for the structured questions. Such interviews are defined as standardised interviews. When the team is defined, depth of interview to the candidate arises in detail. It describes the past of the candidates along with their work experience, academic qualifications, health, attitude, interest, and hobbies. This method is effective in selection of executive. Expectedly, depth interview is time-consuming and costly. Such interviews are involved in the jobs that must perform in stress. The stress interview makes deliberate attempts by developing stressful or strained conditions for the candidates by observing the behaviour of candidates under stressful conditions. The mostly used type for inducing stress involve frequent interruptions, keeping silent for an extended period of time, asking too many questions at a time, making derogatory remarks about the candidate, accusing him that he is lying and so on. The goal is to see the behaviour of candidates under the stressful conditions where he loses his temper, gets confused or frightened.

Induction and socialization

Introduction

Induction also called orientation, and it is design to provide a new employee with information which he or she needs to function's comfortably and effectively in the organization.

When a new employee joins an organization, he is completely a stranger to the people, work place and the work environment. Therefore, he is likely to feel insecure, shy and nervous. In the absence of information and support there is likely to be anxiety and fear in his mind. He may undergo reality shock caused by a gap between his expectations and the real situation.

Meaning

Induction or orientation can help overcome these problems. Once an employee is selected and placed on an appropriate job, the process of familiarizing him with the job and organization begins. This process is called induction.

Induction is "the process of receiving and welcoming an employee when he first join a company and giving him the basic information he needs to settle down quickly and happily and start work".

The new employee is introduced to the job and the organization. The purpose of orientation is to make the new entrant feel at home and develop a sense of pride in the organization and commitment to the job. The new comer is explained his duties and responsibilities, company policies and rules, and other relevant information to get acquainted and accommodated with the organization.

"Induction is a planned introduction of employees to their jobs, their co-worker's and the organization".

Induction conveys three types of information: -

 General information about the daily work routine.

 A review of the organization's history, founding further objectives, operations-product and employee contribution.

 A detailed presentation in broacher's of the organization and policies, work rules and employee benefits.

Objectives of induction

o To help the new comer overcome his natural shyness and nervous in meeting new people in a new environment.

o The idea is to make the new people feel at home.

o Coordination will developed with co-workers.

o Make good relationship, good initial impression of a company, work supervision.

o To build up the new employee's confidence in the organization and in himself so that he may become an efficient employee.
o To give the new comer necessary information such as location of cafeteria, toilets and locker room, rest periods and leave rules etc.

Advantages of formal induction
o Induction helps to build up a two-way channel of communication between management and workers.
o Proper induction facilities informal relations and teamwork among employees.
o Effective induction helps to integrate the new employee into the organization and to develop a sense of belonging.
o Induction is helpful in supplying information concerning the organization, the job and employee welfare facilities.
o A formal induction programme proves that the company is taking sincere interest is getting him off to a good start.

Contents of induction programme
1. Brief history and operations of the company.
2. Products and services of the company.
3. The company organization structure.
4. Location of department and employee facilities.
5. Policies and procedure of the company.
6. Rules, regulations and daily work routines.
7. Grievance procedure.
8. Safety measure.
9. Standing order and disciplinary procedure.
10. Terms and conditions of the service including wages, working hours, overtime holidays etc.
11. Suggestion schemes.
12. Benefits and services of employees.
13. Opportunities for training, promotion and transfer.

How to make induction effective
1. Make the new employee aware of the general company policies that apply to him as well as the specific work situation and requirements.
2. Determine how to present information.
3. Completion of paper work.
4. Answer any questions and clarify any doubt that the employee may have about the job and the organization.
5. Provide on-the-job instructions and counseling.
6. Keep in close touch with new employee to check back how he is doing and offer help if required.
7. Allow reasonable time to adopt to the new work environment and job demands.

Evaluation of induction programme
This programme will be evaluated from the feedback through questionnaire, follow-up interview, group discussion, that could help them to improve their performance.

Problems of orientation
An induction programme can go wrong for a number of reasons. The human resource department should try to avoid such error's come of them there: -

1. Supervisor who is not trained.
2. Employee is overloaded with two much information in short time.
3. Employee's mistakes can damage the company.
4. Employee may develop wrong perception's because of short-time periods spent on each job.

Placement

After an employee has been hired and oriented, he or she must be placed in the right job. Placement is understood as the allocation of people to jobs. It is the assignment or reassignment of an employee to a new job. Placement include initial assignment of new employee promotion, transfer or demotion of present employees.

When a candidate has been selected it is logical that he or she is placed in the position that was advertised earlier.

Socialization

It is the process of adaptation. It is the process by which new employees attempt to learn and inculcate the norms and values of work roles in an organization. Learning and inculcating the norms and values of work group are necessary for proper adjustment and job performance.

1. Socialization is based on several assumptions
2. New employee suffer from anxiety and require adjustment.
3. socialization strongly affects employee programme and stability of organization.

Pre arrival stage

It recognizes that all the new recruits arrive in the organization with a set of values, norms, expectations and learning. This includes both the work to be done and the organization. For example in a business schools, student acquire certain idea's regarding the nature of their future jobs, pay packages, and carrier progress. At the recruitment stage many organizations give job preview which helps the prospective employees to learn more about the job and the organization.

Encounter stage

When the new employees join the organization, he encounter the realities of the situation in term of his job, work culture, subordinates and peer's. if the expectations of the individual are in the tune with the organizational realities, he adapt organization quickly. On the other hand, if there is a marked difference between expectations and realities, socialization is essential to replace his previous assumptions with realities. At the other extreme, the individual cannot recognize with the values and norms of the organization and quits the job.

Metamorphosis stage

In this stage, the new employee acquire the skills require to adjust with the values and norms of the organization. He brings necessary change in his attitude and role behaviour to suit the organization's culture. Such changes make the employee self confident and he feels accepted by other member's of the organization. The completion of socialization process is characterized by fellings.

Human Resource Management Challenges (HR Challenges)

Environmental Challenges
Organizational Challenges
Individual Challenges
Environmental Challenges:
The environmental challenges are related to the external forces that exist in the outside environment of an organization & can influence the performance of the management of the organization. These external

forces are almost out of control of the management of the organization. These can be regarded as threats to management & should be handled in a proactive manner.
Following are the list of human resource management challenges that considered as the environmental challenges.

Rapid Change
Work Force Diversity
Globalization
Legislation
Technology
Job & Family Roles
Lack of Skills
Rapid Change
The world is changing at a faster rate because change is constant from several centuries. So the management of the organizations should be quickly adaptive to the changing requirement of the environment otherwise they become obsolete from the market. The human resource management of an organization plays a basic role in response to the environmental change. The HR department should adopt such policies that can avail the new opportunities of the environment & keep the organization away from the newly emerging threats.

Work Force Diversity
The changing environment provides both the opportunities & threats to the human resource management of the organization. The HR manager should adopt such policies that can make possible the diverse work force of employees. Although on one hand diversity creates big problem but in the long run, the survival & performance of the organization is flourished.

Globalization
One of the serious issue that today's organizations are facing is the issue of globalization. The world is converting into global business and severe competition is started between domestic & foreign companies. Such competition results in the laying off the effective workforce of the organization. The HR department can play an important role in keeping the culture of the organization as global & wider.

Legislation
It is the old environmental challenge that is faced by organization since many decades. There are certain labor laws that are declared by the government for the benefits of the working employees. Some of these laws are disadvantageous to the interests of the organizations so it is a one of the big challenges for the HRM to implement all those labor laws within the organizations. If any of such law is violated, serious actions are taken by the relevant government authority that may result into serious penalty for the management of the organization.

Technology
The technology is also growing with great speed especially in the field of computer & telecommunication. New methods are emerging that quickly dominates the older ones & makes them obsolete. Therefore the skills required by the employees also changes with the changing technology & this would compels the worker to advance the skills three to four times throughout their working lives. So there comes a burden on the HR department to constantly update the skills & expertise of their employees.

Job & Family Roles

In recent years, dual-career families are increasing in which both the wife & husband work. This creates a serious burden on the women that they have to give time to their families also. In many organizations the policies of HR favors the employment of more than 10 years. The working hours of the organizations are also strict and tight for the employees. Moreover, the selection & training procedures are two tough and time consuming so most of the talented women hesitate to join any organization which would result in the wastage of talent and potential. Even working men also suffer from these employment policies because they do not properly give time to their families. So the challenges for the HRM increases with this particular issue & special favorable working policies are needed to be employed in all organizations.

Lack of Skills

The service sector development is expanding due to many reasons like change in the tastes & preference of customers, technological change, legal change etc. All of this affected the structure and managing style of the business organizations. The skills required in the employment of service sector is also advancing but the graduates of the technical colleges & universities are groomed according to the latest requirements. Therefore most of the employees lack the standard required skills to perform their duties and it becomes a big challenge for HRM to properly train these new & old employees to become an efficient & effective workers.

Organizational Challenges

The organizational challenges for the HRM are related to the factors that are located inside the organization. Although these challenges are evolved as a byproduct of the environmental challenges but these can be control by the management of the organization to much extent. The proactive HR managers take notice of such challenges in advance and take corrective measures before these would convert into serious issues. The human resource management challenges within the organization include competitive position & flexibility, organizational restructuring & issues of downsizing, the exercise of self managed teams, development of suitable organizational culture etc.

When the workforce of an organization is effectively used in combination with other factor of production, the opportunities of the environment are availed & the threats are eliminated. The competitive position of the organization can be influenced by the policies of HR in the following ways.

Controlling Costs
Improving Quality
Developing Distinctive Capabilities
Restructuring
Controlling Costs

An organization can avail the competitive position by lowering its cost & strengthening its cash flows. For this purpose, the labor cost of the organization is minimized through effective compensation system that adopts innovative reward strategies for good performances. In this way the favorable behaviors of the employees are rewarded so the organization would get the ultimate advantage. Moreover the policies of compensation should keep the labor cost under control. The effective employees should be selected that keep with the organization for a longer duration & proper training should also be provided to these employees. The HR department should also restore the work of the employees along with the improvement in the health & safety issue of working environment. All of these efforts would limit the cost of labor.

Improving Quality
The quality improvement can lead an organization towards competitive advantage. The total quality management programs are employed that improves all the processes within the organization which would ultimately result in the improvement of the final product or service.

Developing Distinctive Capabilities
Another method of gaining competitive advantage is to employ the people that have distinct capabilities to develop extra ordinary competence in specific area.

Restructuring
Another technique is the restructuring of the organization in which the methods of performing different functions are altered positively. In case of HR department, the majority of functions are still performed within the organization.

In some organizations the major functions of HR department are now transferred to the other parties in the shape of outsourcing, shared service center etc. The sizes of HR department in those organizations are shrinking because most of functions are performed by outsiders. But in most of the organizations the HR manager performs all the relevant functions of HRM. The HR department is now involved in the mission oriented & strategic activities.

Individual Challenges
The decisions related to the specific individual employees are included in the individual challenges for the HRM. The organizational issues are also affected by the fact that how employees are treated within the organizations. The problems related to the individual level are as follow.
01- Productivity
02- Empowerment
03- Brain drain
04- Ethics & social responsibility
05- Job insecurity
06- Matching people & organization
Productivity
Productivity is defined as the measure of the value that an employee can add to the final product or service of the organization. The increased output per employee is reflected as increased productivity. Ability & motivation are two important factors that affect the employee productivity. The ability of the employee can be improved by the hiring & replacement along with the proper training & career development. On the other high quality of work life serves as accelerator to the motivational factor of the employees.

Empowerment
In the modern days many organizations make changes in such a way that their individual employees exert more control on their work as compared to their superiors. This individual control of employees is called empowerment which helps the employees to work with enthusiasm, commitment & learn new skills because they are more make normal decisions about their work by themselves & hence enjoy their work.

Brain Drain
One of the challenges for HRM is the detachment of the key potential employees from the organization which link with the competitors for higher remunerations etc. In such cases the organization loses its intellectual property & in many situations the leaving employees at the higher levels also take with them

the potential lower level employees. This brain drainage is becoming serious issue in the high-Tec companies.

Ethics & Social Responsibility
Under this challenge, the organizations make an effort to benefit some portion of the society. This is now considered to the social responsibility of the organization to show favorable behavior towards the society. The ethics serves as the basic principle for the socially behavior of the organizations. Within organizations, the HR departments develop a code of conduct & principles of code of ethics that serve as the guidance for the personal behavior of the employees of the organizations. The employees also expect from the management to show favorable decisions.

Job Insecurity
In the recent years, restructuring & downsizing develops the sense of insecurity of job within the employees of the organizations. Now many employees only desire to get a steady job rather than a job with promotional future. Even most successful organizations lay off its employees in the period of cut throat competition. The stock market also shows favorable results when layoffs has been made. All these things create a fear among employees about the insecurity of their jobs which would hinder their effective performance.

Matching People & Organizations
It has been proved from the research that the HR department contributes to the profitability of the organization when it makes such policies of employee selection in which those employees are selected & retained that best suits the culture of the organization & its objectives. For example it is proved from research that those employees would become beneficial for the high-Tech companies that can work in risky, uncertain environment having low pay. In short it is an important challenge for the HR department to hire and keep such employees whose abilities & strengths would match the requirements & circumstances of the organization.

MODULE-II

Performance Appraisal

Performance Appraisal is the systematic evaluation of the performance of employees and to understand the abilities of a person for further growth and development. Performance appraisal is generally done in systematic ways which are as follows:
The supervisors measure the pay of employees and compare it with targets and plans.
The supervisor analyses the factors behind work performances of employees.
The employers are in position to guide the employees for a better performance.

Objectives of Performance Appraisal
Performance Appraisal can be done with following objectives in mind:
To maintain records in order to determine compensation packages, wage structure, salaries raises, etc.
To identify the strengths and weaknesses of employees to place right men on right job.
To maintain and assess the potential present in a person for further growth and development.
To provide a feedback to employees regarding their performance and related status.
To provide a feedback to employees regarding their performance and related status.
It serves as a basis for influencing working habits of the employees.

To review and retain the promotional and other training programmes.

Advantages of Performance Appraisal

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

Promotion: Performance Appraisal helps the supervisors to chalk out the promotion programmes for efficient employees. In this regards, inefficient workers can be dismissed or demoted in case.

Compensation: Performance Appraisal helps in chalking out compensation packages for employees. Merit rating is possible through performance appraisal. Performance Appraisal tries to give worth to a performance. Compensation packages which includes bonus, high salary rates, extra benefits, allowances and pre-requisites are dependent on performance appraisal. The criteria should be merit rather than seniority.

Employees Development: The systematic procedure of performance appraisal helps the supervisors to frame training policies and programmes. It helps to analyse strengths and weaknesses of employees so that new jobs can be designed for efficient employees. It also helps in framing future development programmes.

Selection Validation: Performance Appraisal helps the supervisors to understand the validity and importance of the selection procedure. The supervisors come to know the validity and thereby the strengths and weaknesses of selection procedure. Future changes in selection methods can be made in this regard.

Communication: For an organization, effective communication between employees and employers is very important. Through performance appraisal, communication can be sought for in the following ways:

Through performance appraisal, the employers can understand and accept skills of subordinates.

The subordinates can also understand and create a trust and confidence in superiors.

It also helps in maintaining cordial and congenial labour management relationship.

It develops the spirit of work and boosts the morale of employees.

All the above factors ensure effective communication.

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

Performance Appraisal Methods: Traditional and Modern Methods (with example)

Each method of performance appraisal has its strengths and weaknesses may be suitable for one organisation and non-suitable for another one. As such, there is no single appraisal method accepted and used by all organisations to measure their employees' performance.

All the methods of appraisal devised so far have been classified differently by different authors. While **DeCenzo and Robbins**'^ have classified appraisal methods into three categories:

absolute methods, relative methods objective methods;

Aswathappa has classified these into two categories ;

past-oriented future-oriented.

Michael R Carrell et. al. have classified all appraisal methods into as many as six categories: rating scales, comparative methods, critical incidents, Essay, MBO , combination methods.

Rock and Levis" have classified the methods into two broad categories:

narrow interpretation , broad interpretation.

Beatty and Schneier have categorised various methods of appraisal into four groups: comparative methods, absolute methods, goal setting, direct indices.

A more widely used classification of appraisal methods into two categories, viz., traditional methods and modern methods, is given by **Strauss and Sayles**”.

While traditional methods lay emphasis on the rating of the individual’s personality traits, such as initiative, dependability, drive creativity, integrity, intelligence, leadership potential, etc.; the modem methods, on the other hand, place more emphasis on the evaluation of work results, i.e., job achievements than the personal traits! Modern methods tend to be more objective and worthwhile.

In the discussion that follows, each method under both categories will be described briefly.

<u>Traditional Methods:</u>

Ranking Method:

It is the oldest and simplest formal systematic method of performance appraisal in which employee is compared with all others for the purpose of placing order of worth. The employees are ranked from the highest to the lowest or from the best to the worst.

In doing this the employee who is the highest on the characteristic being measured and also the one who is L lowest, are indicated. Then, the next highest and the next lowest between next highest and lowest until all the employees to be rated have been ranked. Thus, if there are ten employees to be appraised, there will be ten ranks from 1 to 10.

However, the greatest limitations of this appraisal method are that:

(i) It does not tell that how much better or worse one is than another,

(ii) The task of ranking individuals is difficult when a large number of employees are rated, and

(iii) It is very difficult to compare one individual with others having varying behavioural traits. To remedy these defects, the paired comparison method of perfor-mance appraisal has been evolved.

Paired Comparison:

In this method, each employee is compared with other employees on one- on one basis, usually based on one trait only. The rater is provided with a bunch of slips each coining pair of names, the rater puts a tick mark against the employee whom he insiders the better of the two. The number of times this employee is compared as better with others determines his or her final ranking.

The number of possible pairs for a given number of employees is ascertained by the following formula:

$N(N-1)/2$

Where N = the total number of employees to be evaluated. Let this be exemplified with an imaginary example.

Thus, the pairs so ascertained give the maximum possible permutations and combinations. The number of times a worker is considered better makes his/her score. Such scores are determined for each worker and he/she is ranked according to his/her score. One obvious disadvantage of this method is that the method can become unwieldy when large numbers of employees are being compared.

Grading Method:

In this method, certain categories of worth are established in advance and carefully defined. There can be three categories established for employees: outstanding, satisfactory and unsatisfactory. There can be more than three grades. Employee performance is compared with grade definitions. The employee is, then, allocated to the grade that best describes his or her perfor-mance.

Such type of grading is done is Semester pattern of examinations and in the selection of a candidate in the public service sector. One of the major drawbacks of this method is that the rater may rate most of the employees on the higher side of their performance.

Forced Distribution Method:

This method was evolved by Tiffen to eliminate the central tendency of rating most of the employees at a higher end of the scale. The method assumes that employees' performance level confirms to a normal statistical distribution i.e., 10,20,40,20 and 10 per cent. This is useful for rating a large number of employees' job performance and promo ability. It tends to eliminate or reduce bias.

It is also highly simple to understand and easy to apply in appraising the performance of employees in organisations. It suffer from the drawback that improve similarly, no single grade would rise in a ratings.

Forced-Choice Method:

The forced-choice method is developed by J. P. Guilford. It contains a series of groups of statements, and rater rates how effectively a statement describes each individual being evaluated. Common method of forced-choice method contains two statements, both positive and negative.

Examples of positive statements are:

1. Gives good and clear instructions to the subordinates.
2. Can be depended upon to complete any job assigned.

A pair of negative statements may be as follows:

1. Makes promises beyond his limit to keep these.
2. Inclines to favour some employees.

Each statement carries a score or weight, which is not made known to the rater. The human resource section does rating for all sets of statements— both positive and negative. The final rating is done on the basis of all sets of statements. Thus, employee rating in this manner makes the method more objective. The only problem associated with this method is that the actual constructing of several evaluative statements also called 'forced-choice scales', takes a lot of time and effort.

Check-List Method:

The basic purpose of utilizing check-list method is to ease the evaluation burden upon the rater. In this method, a series of statements, i.e., questions with their answers in 'yes' or 'no' are prepared by the HR department. The check-list is, then, presented to the rater to tick appropriate answers relevant to the appraisee. Each question carries a weight-age in relationship to their importance.

When the check-list is completed, it is sent to the HR department to prepare the final scores for all appraises based on all questions. While preparing questions an attempt is made to determine the degree of consistency of the rater by asking the same question twice but in a different manner.

However, one of the disadvantages of the check-list method is that it is difficult to assemble, analyse and weigh a number of statements about employee characteristics and contributions From a cost stand point also, this method may be inefficient particularly if there are a number of job categories in the organisation, because a check-list of questions must be prepared for each category of job. It will involve a lot of money, time and efforts.

Critical Incidents Method:

In this method, the rater focuses his or her attention on those key or critical behaviours that make the difference between performing a job in a noteworthy manner (effectively or ineffectively). There are three steps involved in appraising employees using this method.

First, a list of noteworthy (good or bad) on-the-job behaviour of specific incidents is prepared. Second, a group of experts then assigns weightage or score to these incidents, depending upon their degree of desirability to perform a job. Third, finally a check-list indicating incidents that describe workers as "good" or "bad" is constructed. Then, the check-list is given to the rater for evaluating the workers.

The basic idea behind this rating is to apprise the workers who can perform their jobs effectively in critical situations. This is so because most people work alike in normal situation. The strength of critical incident method is that it focuses on behaviours and, thus, judge's performance rather than personalities.
Its drawbacks are to regularly write down the critical incidents which become time-consuming and burdensome for evaluators, i.e., managers. Generally, negative incidents are positive ones. It is rater's inference that determines which incidents are critical to job performance. Hence, the method is subject to all the limitations relating to subjective judgments.

Graphic Rating Scale Method:
The graphic rating scale is one of the most popular and simplest techniques for appraising performance. It is also known as **linear rating scale**. In this method, the printed appraisal form is used to appraise each employee.
The form lists traits (such as quality and reliability) and a range of job performance characteristics (from unsatisfactory to outstanding) for each trait. The rating is done on the basis of points on the continuum. The common practice is to follow five points scale.
The rater rates each appraisee by checking the score that best describes his or her performance for each trait all assigned values for the traits are then totaled.
This method is good for measuring various job behaviours of an employee. However, it is also subjected to rater's bias while rating employee's behaviour at job. Occurrence of ambiguity in design- mg the graphic scale results in bias in appraising employee's performance.

Essay Method:
Essay method is the simplest one among various appraisal methods available. In this method, the rater writes a narrative description on an employee's strengths, weaknesses, past performance, potential and suggestions for improvement. Its positive point is that it is simple in use. It does not require complex formats and extensive/specific training to complete it.
However, essay method, like other methods, is not free from drawbacks. In the absence of any prescribed structure, the essays are likely to vary widely in terms of length and content. And, of course, the quality of appraisal depends more upon rater's writing skill than the appraiser's actual level of performance.
Moreover, because the essays are descriptive, the method provides only qualitative information about the employee. In the absence of quantitative data, the evaluation suffers from subjectivity problem. Nonetheless, the essay method is a good start and is beneficial also if used in conjunction with other appraisal methods.

Field Review Method:
When there is a reason to suspect rater's biasedness or his or her rating appears to be quite higher than others, these are neutralised with the help of a review process. The review process is usually conducted by the personnel officer in the HR department.
The review process involves the following activities:
(a) Identify areas of inter-rater disagreement.
(b) Help the group arrive at a consensus.
(c) Ensure that each rater conceives of the standard similarity.
However, the process is a time-consuming one. The supervisors generally resent what they consider the staff interference. Hence, the method is not widely used.

Confidential Report:
It is the traditional way of appraising employees mainly in the Government Departments. Evaluation is made by the immediate boss or supervisor for giving effect to promotion and transfer. Usually a

structured format is devised to collect information on employee's strength weakness, intelligence, attitude, character, attendance, discipline, etc. report.

Modern Methods:

Management by Objectives (MBO):

Most of the traditional methods of performance appraisal are subject to the antagonistic judgments of the raters. It was to overcome this problem; Peter F. Drucker propounded a new concept, namely, management by objectives (MBO) way back in 1954 in his book.

The Practice of management. The concept of MBO as was conceived by Drucker, 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 operating the unit and assessing the contribution of each its members".

In other words, stripped to its essentials, MBO requires the manager to goals with each employee and then periodically discuss his or her progress toward these goals.

In fact, MBO is not only a method of performance evaluation. It is viewed by the Practicing managers and pedagogues as a philosophy of managerial practice because .t .s a method by wh.ch managers and subordinates plan, organise, communicate, control and debate.

An MBO programme consists of four main steps: goal setting, performance standard, compari-son, and periodic review. In goal-setting, goals are set which each individual, s to attain. The superior and subordinate jointly establish these goals. The goals refer to the desired outcome to be achieved by each individual employee.

In performance standards, the standards are set for the employees as per the previously arranged time period. When the employees start performing their jobs, they come to know what is to be done, what has been done, and what remains to be done.

In the third step the actual level of goals attained are compared with the goals agreed upon. This enables the evaluator to find out the reasons variation between the actual and standard performance of the employees. Such a comparison helps devise training needs for increasing employees' performance it can also explore the conditions having their bearings on employees' performance but over which the employees have no control.

Finally, in the periodic review step, corrective measure is initiated when actual performance deviates from the slandered established in the first step-goal-setting stage. Consistent with the MBO philosophy periodic progress reviews are conducted in a constructive rather than punitive manner.

The purpose of conducting reviews is not to degrade the performer but to aid in his/her future performance. From a motivational point of view, this would be representative of McGregor's theories.

Limitation of MBO:

MBO is not a panacea, cure for all organisational problems.

As with other methods, it also suffers from some limitations as catalogued below:

(i) Setting Un-measurable Objectives:

One of the problems MBO suffers from is unclear and un-measurable objectives set for attainment. An objective such as "will do a better job of training" is useless as it is un-measurable. Instead, "well have four subordinates promoted during the year" is a clear and measurable objective.

(ii) Time-consuming:

The activities involved in an MBO programme such as setting goals, measuring progress, and providing feedback can take a great deal of time.

(iii) Tug of War:

Setting objectives with the subordinates sometimes turns into a tug of war in the sense that the manager pushes for higher quotas and the subordinates push for lower ones. As such, goals so set are likely to be unrealistic.

(iv) Lack of Trust:

MBO is likely to be ineffective in an environment where management has little trust in its employees. Or say, management makes decisions autocratically and relies heavily on external controls.

Behaviourally Anchored Rating Scales (BARS):

The problem of judgmental performance evalu-ation inherent in the traditional methods of performance evaluation led to some organisations to go for objective evaluation by developing a technique known as "Behaviourally Anchored Rating Scales (BARS)" around 1960s. BARS are descriptions of various degrees of behaviour with regard to a specific performance dimension.

It combines the benefits of narratives, critical incidents, and quan-tified ratings by anchoring a quantified scale with specific behavioural examples of good or poor performance. The proponents of BARS claim that it offers better and more equitable appraisals than do the other techniques of performance appraisal we discussed so far.

Developing BARS typically involves five steps:

1. Generating Critical Incidents:

Critical incidents (or say, behaviours) are those which are essential for the performance of the job effectively Persons who are knowledgeable of the job in question (jobholders and/or supervisors) are asked to describe specific critical incidents of effective and ineffective performance. These critical incidents may be described in a few short sentences or phrases using the terminology.

2. Developing Performance Dimensions:

The critical incidents are then clustered into a smaller set of performance dimensions, usually five to ten. Each cluster, or say, dimension is then defined.

3. Reallocating Incidents:

Various critical incidents are reallocated dimensions by another group of people who also know the job in question. Various critical incidents so reallocated to original dimensions are clustered into various categories, with each cluster showing similar critical incidents. Those critical incidents are retained which meet 50 to 80% of agreement with the cluster as classified in step 2.

4. Scaling Incidents:

The same second group as in step 3 rates the behaviour described in each incident in terms of effectiveness or ineffectiveness on the appropriate dimension by using seven to nine points scale. Then, average effectiveness ratings for each incident are determined to decide which incidents will be included in the final anchored scales.

5. Developing Final BARS Instrument:

A subset of the incidents (usually six or seven per cluster) is used as a behavioural anchor for the final performance dimensions.

How BARS is developed can be exemplified with an example of grocery checkout clerks working in a large grocery chain.

A number of critical incidents involved in checking out of grocery can be clustered into seven performance dimensions:

1. Knowledge and Judgment
2. Conscientiousness
3. Skill in Human Relations
4. Skill in Operation of Register
5. Skill in Bagging

6. Organisational Ability of Check stand Work
7. Skill in Monetary Transactions
8. Observational Ability

Now, a BARS for one of these performance dimensions, namely, "knowledge and judgment" can be developed. Notice how the typical BARS is behaviourally anchored with specific critical incidents.

BARS method of performance appraisal is considered better than the traditional ones because it provides advantages like a more accurate gauge, clearer standards, better feedback, and consistency in evaluation. However, BARS is not free from limitations.

The research on BARS indicates that it too suffers from distortions inherent in most rating scales. The research study concluded that "it is clear that research on BARS to date does not support the high promise regarding scale independence In short, while BARS may outperform conventional rating techniques, it is clear that they are not a panacea for obtaining high interrater reliability.

Assessment Centres:

The introduction of the concept of assessment centres as a method of performance method is traced back in 1930s in the Germany used to appraise its army officers. The concept gradually spread to the US and the UK in 1940s and to the Britain in 1960s.

The concept, then, traversed from the army to business arena during 1960s. The concept of assessment centre is, of course, of a recent origin in India. In India, Crompton Greaves, Eicher, Hindustan Lever and Modi Xerox have adopted this technique of performance evaluation.

In business field, assessment centres are mainly used for evaluating executive or supervisory potential. By definition, an assessment centre is a central location where managers come together to participate in well-designed simulated exercises. They are assessed by senior managers supple-mented by the psychologists and the HR specialists for 2-3 days.

Assessee is asked to participate in in-basket exercises, work groups, simulations, and role playing which are essential for successful performance of actual job. Having recorded the assessee's behaviour the raters meet to discuss their pooled information and observations and, based on it, they give their assessment about the assesee. At the end of the process, feedback in terms of strengths and weaknesses is also provided to the assesees.

The distinct advantages the assessment centres provide include more accurate evaluation, mini-mum biasedness, right selection and promotion of executives, and so on. Nonetheless, the technique of assessment centres is also plagued by certain limitations and problems. The technique is relatively costly and time consuming, causes suffocation to the solid performers, discourages to the poor performers (rejected), breeds unhealthy competition among the assessees, and bears adverse effects on those not selected for assessment.

360 – Degree Appraisal:

Yet another method used to appraise the employee's performance is 360 – degree appraisal. This method was first developed and formally used by General Electric Company of USA in 1992. Then, it travelled to other countries including India. In India, companies like Reliance Industries, Wipro Corporation, Infosys Technologies, Thermax, Thomas Cook etc., have been using this method for appraising the performance of their employees. This feedback based method is generally used for ascertaining training and development requirements, rather than for pay increases.

Under 360 – degree appraisal, performance information such as employee's skills, abilities and behaviours, is collected "all around" an employee, i.e., from his/her supervisors, subordinates, peers and even customers and clients.

In other worlds, in 360-degree feedback appraisal system, an employee is appraised by his supervisor, subordinates, peers, and customers with whom he interacts in the course of his job performance. All these

appraisers provide information or feedback on an employee by completing survey questionnaires designed for this purpose.
All information so gathered is then compiled through the computerized system to prepare individualized reports. These reports are presented to me employees being rated. They then meet me appraiser—be it one's superior, subordinates or peers—and share the information they feel as pertinent and useful for developing a self-improvement plan.
In 360 – degree feedback, performance appraisal being based on feedback "all around", an em-ployee is likely to be more correct and realistic. Nonetheless, like other traditional methods, this method is also subject to suffer from the subjectivity on the part of the appraiser. For example, while supervisor may penalise the employee by providing negative feedback, a peer, being influenced by 'give and take feeling' may give a rave review on his/her colleague.

Cost Accounting Method:
This method evaluates an employee's performance from the monetary benefits the employee yields to his/her organisation. This is ascertained by establishing a relationship between the costs involved in retaining the employee, and the benefits an organisation derives from Him/her.
While evaluating an employee's performance under this method, the following factors are also taken into consideration:
1. Unit wise average value of production or service.
2. Quality of product produced or service rendered.
3. Overhead cost incurred.
4. Accidents, damages, errors, spoilage, wastage caused through unusual wear and tear.
5. Human relationship with others.
6. Cost of the time supervisor spent in appraising the employee.

Steps Involved in Performance Appraisal Process:
Some of the steps involved in performance appraisal process areas follows:
1. Setting the performance standards.
2. Communicating the performance standard to employees.
3. Measuring the actual performance.
4. Comparing the actual with the standard performance.
5. Providing feedback to employees on their performance.
6. Initiating corrective actions (if necessary).

1. Setting the Performance Standards:
The first step in the performance appraisal process is the setting of standards of performance expected from the employees. The standards set should bealine with the objectives and the mission of the organisation.

Further the standard set must be realistic and attainable. If unrealistic and unattainable standards are set, it will demotivate and demoralise the employee. Hence care should be taken while setting the standards.
2. Communicating the Performance Standard to the Employees:
It is not enough if just the standards are fixed. The expected level of performance should be communicated to the employees so that they are all well aware of what is expected of them.
3. Measuring the Actual Performance:
This is a crucial step in the performance appraisal process. Here the actual performances are measured. There are various methods of measuring the performance.
4. Comparing the Actual With the Standard Performance:

Once the standard levels of performance are set and the actual performances are measured, the next step will be the comparison of the actual with the standard performance. This comparison will enable the determination of the gap between the actual and the expected performance; such gaps can be bridged through training and development.

5. Providing Feedback:

The performance appraisal process does not end with mere evaluation of the performance. It is essential to provide feedback to the employees on their performance. This will help the employees to identify the weak areas and initiate actions to overcome them. Such feedback motivates them to perform better in future by avoiding the repetition of the same mistakes.

6. Initiating Corrective Actions:

When a gap is found between the actual and the expected level of performance, corrective actions should be undertaken. By analyzing the reason for a gap, proper action should be taken so that the gap is bridged. When the actual and the standard performance match there is no need for any corrective action.

Performance Appraisal Biases

Managers commit mistakes while evaluating employees and their performance. Biases and judgment errors of various kinds may spoil the performance appraisal process. Bias here refers to inaccurate distortion of a measurement. These are:

First Impression (primacy effect):

Raters form an overall impression about the ratee on the basis of some particluar characteristics of the ratee identified by them. The identified qualities and features may not provide adequate base for appraisal.

Halo Effect:

The individual’s performance is completely appraised on the basis of a perceived positive quality, feature or trait. In other words this is the tendency to rate a man uniformly high or low in other traits if he is extra-ordinarily high or low in one particular trait. If a worker has few absences, his supervisor might give him a high rating in all other areas of work.

Horn Effect:

The individual’s performance is completely appraised on the basis of a negative quality or feature perceived. This results in an overall lower rating than may be warranted. “He is not formally dressed up in the office. He may be casual at work too!”.

Excessive Stiffness or Lenience: Depending upon the raters own standards, values and physical and mental makeup at the time of appraisal, ratees may be rated very strictly or leniently. Some of the managers are likely to take the line of least resistance and rate people high, whereas others, by nature, believe in the tyranny of exact assessment, considering more particularly the drawbacks of the individual and thus making the assessment excessively severe. The leniency error can render a system ineffective. If everyone is to be rated high, the system has not done anything to differentiate among the employees.

Central Tendency:

Appraisers rate all employees as average performers. That is, it is an attitude to rate people as neither high nor low and follow the middle path. For example, a professor, with a view to play it safe, might give a class grade near the equal to B, regardless of the differences in individual performances.

Personal Biases:

The way a supervisor feels about each of the individuals working under him - whether he likes or dislikes them - as a tremendous effect on the rating of their performances. Personal Bias can stem from various sources as a result of information obtained from colleagues, considerations of faith and thinking, social and family background and so on.

Spillover Effect:

The present performance is evaluated much on the basis of past performance. "The person who was a good performer in distant past is assured to be okay at present also".

Recency Effect:

Rating is influenced by the most recent behaviour ignoring the commonly demonstrated behaviours during the entire appraisal period.

Therefore while appraising performances, all the above biases should be avoid.

Potential Appraisal

The potential appraisal refers to the appraisal i.e. identification of the hidden talents and skills of a person. The person might or might not be aware of them. Potential appraisal is a future – oriented appraisal whose main objective is to identify and evaluate the potential of the employees to assume higher positions and responsibilities in the organizational hierarchy. Many organisations consider and use potential appraisal as a part of the performance appraisal processes.

The purposes of a potential review are:

to inform employees of their future prospects;

to enable the organisation to draft a management succession programme;

to update training and recruitment activities;

to advise employees about the work to be done to enhance .their career opportunities.

Techniques of potential appraisal:

Self – appraisals

Peer appraisals

Superior appraisals

MBO

Psychological and psychometric tests

Management games like role playing

Leadership exercises etc.

Potential appraisal helps to identify what can happen in future so that it can be guided and directed towards the achievement of individual and organizational growth and goals. Therefore, potential should be included as a part of the Performance appraisal in organisations.

Facts [+]

The Potential for Improving Performance, or PIP, measures the performance of the average worker versus the best person performing a particular task. Large differences suggest that performance can be improved by bringing average performance up closer to the best performance. Small differences suggest little potential for improvement.

The following are some of the requirements and steps to be followed when introducing a potential appraisal system:

Role Description: A good potential appraisal system would be based on clarity of roles and functions associated with the different roles in an organisation. This requires extensive job descriptions to be made available for each job. These job descriptions should spell out the various functions involved in performing the job.

Qualities Required: Besides job descriptions, it is necessary to have a detailed list of qualities required to perform each of these functions. These qualities may be broadly divided into four categories -
(1) technical knowledge and skills,
(2)managerial capabilities and qualities,
(3) behavioural capabilities, and
(4)conceptual capabilities.

Indicators of Qualities: A good potential appraisal system besides listing down the functions and qualities would also have various mechanisms for judging these qualities in a given individual. Some of the mechanisms for judging these qualities are -
(a) rating by others,
(b) psychological tests,
(c) simulation games and exercises,
(d) performance appraisal records.

Organising the System: Once the functions, the qualities required to perform these functions, indicators of these qualities, and mechanisms for generating these indicators are clear, the organisation is in a sound position to establish and operate the potential appraisal system. Such establishment requires clarity in organisational policies and systematisation of its efforts.
Feedback: If the organisation believes in the development of human resources it should attempt to generate a climate of openness. Such a climate is required for helping the employees to understand their strengths and weaknesses and to create opportunities for development. A good potential appraisal system should provide an opportunity for every employee to know the results of assessment. He should be helped to understand the qualities actually required for performing the role for which he thinks he has the potential, the mechanisms used by the organisation to appraise his potential, and the results of such an appraisal.
A good potential appraisal system provides opportunities continuously for the employee to know his strengths and weaknesses. These are done through periodic counseling and guidance sessions by either the personnel department or the managers concerned. This should enable the employee to develop realistic self-perceptions and plan his own career and development.

Potential Appraisal Vs. Performance Appraisal
Potential Appraisal is forward looking process whether performance appraisal is backward looking process. Any good or worse assessment results of performance appraisal may not be a good factor for potential appraisal. But current performance of an employee could show evidance somewhere whether he/she is flexible for new working conditions

Top 4 Methods of Job Evaluation (explained with diagram)
There are four basic methods of job evaluation currently in use which are grouped into two categories:

1. Non-quantitative Methods:
(a) Ranking or Job Comparison
(b) Grading or Job Classification
2. Quantitative Methods:
(a) Point Rating

(b) Factor Comparison

The application of the Ranking Method involves the following procedure:
1. Analyse and describe jobs, bringing out those aspects which are to be used for purpose of job comparison.
2. Identify bench-mark jobs (10 to 20 jobs, which include all major departments and functions). The jobs may be the most and least important jobs, a job midway between the two extremes, and others at the higher or lower intermediate points.
3. Rank all jobs in the organisation around the bench-mark jobs until all jobs are placed in their rank order of importance.
4. Finally, divide all the ranked jobs into appropriate groups or classifications by considering the common features of jobs such as similar duties, skills or training requirements. All the jobs within a particular group or classification receive the same wage or range of rates.
Ranking method is appropriate for small-size organisations where jobs are simple and few. It is also suitable for evaluating managerial jobs wherein job contents cannot be measured in quantitative terms. Ranking method being simple one can be used in the initial stages of job evaluation in an organisation.
Merits:
Ranking method has the following merits:
1. It is the simplest method.
2. It is quite economical to put it into effect.
3. It is less time consuming and involves little paper work.

Demerits:
The method suffers from the following demerits:
1. The main demerit of the ranking method is that there are no definite standards of judgment and also there is no way of measuring the differences between jobs.
2. It suffers from its sheer unmanageability when there are a large number of jobs.

Grading Method:
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.
The grades or classes are created by identifying some common denominator such as skills, knowledge and responsibilities. The example of job grades may include, depending on the type of jobs the organisation offers, skilled, unskilled, account clerk, clerk-cum-typist, steno typist, office superintendent, laboratory assistant and so on.
Once the grades are established, each job is then placed into its appropriate grade or class depending on how well its characteristics fit in a grade. In this way, a series of job grades is created. Then, different wage/salary rate is fixed for each grade.

Merits:
The main merits of grading method of job evaluation are:
1. This method is easy to understand and simple to operate.
2. It is economical and, therefore, suitable for small organisations.
3. The grouping of jobs into classifications makes pay determination problems easy to administer.
4. This method is useful for Government jobs.

Demerits:
The demerits of this method include:
1. The method suffers from personal bias of the committee members.
2. It cannot deal with complex jobs which will not fit neatly into one grade.
3. This method is rarely used in an industry.

Points Rating:
This is the most widely used method of job evaluation. Under this method, jobs are broke down based on various identifiable factors such as skill, effort, training, knowledge, hazards, responsibility, etc. Thereafter, points are allocated to each of these factors.
Weights are given to factors depending on their importance to perform the job. Points so allocated to various factors of a job are then summed. Then, the jobs with similar total of points are placed in similar pay grades. The sum of points gives an index of the relative significance of the jobs that are rated.
The procedure involved in determining job points is as follows:
Determine the jobs to be evaluated. Jobs should cover all the major occupational and levels ofresponsibility to be covered by the method.
Decide on the factors to be used in analysing and evaluating the jobs. The number of factors needs to be restricted because too many factors result in an over-complex scheme with overlap and duplication between factors.
Define the factors clearly in written. This is necessary to ensure that different job raters interpret a particular factor in the same sense.
Determine degrees of each factor and assign point value to each degree.
Point values are assigned to different degrees on the basis of arithmetic progression.
Finally, money values are assigned to points. For this purpose, points are added to give the total value of a job. Its value is then translated into money terms with a predetermined formula.

Merits:
The method has the following merits:
1. It is the most comprehensive and accurate method of job evaluation.
2. Prejudice and human judgment are minimised, i.e. the system cannot be easily manipulated.
3. Being the systematic method, workers of the organisation favour this method.
4. The scales developed in this method can be used for long time.
5. Jobs can be easily placed in distinct categories.

Demerits:
The drawbacks of the method are:
1. It is both time-consuming and expensive method.
2. It is difficult to understand for an average worker.
3. A lot of clerical work is involved in recording rating scales.
4. It is not suitable for managerial jobs wherein the work content is not measurable in quantita-tive terms.

Factor Comparison Method:
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.
The mechanism for evaluating jobs under this method involves the following steps:

1. First of all, the key or benchmark jobs are selected as standards. The key jobs selected should have standards contents, well accepted pay rates in the community, and should consist of a representative cross-section of all jobs that are being evaluated-from the lowest to the highest paid job, from the most important to the least important—and cover the full range of requirements of each factor, as agreed upon by a Committee representing workers and management.
2. The factors common to all jobs are identified, selected and defined precisely. The common factors to all jobs are usually five, viz., mental requirements, physical requirements, skill requirements, working conditions and responsibility.
3. Once the key jobs are identified and also the common factors are chosen, the key jobs are, then, ranked in terms of the selected common factors.
4. The next step is to determine a fair and equitable base rate (usually expressed on an hourly basis) and, then, allocate this base rate among the five common factors as mentioned earlier. Following is a specimen of base rate and its allocation scheme:
5. The final step in factor comparison method is to compare and evaluate the remaining jobs in the organisation. To illustrate, a ‘toolmaker’ job is to be evaluated. After com-parison, it is found that its skill is similar to electrician (5), mental requirements to welder (10) Physical requirements to again electrician (12), working conditions to mecha-nist (24) and responsibility also to mechanist (3). Thus, the wage rate for the job of toolmaker will be Rs. 54 (Rs.5 + Rs. 10 + Rs. 12 + Rs.24 + Rs.3).

Merits:
This method enjoys the following merits:
1. It is more objective method of job evaluation.
2. The method is flexible as there is no upper limit on the rating of a factor.
3. It is fairly easy method to explain to employees.
4. The use of limited number of factors (usually five) ensures less chances of overlapping and over-weighting of factors.
5. It facilitates determining the relative worth of different jobs.

Demerits:
The method, however, suffers from the following drawbacks:
1. It is expensive and time-consuming method.
2. Using the same five factors for evaluating jobs may not always be appropriate because jobs differ across and within organisations.
3. It is difficult to understand and operate.

Compensation Management

Concept, Types, Determinants and Method of Compensation Management:

Compensation management refers to all forms of financial rewards received by employees.Employees of an organisation use their overall efforts that need to be valued financially. Such financial values of contributions of employees to the organization are called compensation. It covers up important part of employee's life. It is generated from employment.

Compensation may be used for:

The recruitment and retention of qualified employee
Help to increase the satisfaction of employees

Scheme	Characteristics	Advantages	Disadvantages
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.

It helps to reduce absenteeism and turnover
Helps in the increment of moral satisfaction
According to Michael Armstrong," Compensation management is essentially about designing, implementing and maintaining pay system which helps to improve organizational performance."
According to Milkovich," Compensation refers to all forms of financial return, tangible services and benefits employee receive as part of an employment relationship."

Types of compensation

A) Direct compensation:

Direct forms of compensation have a multitude of types or methods, from salaries to bonuses.

Pay: Pay refers to the wages or salary received by the employee. It can be base pay or merit pay. Base pay is hourly, weekly or monthly pay and merit pay is performance based pay. It is an addition to the base pay.

Incentive pay: Higher performance based reward is an incentive compensation. They can give piece wages, commission, bonus, profit sharing, the stock option. Rewards are utilized to build execution from the representative. This is a variable kind of compensation and is found with salaried staff to incentivize them for a specific objective whether time or volume based

B) Indirect compensation:

Indirect compensation can be defined as the non -monetary remuneration which are provided to the employees such as:

Benefits: Benefits is an addition to pay. They are membership base financial rewards. They can pay for time not work, retirement benefits and executive benefits. Pay for time not work is like paid vacation, holidays, leaves, lunch breaks, bereavement. Retirement benefits are like pension, gratuity, insurance payments, provident fund, medical care etc. and executively is like a free newspaper, telephone rental, rent, vehicle etc.

Services: Services are not cash payment but considered as financial reward. It increases employee well-being. It comprises reward like housing, fooding, furnishing, child care and children education expenses, company car, aeroplane, discount on a purchase, credit card, loans, free legal advice and counseling for financial management and stock option scheme.

Most organization give compensation as a package. It consists of pay plus benefits and services. Compensation management must be flexible enough to get popularity in this human resource management function area.

Determinants of compensation

There are number of internal and external factors that affect compensation which are:

Internal factors

Objectives of compensation

Objectives of compensation may be controlling cost, establishing fair and equitable pay structure, attracting and retaining competent human resources, improving motivation and morale, improving labour relation, improving the image of an organization and comply with the legal framework and policies of the organization.

Policies of an organization

Policies of an organization influence compensation. Compensation policy is the policy made by the organization. They serve as guidelines for formulating compensation. Organization can be leader or follower regarding pay.

Job evaluation

Job evaluation states job description and job satisfaction. These two factors determine the compensation to be required for payment. By evaluating a particular job, worth of job was determined. It determines the relative worth of a job in an organization. Job evaluation sets up a predictable and precise relationship among base pay rates for all employments.

Employee productivity
The new trend is to link pay with performance. Productivity determines compensation. Employees abilities and motivation affect productivity.

External factors

Legal consideration
Government law and regulation affect compensation management and policies. Government influences pay directly through laws, regulation. Tax implication also influences employees. Legal considerations can be taken as an important determinant of compensation. The government makes various rules and regulations to protect the interests of workers.

Market rates
Nature of demand and supply of various types of personnel determine compensation (wages and salaries). Market wage rates are to be followed. Wage rates will be different in a stable economy than in a depressed economy. Matching for the market rate is a major consideration. It should account for inflationary pressures. Skills in short supply carry the high rate of compensation. Compensation rates should be competitive.

Equity consideration
Equity means fairness in the relation between what a person does (input) and what the person receives (output). Determination of compensation is reasonably viewed in terms of equity. It should be fair within the same organization of similar jobs. Employees should view it as equitable and valuable. There should be equality between the employees otherwise, they will be demotivated. The rate of compensation should not be determined differently on the basis of religion, gender, caste, race etc.

The cost of living
Aggregate pay can influence purchasing power. Compensation should be adjusted according to the rise of market price rate. The cost of living at the average level may change. It is to be considered to maintain living cost through compensation. Organization should compensate the employee at least to meet the cost of living.

Union pressure
Union is a power and it affects compensation. Union pressure depends on the high rate of compensation through collective bargaining, negotiated pay settlements serve as the basis for compensation. Employees have the legal right to have collective bargaining. They work for all the members of the interest of their class.Generally, compensation is determined to balance the pressure of union and organization abilities.

Methods of establishing employee's compensation
Each job is to be valued in the organization. Compensation management determines the price of the job. There are various methods that can be adopted to establish employee's compensation. Employees compensation can be established by various methods:

Job analysis
Job analysis is a process of knowing dimensions of the job. Job analysis is the process of collecting and recording information related to the job to be done by personnel in order to design job and make human resource plan. Job analysis requires various information about the job. It comprises all the activities

involved in the jobs like responsibility, accountability, job title, duty, authority and job relationship. It includes job description, job specification and job performance standard. The job description is the job requirement, job specification is person's requirement who needs different qualities to do a job and job performance standard is the target of the job to be done. It is a profile of a job that's why it is an overall summary of job requirements. They provide the basis for establishing compensation.

Job evaluation system
Job evaluation provides the value of job performance and accordingly, compensation is made. It ranks job in a hierarchy. It determines the relative worth of one job in relation to another job within the organization. It rates job. Job evaluation methods are the job ranking method, job grading method, factor comparison method and point system method. Job ranking method ranks job in order of their difficulty from simplest to the most complex. It appraises and worth the job highest to the lowest. Each job is to be compared with others to determine the overall rank. Job grading method is the group of different jobs requiring similar skills, efforts and responsibilities. Each job is assigned a grade. Factor comparison is a job content different factors like responsibilities, skill, mental effort, working condition etc. Each factor is valued in monetary terms.

Compensation survey
This method of establishing compensation focuses on collecting information about compensation from the market. This provides external equity. Compensation survey provides the market rate of compensation. This can be done by published survey, consultants and agencies, advertisements and applications and informal communication. It is a market rate of compensation which can be determined by market rate. So, Compensation is determined on the basis of the information received from market or research by different experts and specialists.

Pricing jobs
This step prices job. Pricing job plays an important role in achieving the business goal. Pricing jobs involve grouping of different pay levels into grades. It shows pay ranges within each grade. It can be determined by ranking through the job evaluation process, legal factors, union pressures and the creation of pay grades etc.

Current trends in compensation
Compensation in present days to be studied is a need for achieving competent employees to bring effectiveness in day to day operation of the organization. It must be complete and at the satisfactory level of employees. Many studies have been taking place in recent few past years regarding compensation. Those current issues about compensation management are

Skill-based pay:
Compensation to employees is made on the basis of skills. Skill make the person competent to perform the job. The basis of the job is moving away from job base to competency based. Competency is a person's skills, knowledge, and behaviour that enable performance. Job-based pay considers the value of current job based on job title. Under this method skilled, semi-skilled and unskilled employees are grouped and compensation is made to them affording to their competency.

Broad banding:
Reduced number of ranges of salary into a low number of the range is called broad banding. Generally, several grades are divided into three bands like clerical bands, professional bands and managerial bands. It provides flexibility for employee's assignment.

Comparable worth or pricing method:
Pricing job is an equity pay. The brand of compensating employees is to be on the basis of the value of job which gets the certain price. The main objective of developing this trend is to overthrow the inequity between male and female with respect to their compensation. It avoids races and class discrimination to their compensation. Under this method, the weight of each job is determined by considering its factors and certain value is given and on the basis of value, compensation is determined.

Cafeteria approach:
The important current trend in compensating employees is cafeteria approach that consists of pay plus benefits and services. The employee picks benefits and services as per needs within the limit of the pay package.

Variable pay plans
Variable pay plans is also current issue in compensation management. The use of variable pay system is increasing. This system is based on improving production and sharing of prosperity.

Top 7 Theories of Wages :
Some of the most important theories of wages are as follows:
1. Wages Fund Theory
2. Subsistence Theory
3. The Surplus Value Theory of Wages
4. Residual Claimant Theory
5. Marginal Productivity Theory
6. The Bargaining Theory of Wages
7. Behavioural Theories of Wages.

How much and on which basis wages should be paid to the workers for services rendered by them has been a subject matter of great concern and debate among economic thinkers for a long time This has given birth to several wage theories, i.e. how wages are determined. Out of them, some important theories of wages are discussed here.

1. Wages Fund Theory:
This theory was developed by Adam Smith (1723-1790). His theory was based on the basic assumption that workers are paid wages out of a pre-determined fund of wealth. This fund, he called, wages fund created as a result of savings. According to Adam Smith, the demand for labour and rate of wages depend on the size of the wages fund. Accordingly, if the wages fund is large, wages would be high and vice versa.
2. Subsistence Theory:
This theory was propounded by David Recardo (1772-1823). According to this theory, "The labourers are paid to enable them to subsist and perpetuate the race without increase or diminution". This payment is also called as 'subsistence wages'. The basic assumption of this theory is that if workers are paid wages more than subsistence level, workers' number will increase and, as a result wages will come down to the subsistence level.
On the contrary, if workers are paid less than subsis-tence wages, the number of workers will decrease as a result of starvation death; malnutrition, disease etc. and many would not marry. Then, wage rates would again go up to subsistence level. Since wage rate tends to be at, subsistence level at all cases, that is why this theory is also known as 'Iron Law of Wages'. The subsistence wages refers to minimum wages.

3. The Surplus Value Theory of Wages:
This theory was developed by Karl Marx (1849-1883). This theory is based on the basic assump-tion that like other article, labour is also an article which could be purchased on payment of its price i e wages. This payment, according to Karl Marx, is at subsistence level which is less than in propor-tion to time labour takes to produce items. The surplus, according to him, goes to the owner. Karl Marx is well known for his advocation in the favour of labour.

4. Residual Claimant Theory:
This theory owes its development to Francis A. Walker (1840-1897). According to Walker, there are four factors of production or business activity, viz., land, labour, capital, and entrepreneurship. He views that once all other three factors are rewarded what remains left is paid as wages to workers. Thus, according to this theory, worker is the residual claimant.

5. Marginal Productivity Theory:
This theory was propounded by Phillips Henry Wick-steed (England) and John Bates Clark of U.S.A. According to this theory, wages is determined based on the production contributed by the last worker, i.e. marginal worker. His/her production is called 'marginal production'.

6. The Bargaining Theory of Wages:
John Davidson was the propounder of this theory. According to this theory, the fixation of wages depends on the bargaining power of workers/trade unions and of employers. If workers are stronger in bargaining process, then wages tends to be high. In case, employer plays a stronger role, then wages tends to be low.

7. Behavioural Theories of Wages:
Based on research studies and action programmes conducted, some behavioural scientists have also developed theories of wages. Their theories are based on elements like employee's acceptance to a wage level, the prevalent internal wage structure, employee's consideration on money or' wages and salaries as motivators.

Wages: Definition, Types and Other Details:
In economics, the price paid to labour for its contribution to the process of production is called wages.
Labour is an important factor of production. If there is no labour to work, all other factors, be it land or capital, will remain idle.
Thus, Karl Marx termed labour as the "creator of all value".
However, labour alone cannot produce as most of the production is the result of joint efforts of different factors of production. Therefore, the share of the produce paid to labour for its production activity is called wage.

Definitions:
"A wage may be defined as the sum of money paid under contract by an employer to worker for services rendered." -Benham
"Wages is the payment to labour for its assistance to production." -A.H. Hansen
'Wage rate is the price paid for the use of labour." -Mc Connell
"A wage is price, it is the price paid by the employer to the worker on account of labour performed." -J.R. Turner

Types of Wages:
In real practice, wages are of many types as follows:
1. Piece Wages:
Piece wages are the wages paid according to the work done by the worker. To calculate the piece wages, the number of units produced by the worker are taken into consideration.
2. Time Wages:

If the labourer is paid for his services according to time, it is called as time wages. For example, if the labour is paid Rs. 35 per day, it will be termed as time wage.

3. Cash Wages:

Cash wages refer to the wages paid to the labour in terms of money. The salary paid to a worker is an instance of cash wages.

4. Wages in Kind:

When the labourer is paid in terms of goods rather than cash, is called the wage in kind. These types of wages are popular in rural areas.

5. Contract Wages:

Under this type, the wages are fixed in the beginning for complete work. For instance, if a contractor is told that he will be paid Rs. 25,000 for the construction of building, it will be termed as contract wages.

Concepts of Wages:

The following are the two main concepts of wages:

A. Nominal Wage:

B. Real Wage:

A. Money Wages or Nominal Wages:

The total amount of money received by the labourer in the process of production is called the money wages or nominal wages.

B. Real Wages:

Real wages mean translation of money wages into real terms or in terms of commodities and services that money can buy. They refer to the advantages of worker's occupation, i.e. the amount of the necessaries, comforts and luxuries of life which the worker can command in return for his services.

An example will make the things clear. Suppose 'A' receives Rs. 500 p.m. as money wages during the year. Suppose also that midway through the year the prices of commodities and services, that the worker buys, go up, on the average, by 50%.

It means that though the money wages remain the same, the real wages (consumption basket in terms of commodities and services) are reduced by 50%. Real wages also include extra supplementary benefits along with the money wages.

Distinction between Real and Money Wages:

Adam Smith has distinguished the money wages and real wages on the following basis:

1. Relation with Price:

Keeping all other things constant, there exists inverse relation between real wages and price i.e. with the increase in price level real wages tend to decline and vice-versa.

2. Money and Real Wages:

Ceterus paribus, an increase in money wages will lead to an increase in real wages. It is due to the reason that with the increase in money wages, a labourer can purchase more goods and services than before.

3. Basic Difference:

According to Adam Smith, money wages are paid in terms of the quantity of money whereas real w ages are paid in terms of necessaries of life. Therefore money w ages are expressed in terms of money and that of real wages in terms of goods and services.

Wage Differentials:

There is a wide gulf in pay and earnings rates between jobs.

Some of the relevant factors are listed below

Compensating wage differentials - higher pay can often be some reward for risk-taking in certain jobs, working in poor conditions and having to work unsocial hours.
A reward for human capital - in a competitive labour market equilibrium, wage differentials compensate workers for (opportunity and direct) costs of human capital acquisition. There is an opportunity cost in acquiring qualifications - measured by the current earnings foregone by staying in full or part-time education.
Different skill levels - the gap between poorly skilled and highly skilled workers gets wider each year. One reason is that the market demand for skilled labour grows more quickly than the demand for semi-skilled workers. This pushes up pay levels. Highly skilled workers are often in inelastic supply and rising demand forces up the "going wage rate" in an industry.
Differences in labour productivity and revenue creation - workers whose efficiency is highest and ability to generate revenue for a firm should be rewarded with higher pay. City economists and analysts are often highly paid not least because they can claim annual bonuses based on performance. Top sports stars can command top wages because of their potential to generate extra revenue from ticket sales and merchandising.
Trade unions and their collective bargaining power - unions might exercise their bargaining power to offset the power of an employer in a particular occupation and in doing so achieve a mark-up on wages compared to those on offer to non-union members
Employer discrimination is a factor that cannot be ignored despite over twenty years of equal pay legislation in place.

Pay Structures:
A company's pay structure is the method of administering its pay philosophy. The two leading types of pay structures are the internal equity method, which uses a tightly constructed grid to ensure that each job is compensated according to the jobs above and below it in a hierarchy, and market pricing, where each job in an organization is tied to the prevailing market rate.
A company needs job descriptions for all its positions so that people know where they fall within the organization. A pay structure helps answer questions about who's who, what each person's role is, and why people are compensated differently. It also helps human resources personnel to fairly administer any given pay philosophy. For example, a company might want to pay everyone at market; or pay some people at market and some above it. Opportunities for incentives are also dealt with in the pay structure. For example, people with strategic roles will likely have opportunities for higher incentives.

Outsource if necessary
Many firms have one or more in-house compensation consultants who can set up a pay structure consistent with the company's pay philosophy. Small organizations and other companies without the resources to hire a compensation consultant can either train someone in how to set up a pay philosophy, or outsource this service.

Start with a payroll budget
When setting up a pay structure, most companies start with a payroll budget. Senior management usually sets payroll budgets during the annual planning.
The budget for merit increases is generally kept separate from the overall budget to allow for market adjustments. Companies research what merit increases and salary movements historically have been (approximately 3.5 percent on average in recent years) and then project the budgets for market adjustments and merit increases.
If turnover is high, a company may have to move people's salaries more quickly than if turnover is low and there is more time to implement the pay structure.

Benchmark the value of each job

Once it is known how many jobs are to be priced and the total amount allocated to spend, a company should benchmark as many jobs as possible. Benchmarking means matching an internal job to an external job of similar content. Make sure to benchmark jobs to job content, rather than job title. For example, a bookkeeper and an accountant I may seem similar, but a comparison of the job descriptions should reveal the job to which isreally being matched.

When benchmarking, the market value goes to the job, not to the person filling it. Price "spaces, not faces." In order to make the best use of an organization's resources, it is important for a company to acquire survey data for similar companies. Salary Wizard Professional (for small businesses) and CompAnalyst (for large businesses) are a great place to get data that represents organizations of similar size, industry, and location.

In small companies people are often called upon to fill hybrid jobs - for example, a person might be asked to be both HR manager and office manager. It is important to review the data for each of the components of the hybrid job, and develop a market price accordingly.

Tips for benchmarking jobs

Select surveys that are appropriate for the positions being surveyed: right job, right geographic area, right company size, etc.

Stay general. Job descriptors such as those found in compensation surveys and in Salary.com products are not intended to be all-inclusive job descriptions. They are generic descriptions that best describe the essential functions of a job, rather than the application of that job in a specific company.

Select job descriptors based on content, rather than job title.

Match closely. A job descriptor should be at least 70 percent of an incumbent's current job responsibilities.

Make as many matches as possible.

Match the job function, not the person.

Combine judiciously. Job descriptors can be blended, but no more than two descriptors per survey should be combined to represent an incumbent's job.

Review the level guide. Surveys have a variety of ways for describing and representing different levels for different jobs.

Involve employees as much as possible in benchmarking jobs.

Use internal equity method to create salary ranges by pay grade

The internal equity method of structuring pay involves creating a series of grades or bands, with wide ranges at the top of the pay structure and narrower ranges at the bottom. Each grade represents a different level within the company.

A company must determine how many grades are required, choosing a reasonable number based on how many employees work in the organization today and the variety of jobs at the organization. The number of grades can always be expanded later. A company of 30 people might start with 10 grades, although small companies normally do not benefit from pay grades as much as larger companies because of the frequent instance of hybrid positions in small companies.

A company should also give each grade a spread, so that people can move within their grade as they progress in their jobs. Additionally, creating a minimum and a maximum for the whole company is recommended. The midpoint of the lowest grade should reflect the lowest value of the lowest job in a benchmarking study. The midpoint of the highest grade should reflect the highest value of the highest job.

From one grade to the next, there should be a 15 percent midpoint progression, meaning the midpoint of one grade should be about 15 percent higher than the midpoint of the grade below it. This is to ensure that promotions are accompanied by meaningful pay increases.
Benchmarked jobs are then slotted into the pay grades. Some positions are often forced into a grade, and some grades won't be fully aligned. Ideally companies look for a narrow margin of approximately 5 to 10 percent between the market median and the midpoint of the grade.
Market data may not be available for all jobs. Such jobs are often slotted into comparable grades for the company according to the scope of the job, the responsibilities, the size of the budget the position handles, etc. For example, if a suitable benchmark for a financial manager cannot be found, the job is slotted into the rough equivalent of the HR manager if they are equally valued at your organization.
Broadbanding is the pay practice of creating large ranges and control points within a grade to give people wide latitude to move within their job without outgrowing the payscale. However, studies have shown that after five to seven years of doing the same job, people no longer improve dramatically in that job. A pay philosophy might take this principle into account by stipulating that no one will be paid more than 120 to 130 percent of market, regardless of how well he or she performs.
Many nonexempt jobs are compensated in traditional pay grades. These jobs benefit from a more structured approach to pay.

Use market pricing to relate jobs to external forces
An alternative to the traditional grid-based pay structure is the market pricing approach, which is rapidly becoming the prevalent method of pricing jobs. With the market pricing approach, people are compensated in relation to the market value of their job, regardless of their level in the organization. The market may suggest, for example, that certain information technology workers should be paid more than chief technology officers.
The pertinent value in the market pricing method is not the midpoint of a grade, but the midpoint of that job in the market, along with the employee's comparatio, or salary divided by the market rate. Over time, the employee's pay should move closer to market as performance moves closer to expectations for that job. Under the market pricing method, the salary for a job may still be capped at120 to 130 percent of market.
Labor unions also typically do market studies in collaboration with the human resources department or with a third party. A company striving to compete with the possibility of a unionized workforce might pay more than the union's market study recommends.

Speak plainly about the numbers to save time
Hiring managers should know what they can afford to pay, and they should be able to communicate that range to candidates.
With recruitment and retention so critical to the success of a business, it is to everyone's advantage for a hiring manager to disclose a salary range up front. Even in a telephone interview it may help get the right candidate in the door if the manager reads the job description and discloses the pay range. And if candidates have done thorough salary research, the conversation about compensation is likely to begin with market data anyway.
Minimum Wages Act:
OBJECT AND SCOPE OF THE LEGISLATION

The Minimum Wages Act was passed in 1948 and it came into force on 15th March, 1948. The National Commission on Labour has described the passing of the Act as landmark in the history of labour legislation in the country. The philosophy of the Minimum Wages Act and its significance in the context of conditions in India, has been explained by the Supreme Court in Unichoyi v. State of Kerala (A.I.R. 1962 SC 12), as follows:

"What the Minimum Wages Act purports to achieve is to prevent exploitation of labour and for that purpose empowers the appropriate Government to take steps to prescribe minimum rates of wages in the scheduled industries. In an underdeveloped country which faces the problem of unemployment on a very large scale, it is not unlikely that labour may offer to work even on starvation wages. The policy of the Act is to prevent the employment of such sweated labour in the interest of general public and so in prescribing the minimum rates, the capacity of the employer need not to be considered. What is being prescribed is minimum wage rates which a welfare State assumes every employer must pay before he employs labour".

According to its preamble the Minimum Wages Act, 1948, is an Act to provide for fixing minimum rates of wages in certain employments. The employments are those which are included in the schedule and are referred to as 'Scheduled Employments'. The Act extends to whole of India.

IMPORTANT DEFINITIONS

Appropriate Government [Section 2(b)]

"Appropriate Government" means –

(i) in relation to any scheduled employment carried on by or under the authority of the Central or a railway administration, or in relation to a mine, oilfield or major part or any corporation established by a Central Act, the Central Government, and

(ii) in relation to any other scheduled employment, the State Government.

Employee [Section 2(i)]

"Employee" means any person who is employed for hire or reward to do any work, skilled or unskilled, manual or clerical in a scheduled employment in respect of which minimum rates of wages have been fixed; and includes an outworker to whom any articles or materials are given out by another person to be made up, cleaned, washed, altered, ornamented, finished, repaired, adapted or otherwise processed for sale purpose of the trade or business of that other person where the processs is to be carried out either in the home of the out-worker or in some other premises, net being premises under the control and management of that person; and also includes an employee declared to be an employee by the appropriate Government; but does not include any member of Armed Forces of the Union.

Employer [Section 2(e)]

"Employer" means any person who employs, whether directly or through another person, or whether on behalf of himself or any other person, one or more employees in any scheduled employment in respect of which minimum rates of wages have been fixed under this Act, and includes, except, in sub-section (3) of Section 26 –

(i) in a factory where there is carried on any scheduled employment in respect of which minimum rates of wages have been fixed under this Act, any person named under clause (f) of sub-section (1) of Section 7 of the Factories Act, 1948, as manager of the factory;

(ii) in any scheduled employment under the control of any Government in India in respect of which minimum rates of wages have been fixed under this Act, the person or authority appointed by such Government for the supervision and control of employees or where no person of authority is so appointed, the Head of the Department;

(iii) in any scheduled employment under any local authority in respect of which minimum rates of wages have been fixed under this Act the person appointed by such authority for the supervision and control of employees or where no person is so appointed, the Chief Executive Officer of the local authority;
(iv) in any other case where there is carried on any scheduled employment in respect of which minimum rates of wages have been fixed under this Act, any person responsible to the owner of the supervision and control of the employees or for the payment of wages.

The definitions of "employees" and "employer" are quite wide. Person who engages workers through another like a contractor would also be an employer (1998 LLJ I Bom. 629). It was held in Nathu Ram Shukla v. State of Madhya Pradesh A.I.R. 1960 M.P. 174 that if minimum wages have not been fixed for any branch of work of any scheduled employment, the person employing workers in such branch is not an employer with the meaning of the Act. Similarly, in case of Loknath Nathu Lal v. State of Madhya Pradesh A.I.R. 1960 M.P. 181 an out-worker who prepared goods at his residence, and then supplied them to his employer was held as employee for the purpose of this Act.

Scheduled employment [Section 2(g)]
"Scheduled employment" means an employment specified in the Schedule or any process or branch of work forming part of such employment.

Note: The schedule is divided into two parts namely, Part I and Part II. When originally enacted Part I of Schedule had 12 entries. Part II relates to employment in agriculture. It was realised that it would be necessary to fix minimum wages in many more employments to be identified in course of time. Accordingly, powers were given to appropriate Government to add employments to the Schedule by following the procedure laid down in Section 21 of the Act. As a result, the State Government and Central Government have made several additions to the Schedule and it differs from State to State.

Wages [Section 2(h)]
"Wages" means all remunerations capable of being expressed in terms of money, which would, if the terms of the contract of employment, express of implied, were fulfilled, be payable to a person employed in respect of his employment or of work done in such employment and includes house rent allowance but does not include:
(i) the value of:
(a) any house accommodation, supply of light, water medical;
(b) any other amenity or any service excluded by general or social order of the appropriate Government;
(ii) contribution by the employer to any Pension Fund or Provides Fund or under any scheme of social insurance;
(iii) any traveling allowance or the value of any traveling concession;
(iv) any sum paid to the person employed to defray special expenses entailed on him by the nature of his employment;
(v) any gratuity payable on discharge.

FIXATION OF MINIMUM RATES OF WAGES [Section 3(1)(a)]

Section 3 lays down that the 'appropriate Government' shall fix the minimum rates of wages, payable to employees in an employment specified in Part I and Part ii of the Schedule, and in an employment added to either part by notification under Section 27. In case of the employments specified in Part II of the Schedule, the minimum rates of wages may not be fixed for the entire State. Parts of the State may be left out altogether. In the case of an employment specified in Part I, the minimum rates of wages must be fixed for the entire State, no parts of the State being omitted. The rates to be fixed need not be uniform. Different rates can be fixed for different zones or localities: [Basti Ram v. State of A.P. A.I.R. 1969, (A.P.) 227].

Notwithstanding the provisions of Section 3(1)(a), the "appropriate Government" may not fix minimum rates of wages in respect of any scheduled employment in which less than 1000 employees in the whole State are engaged. But when it comes to its knowledge after a finding that this number has increased to 1,000 or more in such employment, it shall fix minimum wage rate.

REVISION OF MINIMUM WAGES

According to Section 3(1)(b), the 'appropriate Government' may review at such intervals as it may thing fit, such intervals not exceeding five years, and revise the minimum rate of wages, if necessary. This means that minimum wages can be revised earlier than five years also.

MANNER OF FIXATION/REVISION OF MINIMUM WAGES

According to Section 3(2), the 'appropriate Government' may fix minimum rate of wages for:
(a) time work, known as a Minimum Time Rate;
(b) piece work, known as a Minimum Piece Rate;
(c) a "Guaranteed Time Rate" for those employed in piece work for the purpose of securing to such employees a minimum rate of wages on a time work basis; (This is intended to meet a situation where operation of minimum piece rates fixed by the appropriate Government may result in a worker earning less than the minimum wage), and
(d) a "Over Time Rate" i.e. minimum rate whether a time rate or a piece rate to apply in substitution for the minimum rate which would otherwise be applicable in respect of overtime work done by employee.

Section 3(3) provides that different minimum rates of wages may be fixed for –

(i) different scheduled employments;
(ii) different classes of work in the same scheduled employments;
(iii) adults, adolescents, children and apprentices;
(iv) different localities

Further, minimum rates of wages may be fixed by any one or more of the following wage periods, namely:

(i) by the hour,
(ii) by the day,
(iii) by the month, or
(iv) by such other large wage periods as may be prescribed;

and where such rates are fixed by the day or by the month, the manner of calculating wages for month or for a day as the case may be, may be indicated.
However, where wage period has been fixed in accordance with the Payment of Wages Act, 1986 vide Section 4 thereof, minimum wages shall be fixed in accordance therewith [Section 3(3)].

MINIMUM RATE OF WAGES (Section 4)

According to Section 4 of the Act, any minimum rate of wages fixed or revised by the appropriate Government under Section 3 may consist of –

(i) a basic rate of wages and a special allowance at a rate to be adjusted, at such intervals and in such manner as the appropriate Government may direct to accord as nearly as practicable with the variation in the cost of living index number applicable to such worker (hereinafter referred to as the cost of living allowance); or

(ii) a basic rate of wages or without the cost of living allowance and the cash value of the concession in respect of supplies of essential commodities at concessional rates where so authorized; or

(iii) an all-inclusive rate allowing for the basic rate, the cost of living allowance and the cash value of the concessions, if any.
The cost of living allowance and the cash value of the concessions in respect of supplies essential commodities at concessional rates shall be computed by the competent authority at such intervals and in accordance with such directions specified or given by the appropriate Government.

PROCEDURE FOR FIXING AND REVISING MINIMUM WAGES (Section 5)
In fixing minimum rates of wages in respect of any scheduled employment for the first time or in revising minimum rates of wages, the appropriate Government can follow either of the two methods described below.

First Method [Section 5(1)(a)]
This method is known as the 'Committee Method'. The appropriate Government may appoint as many committees and sub-committees as it considers necessary to hold enquiries and advise it in respect of such fixation or revision as the case may be. After considering the advice of the committee or committees, the appropriate Government shall, by notification in the Official Gazette fix or revise the minimum rates of wages.
The wage rates shall come into force from such date as may be specified in the notification. If no date is specified, wage rates shall come into force on the expiry of three months from the date of the issue of the notification.

Note: It was held in Edward Mills Co. v. State of Ajmer (1955) A.I.R. SC, that Committee appointed under
Section 5 is only an advisory body and that Government is not bound to accept its recommendations. As regards composition of the Committee, Section 9 of the Act lays down that it shall consist of persons to be nominated by the appropriate Government representing employers and employee in the scheduled employment, who shall be equal in number and independent persons not exceeding 1/3rd of its total number of members. One of such independent persons shall be appointed as the Chairman of the Committee by the appropriate Government.

Second Method [Section 5(1)(b)]
The method is known as the 'Notification Method'. When fixing minimum wages under Section 5(1)(b), the appropriate Government shall by notification, in the Official Gazette publish its proposals for the information of persons likely to be affected thereby and specify a date not less than 2 months from the date of notification, on which the proposals will be taken into consideration.

The representations received will be considered by the appropriate Government. It will also consult the Advisory Board constituted under Section 7 and thereafter fix or revise the minimum rates of wages by notification in the Official Gazette. The new wage rates shall come into force from such date as may be specified in the notification.
However, if no date is specified, the notification shall come into force on expiry of three months from the date of its issue. Minimum wage rates can be revised with retrospective effect. [1996 II LLJ 267 Kar.].

ADVISORY BOARD

The advisory board is constituted under Section 7 of the Act by the appropriate Government for the purpose of co-coordinating the work of committees and sub-committees appointed under Section 5 of the Act and advising the appropriate Government generally in the matter of fixing and revising of minimum rates of wages. According to Section 9 of the Act, the advisory board shall consist of persons to be nominated by the appropriate Government representing employers and employees in the scheduled employment who shall be equal in number, and independent persons not exceeding 1/3rd of its total number of members, one of such independent persons shall be appointed as the Chairman by the appropriate Government.
It is not necessary that the Board shall consist of representatives of any particular industry or of each and every scheduled employment; B.Y. Kashatriya v. S.A.T. Bidi Kamgar Union A.I.R. (1963) S.C. 806. An independent person in the context of Section 9 means a person who is neither an employer nor an employee in the employment for which the minimum wages are to be fixed. In the case of State of Rajasthan v. Hari Ram Nathwani, (1975) SCC 356, it was held that the mere fact that a person happens to be a Government servant will not divert him of the character of the independent person.

CENTRAL ADVISORY BOARD
Section 8 of the Act provides that the Central Government shall appoint a Central Advisory Board for the purpose of advising the Central Government and State Governments in the matters of fixation and revision of minimum rates of wages and other matters under the Minimum Wages Act and for coordinating work of the advisory boards. The Central Advisory Board shall consist of persons to be nominated by the Central Government representing employers and employees in the scheduled employment who shall be equal in number and independent persons not exceeding 1/3rd of its total number of members, one of such independent persons shall be appointed as the Chairman of the Board by Central Government.

MINIMUM WAGE – WHETHER TO BE PAID IN CASH OR KIND
Section 11 of the Act provides that minimum wages payable under the Act shall be paid in cash. But where it has been the custom to pay wages wholly or partly in kind, the appropriate Government, on being satisfied, may approve and authorize such payments. Such Government can also authorize for supply of essential commodities at concessional rates. Where payment is to be made in kind, the cash value of the wages in kind or in the shape of essential commodities on concessions shall be estimated in the prescribed manner.

PAYMENT OF MINIMUM WAGES IS OBLIGATORY ON EMPLOYER (Section 12)
Payment of less than the minimum rates of wages notified by the appropriate Government is an offence. Section 12 clearly lays down that the employer shall pay to every employee engaged in a scheduled employment under him such wages at a rate not less than the minimum rate of wages fixed by the appropriate Government under Section 5 for that class of employment without deduction except as may be authorized, within **such time and subject to such conditions, as may be prescribed.**

FIXING HOURS FOR A NORMAL WORKING DAY (Section 13)
Fixing of minimum rates of wages without reference to working hours may not achieve the purpose for which wages are fixed. Thus, by virtue of Section 13 the appropriate Government may –
(a) fix the number of work which shall constitute a normal working day, inclusive of one or more specified intervals;
(b) provide for a day of rest in every period of seven days which shall be allowed to all employees or to any specified class of employees and for the payment of remuneration in respect of such day of rest;
(c) provide for payment of work on a day of rest at a rate not less than the overtime rate.

The above stated provision shall apply to following classes of employees only to such extent and subject to such conditions as may be prescribed:
(a) Employees engaged on urgent work, or in any emergency, which could not have been foreseen or prevented;
(b) Employees engaged in work in the nature of preparatory or complementary work which must necessarily be carried on outside the limits laid down for the general working in the employment concerned;
(c) Employees whose employment is essentially intermittent;
(d) Employees engaged in any work which for technical reasons, has to be completed before the duty is over;
(e) Employees engaged in any work which could not be carried on except at times dependent on the irregular action of natural forces.

For the purpose of clause (c) employment of an employee is essentially intermittent when it is declared to be so by the appropriate Government on ground that the daily hours of the employee, or if these be no daily hours of duty as such for the employee, the hours of duty, normally includes period of inaction during which the employee may be on duty but is not called upon to display either physical activity or sustained attention.
There is correlation between minimum rates of wages and hours of work. Minimum wages are to be fixed on basis of standard normal working hours, namely 48 hours a week; Benode Bihari Shah v. State of W.B. 1976 Lab I.C. 523 (Cal).

PAYMENT OF OVERTIME (Section 14)
Section 14 provides that when an employee, whose minimum rate of wages is fixed under this Act by the hours, the day or by such longer wage period as may be prescribed, works on any day in excess of the number of hours constituting a normal working day, the employer shall pay him for every hour or part of an hour so worked in excess at the overtime rate fixed under this Act or under any other law of the appropriate Government for the time being in force whichever is higher. Payment for overtime work can be claimed only by the employees who are getting minimum rate of wages under the Act and not by those getting better wages. (1998 LLJ I SC 815).

WAGES OF A WORKER WHO WORKS LESS THAN NORMAL WORKING DAY (Section 15)
Where the rate of wages has been fixed under the Act by the day for an employee and if he works on any day on which he employed for a period less than the requisite number of hours constituting a normal working day, he shall be entitled to receive wages for that day as if he had worked for a full working day.

Provided that he shall not receive wages for full normal working day –

(i) if his failure to work is caused by his unwillingness to work and not by omission of the employer to provide him with work, and
(ii) such other cases and circumstances as may be prescribed.

MINIMUM TIME – RATE WAGES FOR PIECE WORK (Section 17)
Where an employee is engaged in work on piece work for which minimum time rate and not a minimum piece rate has been fixed, wages shall be paid in terms of Section 17 of the Act at minimum time rate.

MAINTENANCE OF REGISTERS AND RECORDS (Section 18)
Apart from the payment of the minimum wages, the employer is required under Section 18 to maintain registers and records giving such particulars of employees under his employment, the work performed by them, the receipts given by them and such other particulars as may be prescribed. Every employee is required also to exhibit notices, in the prescribed form containing particulars in the place of work. He is also required to maintain wage books or wage-slips as may be prescribed by the appropriate Government and the entries made therein will have to be authenticated by the employer or his agent in the manner prescribed by the appropriate Government.

AUTHORITY AND CLAIMS (Section 20-21)

Under Section 20(1) of the Act, the appropriate Government, may appoint any of the following as an authority to hear and decide for any specified area any claims arising out of payment of less than the minimum rate of wages or in respect of the payment of remuneration for the days of rest or of wages at the rate of overtime work:

(a) any Commissioner for Workmen's Compensation; or
(b) any officer of the Central Government exercising functions as Labour Commissioner for any region; or
(c) any officer of the State Government not below the rank of Labour Commissioner; or
(d) any other officer with experience as a Judge of a Civil Court or as the Stipendiary Magistrate.

The authority so appointed shall have jurisdiction to hear and decide claim arising out of payment of less than the minimum rates of wages or in respect of the payment remuneration for days of rest or for work done on such days or for payment of overtime.
The provisions of Section 20(1) are attracted only if there exists a disputed between the employer and the employee as to the rates of wages. Where no such dispute exists between the employer and employees and the only question is whether a particular payment at the agreed rate in respect of minimum wages, overtime or work on off days is due to an employee or not, the appropriate remedy is provided by the Payment of Wages Act, 1936.

OFFENCES AND PENALTIES
Section 22 of the Act provides that any employer who (a) pays to any employee less than the minimum rates of wages fixed for that employee's class of work or less than the amount due to him under the provisions of this Act or contravenes any rule or order made under Section 13, shall be punishable with imprisonment for a term which may extend to six months or with fine which may extend to five hundred rupees or with both.
While imposing any fine for an offence under this section the court shall take into consideration the amount of any compensation already awarded against the accused in any proceedings taken under section 20.

It is further stipulated under Section 22A of the Act that any employer who contravenes any provision of this Act or of any rule or order made thereunder shall if no other penalty is provided for such contravention by this Act be punishable with fine which may extend to five hundred rupees.

COMPLIANCES UNDER THE ACT

The establishment must ensure following compliances under the Act. These compliances are not exhaustive but illustrative.

The Establishment is covered by the definition "Scheduled Employment" with effect from……

The Government revised the minimum wages once/twice/ thrice during the financial year under reference and the Establishment has paid to all its employees minimum wages in accordance with the rates at respective point of time and at the respective rates specified in notification under Section 5 of the MWA.

The Establishment has issued wage slips to all its employees in respect of each of the wage period………..

Where the services of any employee were terminated for any reason whatsoever, the wages were paid within two working days from the date of such termination.

The Establishment did not make any unauthorized deduction from the wages of any of its employees. Further, the deductions if any, made were within the limits of fifty percent (or seventy five percent in case of cooperatives) of wages earned by such employees during the period under reference.

Where the Establishment was constrained to impose any fine or deduct wages on account of damages caused by any employee, the latter was given an opportunity of being heard in the presence of a neutral person and was also communicated the amount of fine imposed or deduction made from the wages.

The Establishment has eight working hours per day, inclusive of half an hour of interval.

All claims under Section 20 of the MWA were paid within the time limit specified in the Order.

Executive Compensation:

The top executive compensation is a special and specific area of compensation and benefits, which is usually confidential and it is not open to all employees in the organization. The top executives hold the responsibility for the organization, they lead the development of the organization and they have a tremendous impact on the results of the organization. The compensation scheme of top executives has to reflect the responsibility and it has to provide the security to the top executives to use the personal responsibility and to take courageous decisions.

The executive pay is about the focus on the short-term performance and the long-term sustainability of the organizational development. The top executives are motivated to search for the cost-cutting potential and focusing on the sales and performance growth in the long-term perspective as the shareholders can realize the benefits of being involved in the organization.

Executive Compensation Principles

The executive pay has to reflect the role of the executive top management in the organization. The executive management drives the development of the organization and the executive compensation has to be aligned.

The executive compensation changed dramatically over the last two years as the financial crisis showed several issues with the executive pay, which was too focused on the growth of the organization while ignoring the sustainability of the organization.

The executive compensation consists usually from two main parts:

Short Term Pay

Long Term Pay

The short term pay of the executives is about the base salary and short term bonuses, which are paid on the basis of the immediate performance of the organization. The bonuses are usually deferred over a period of time. The short term pay is usually fully cash based executive compensation component.

The long term pay is about the stock options, shares, restricted stocks and pay based on the performance against the index. The shareholders use these long term compensation components to protect the value of the organization and betting of the top executives on the growing value of the organization on the market. The long term compensation components can be realized just in case, the stock price of the organization grows. The long term pay component is usually non-cash based.
In the modern organizations the short term pay is just a small part of the total cash of the top executives.

Executive Compensation Risks
The executive compensation is sensitive to the right setting as the short term and long term components of the pay have to be in balance as the organization does not suffer from the imbalances in the managerial decisions. The organization should always focus to balance the short term remuneration (which is valued more) with the potential to get more in the future. It is always difficult to find the right balance and the shareholders have to be in the agreement with the top management.

Excessive compensation
The excessive compensation is always more the issue of trust and confidence of employees and shareholders. The executive compensation scheme has to include the holdbacks and claw-backs and safety brakes for the case, the organization outperforms hugely the market. Each executive compensation scheme needs caps and floor as it is manageable in all situations, which can happen on the market.

MODULE-III

Career Planning

Career Planning essentially means helping the employees to plan their career in terms of their capacities within the context of organisational needs. It is described as devising an organisational system of career movement and growth opportunities from the point of entry of an individual in employment to the point of his or her retirement. It is generally understood to be a management technique for mapping out the entire career of young employees in higher skilled, supervisory, and managerial positions. Thus, it is the discovery and development of talents, planned deployment and redeployment of these talents. Some writers on organisational matters have described it as the regulation of "blue eyed" jobs. It is also described as a process-of synthesising and harmonising the needs of the organisation with the innate aspirations of the employees, so that while the latter realise self-fulfilment, the formers effectiveness is improved.

Literally, a career can be defined as a sequence of separate but related work activities that provide continuity, order and meaning to a person's life. It is not merely a series of work-related experiences, but consists of a series of properly sequenced role experiences, leading to an increasing level of responsibility, status, power, and rewards. It represents an organised path taken by an individual across time and space. In the case of an employee, career planning provides an answer to his or her question as to where he or she will be in the organisation after five years or ten years or what the prospects of advancing or growing are in the organization. Career planning is not only an event or end in itself but also an ongoing process for development of human resources

Why Career Planning
The need to plan for an employee's career is caused by both economic and social forces. If the organisation is to survive and prosper in an ever changing environment, its human resource, must be in a constant state of development. A planned program of internal human resource development pays greater dividends than relying upon chance, or frantic outside recruitment when needs seem to arise suddenly..

Considering the challenging social and economic environment, the growing work expectations and aspirations of employees, career planning is now regarded as an essential prerequisite for effective man-management, organizational growth and optimum productivity. Usually, when a person applies for any job, he or she does so after making necessary enquiries about the prospects of the job, and soon after taking the job he or she starts enquiring about the position one is likely to hold after three, five, or ten years. If one does not get satisfactory answers, he or -she feels demotivated or frustrated, and starts looking outside for some other job. This is particularly the case with persons in senior supervisory, executive and managerial positions. Various persons holding such positions are keen to know where they can rise in the organisation from their present positions, and when. For attracting competent persons for senior positions and retaining them in the organisation, it is essential that they are assured with progressive careers. Career planning has thus become.a must at least for managinging an organisation with efficient supervisors, higher technical and managerial personnel and for preventing their leaving the organisation for lack of promotional avenues. Good employees wish to seek careers rather than short duration jobs.

As already observed if properly designed and implemented, career planning benefits the managements as well as the employees. Its important advantages are :
With career planning, a person comes to know in advance the level to which he or she can rise if one has the ability and aptitude for it. This gives him or her impetus to avail off the training and development facilities provided by the management and develops in a direction that would improve the ability to handle new responsibilities as planned by the organisation. The very fact that the organisation provides opportunity for growth and promotion increases the employee loyalty towards it.

The fact that career planning is participative and that job assignment does not come by luck or through connections, but by qualification or merit alone is bound to improve the morale of the employees & organisation and with this the organisational effectiveness and productivity.

Future recruitment will be more systematic for these will be on the basis of job descriptions and according to present and future requirements.

The new entrant will know and understand that he or she has not entered into just another job but into a career with an organisation that cares for him or her, his or her talents and aspirations.

Workforce will become more stable, as turnover is bound to be low and with it the cost of hiring new people. Moreover, as people will grow inside the organisation, a unique corporate culture could arise, thrive and prosper.

The organization can make more homogeneous team of employee with same temperament, aptitude, skill dedicated to the achievement of the corporate objective.

An organisation with well-designed career plans is able to have a better image in the employment market, and it will attract and retain competent people

Being an integral part of the manpower planning and corporate planning, career planning contributes towards individual development and utilisation as well as to organisational development and effective achievement of corporate goal

Purposes and Objectives of Career Planning

Career plans, if conceived and executed properly keeping in view the needs of the organisation and the employees, benefit both of them by promoting their growth and development and harmonising their interests. The purposes and objectives that career planning serves are

- Attraction and retention of the right type of persons in the organisation.

- Mapping of careers of employees in the organisation suitable to their ability and skill, and their willingness to be trained and developed for higher positions.
- Better use of human resources, more satisfied and productive employees, and more fulfilling careers.
- Reducing employee turnover and absenteeism, and thus having a more stable and satisfied workforce.
- Increasing utilisation of managerial reserves available at all levels within the organisation.
- Improvement of morale and motivation of employees by matching their individual abilities and needs to the demand and reward of the job ensuring them adequate opportunities for promotion and growth in the organisation.
- Overall achievement of organisational development, higher productivity and fulfillment of corporate objectives.
- Ensure that men and women of promise are given a sequence of experiences that will equip them for whatever responsibility they have the ability to reach.
- Provide individuals with the guidance and encouragement they may need if they are to fulfill their potentials and remain with the organization.

Career Planning Process
Career Planning involves different activities for successful organisations and generally, covers the following steps.

Identifying individual needs and aspirations: Most individuals do not have a clear cut idea about their career aspirations and goals. Therefore, the human resource professionals must help an employee in this direction and provide as much information as possible. Taking into account his skills, experience, and aptitude, he is shown the kind of work, that would suit him most. Workshops, seminars can also be arranged with psychological testing, simulation exercises to extend such type of assistance. Such an exercise is basically meant to help an employee to form a clear view of his career of chosen occupation within the company. Workshops and seminars boost employee interest in career planning, as it helps the employees set their career goals, identify career paths and uncover specific career development activities. Printed and other forms of information can also be provided to supplement individual efforts. To assist the employees in a better way, organizations construct a data bank or skill and talent inventory, consisting of information on the career histories, skill evaluations and career preferences of its employees.

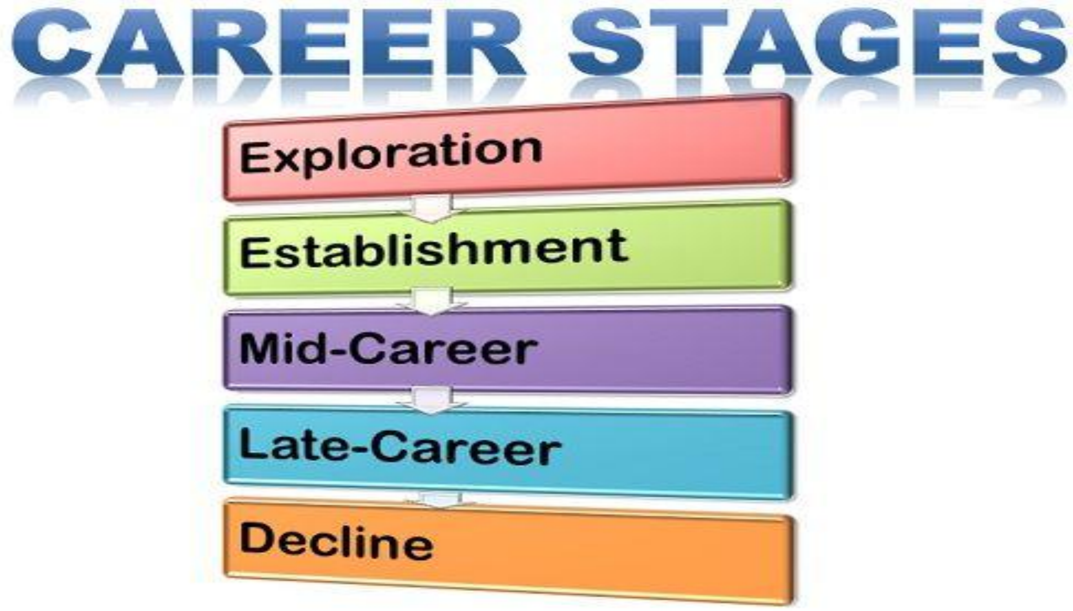
Analyzing career opportunities: Once career needs and aspirations of employees are known, the organization determines the career paths for each position, showing career progression possibilities clearly. That indicate the different positions, a good performer could hold over a period of time. Career paths change over time in tune with employee’s needs and organizational requirements.

Aligning needs and opportunities: After employees have identified their needs and there is existence of career opportunities, the next step is to align the former with latter. This process involves identification of the potentiality of employees and then undertaking career development program. The potentiality of employees can be assessed through performance appraisal. That would reveal employees who need further training, who can take added responsibilities, etc. Then certain developmental techniques are undertaken to update employees’ knowledge and skills taking into consideration of employee potentiality. It includes special assignments, planned position rotation, supervisory coaching, job enrichment, understudy program and so on.

Action plans and periodic review: After initiating the above steps, it is necessary to review the whole things periodically to uncover the gaps. These gaps are to be bridged both by individual career development efforts and organization supported efforts from time to time. Periodic review will help the employees to know the direction in which he is moving, what changes are sought, what kind of skills are needed to face new and emerging organizational challenges. Organizations also find out how employees are doing, their goals and aspirations and whether the career paths are in tune with individual needs and serve the overall corporate.

Career Stages for an Employee

The proper way to analyze and discuss careers is to look at them as made up of stages. There are five career stages that most people will go through during their adult years, regardless of the type of work they do. These stages are exploration, establishment, mid-career, late career
and decline.



1. Exploration
Many of the critical choices individuals make about their careers are made prior to entering the workforce on a paid basis. Very early in our lives, our parents and teachers begin to narrow our alternatives and lead us in certain directions.

The careers of our parents, their aspirations for their children and their financial sources are crucial factors in determining our perception of what careers are open to us.
The exploration period ends for most of us in our mid-twenties as we make the transition from college to work. From an organisational standpoint this stage has little relevance since it occurs prior to employment.

However, this period is not irrelevant because it is a time when a number of expectations about one's career are developed, many of which are unrealistic. Such expectations may lie dormant for years and then pop up later to frustrate both the employee and the employer

2. Establishment
The establishment period begins with the search for work and includes our First job, being accepted by our peers, learning the job and gaining the first tangible evidence of success or failure in the real world. It is a time which begins with uncertainties, anxieties and risks.

It is also marked by making mistakes and learning from these mistakes and the gradual assumption of increased responsibilities. However, the individual in this stage has yet to reach his peak productivity and rarely gets the job that carries great power or high status.

3. Mid-career

Most people do not face their first severe dilemmas until they reach their mid-career stage. This is a time when individuals may continue their prior improvements in performance or begin to deteriorate. At this point in a career, one is expected to have
moved beyond apprenticeship to worker-status.

Those who make a successful transition assume greater responsibilities and get rewards. For others, it may be a time for reassessment, job changes, adjustment of priorities or the pursuit of alternative lifestyles.

4. Late career

For those who continue to grow through the mid- career stage, the late career usually is a pleasant time when one is allowed the luxury to relax a bit. It is the time when one can enjoy the respect given to him by younger employees. During the late career, individuals are no longer learning, they teach others on the basis of the knowledge they have gained.

To those who have stagnated during the previous stage, the late career brings the reality that they cannot change the world as they had once thought.
It is a time when individuals have decreased work mobility and may be locked into their current job. One starts looking forward to retirement and the opportunities of doing something different.

5. Decline

The final stage in one's career is difficult for everyone but it is hardest for those who have had continued successes in the earlier stages. After several decades of continuous achievements and high levels of performance, the time has come for retirement.

Training and Development

Training and Development is one of the most important functions of Human Resource management in any of the organization. The objective of this Training is to enhance employees' skills behavior and expertise by putting them into learning new techniques of doing work.

Employee Training and Development helps in updating employees' skills and knowledge for performing a Job which at the end results in increasing their work efficiency and increase the productivity of an organization. It ensures that Employees oddness or eccentricity is reduced and learning or behavioral change should take place in a very structured format. Training development or learning and development are an official ongoing educational activities designed for goal fulfillment and enhance the performance of employees.

The activities linked with employee Training & Development is created to convey the employee to perform better in assigned job which also motivate employee to give his/her best so that at the time of performance appraisal, employee can show the eligibility for promotion and salary increment. It refers as the skill and knowledge enhancing bustle

which is a source of additional information as well as instruction required to improve the quality of performance. Training and Development are two different activities which goes hand-in-hand for the overall betterment of the employee. The short term and reactive process is training which is used for operational purpose while the long term process of development is for executive purpose. The aim of training is to improvement of required skills in the employee whereas aim of development is to improve overall personality of the employee. Management takes the initiative of training to fill up the skill gap in the organization; the development initiative is generally taken with the objective of future succession planning.

Here below are the definitions given by the expert and eminent authors:

Armstrong

"Training is the formal and systematic modification of behavior through learning which occurs as a result of education, instruction, development and planned experience. Development is improving individual performance in their present Roles and preparing them for greater responsibilities in the future".

Kirkpatrick

"Training refers to the teaching of specific knowledge and skills required on the individual's present job. The term development refers to the growth of the individual and preparations for higher-level jobs".

What is the Importance of Training and Development

In **Human Resource Management** (HRM) Training and development is important aspect when company wants optimum utilization of their manpower.

Training and development is a key for the succession planning of the organization as it helps in improvement of skills like team management and leadership.

HR Training and development activities are vital to motivate the employee and to increase their productivity.

Training and development in HRM is significant aspect to develop a team spirit in the organization. These programs are also important from the safety point of view as it teaches employee to perform job properly without any life risk.

From the organizational point of view the training and development programs are important performance management tool to increase profitability and enhance corporate image.

Difference between Training & Development

BASIS FOR COMPARISON	TRAINING	DEVELOPMENT
Meaning	Training is a learning process in which employees get an opportunity to develop skill, competency and knowledge as per the job requirement.	Development is an educational process which is concerned with the overall growth of the employees.
Term	Short Term	Long Term
Focus on	Present	Future
Orientation	Job oriented	Career oriented
Motivation	Trainer	Self
Objective	To improve the work performances of the employees.	To prepare employees for future challenges.
Number of Individuals	Many	Only one

BASIS FOR COMPARISON	TRAINING	DEVELOPMENT
Aim	Specific job related	Conceptual and general knowledge

Methods of Training: On-the-job Training Method and Off-the-Job Methods

There are two methods through which managers can improve their knowledge and skills. One is through formal training and other is through on the job experiences. On the job training is very important since real learning takes place only when one practices what they have studied.

But it is also equally important in gaining knowledge through classroom learning. Learning becomes fruitful only when theory is combined with practice. Therefore on the job methods can be balanced with classroom training methods (off-the-job methods).

A. On-the-job Training (OJT) Methods:

This is the most common method of training in which a trainee is placed on a specific job and taught the skills and knowledge necessary to perform it.

The advantages of OJT are as follows:

1. On the job method is a flexible method.
2. It is a less expensive method.
3. The trainee is highly motivated and encouraged to learn.
4. Much arrangement for the training is not required.

On-the-job training methods are as follows:

1. Job rotation:

This training method involves movement of trainee from one job to another gain knowledge and experience from different job assignments. This method helps the trainee understand the problems of other employees.

2. Coaching:

Under this method, the trainee is placed under a particular supervisor who functions as a coach in training and provides feedback to the trainee. Sometimes the trainee may not get an opportunity to express his ideas.

3. Job instructions:

Also known as step-by-step training in which the trainer explains the way of doing the jobs to the trainee and in case of mistakes, corrects the trainee.

4. Committee assignments:

A group of trainees are asked to solve a given organizational problem by discussing the problem. This helps to improve team work.

5. Internship training:

Under this method, instructions through theoretical and practical aspects are provided to the trainees. Usually, students from the engineering and commerce colleges receive this type of training for a small stipend.

B. Off-the-job Methods:

On the job training methods have their own limitations, and in order to have the overall development of employee's off-the-job training can also be imparted. The methods of training which are adopted for the development of employees away from the field of the job are known as off-the-job methods.

The following are some of the off-the-job techniques:

1. Case study method:

Usually case study deals with any problem confronted by a business which can be solved by an employee. The trainee is given an opportunity to analyse the case and come out with all possible solutions. This method can enhance analytic and critical thinking of an employee.

2. Incident method:

Incidents are prepared on the basis of actual situations which happened in different organizations and each employee in the training group is asked to make decisions as if it is a real-life situation. Later on, the entire group discusses the incident and takes decisions related to the incident on the basis of individual and group decisions.

3.Vestibule Training

The **Vestibule Training** is one of the methods of training, where the technical staff, especially those who deal with the tools and machinery, are given the job education training in the workplace other than the main production plant

In other words, the Vestibule training is called, **"near the job training"**, which means the simulated setup is established, proximate to the main production plant, wherein the technical staff learns how to operate the tools and machinery, that may be exactly similar, to what they will be using at the actual work floor.

There are special trainers or the specialists, who impart this training to the technical staff, thereby reducing the burden on the line supervisor, who has to supervise the entire production process.

4. Role play*:*

In this case also a problem situation is simulated asking the employee to assume the role of a particular person in the situation. The participant interacts with other participants assuming different roles. The whole play will be recorded and trainee gets an opportunity to examine their own performance.

5. In-basket method:

The employees are given information about an imaginary company, its activities and products, HR employed and all data related to the firm. The trainee (employee under training) has to make notes, delegate tasks and prepare schedules within a specified time. This can develop situational judgments and quick decision making skills of employees.

6. Business games:

According to this method the trainees are divided into groups and each group has to discuss about various activities and functions of an imaginary organization. They will discuss and decide about various subjects like production, promotion, pricing etc. This gives result in co-operative decision making process.

7. Grid training:

it is a continuous and phased programme lasting for six years. It includes phases of planning development, implementation and evaluation. The grid takes into consideration parameters like concern for people and concern for people.

8. Lectures:

This will be a suitable method when the numbers of trainees are quite large. Lectures can be very much helpful in explaining the concepts and principles very clearly, and face to face interaction is very much possible.

9. Simulation:

Under this method an imaginary situation is created and trainees are asked to act on it. For e.g., assuming the role of a marketing manager solving the marketing problems or creating a new strategy etc.

10. Conferences:
A meeting of several people to discuss any subject is called conference. Each participant contributes by analyzing and discussing various issues related to the topic. Everyone can express their own view point

Training Evaluation?

Training evaluation is the systematic process of analyzing if training programs and initiatives are effective and efficient. Trainers and human resource professionals use training evaluation to assess if employee training programs are aligned with and meet the company's goals and objectives.

Purpose:

Training evaluation basically helps with the discovery of training gaps and opportunities in training employees. It collects information that can help determine improvements in training programs and help trainers decide if certain programs should be discontinued.

Training evaluations usually cover questions like "Was the topic discussed at the right level of complexity for your background?" and "Did the facilitator demonstrate a good understanding of and effectively delivered the program material?", among others.

The training evaluation process is essential to assess training effectiveness, help improve overall work quality and boost employee morale and motivation by engaging them in the development of training programs.

Training Evaluation Process

1. Kirkpatrick's four-level Model
This training evaluation process is used globally by businesses that aim to get a return on investment (ROI) through cost-effective and time-efficient training sessions. This model breaks down the evaluation process into 4 levels:
Level 1: Reaction – Assesses how the learner's responded to the training. This is commonly measured with the use of a survey form given to the participants to complete after the training program.
Level 2: Learning – This level measures what participants have learned from the training. Short quizzes and tests are used in this level to measure the changes in participant's knowledge and skills.
Level 3: Behavior – This assesses behavioral change from the participants as a result of training. This is measured through workplace observations, comparing before and after training behaviors.
Level 4: Results – The final step measures and evaluates the result of the training program against the organization or stakeholder's expectations. It reviews whether participants of the training have met their learning objectives. Some metrics or factors organizations will be measuring are productivity, morale, quality, sales, efficiency, and customer satisfaction ratings.

2. The CIRO Model
The CIRO (context, input, reaction, and output) model evaluates the effectiveness of management training courses. It focuses on measurements taken before and after carrying out the training program. Similar to the other models, the training evaluation process is also broken down to 4 stages:

Stage 1: Context – This stage assesses the organization or business's operational situation to identify and evaluate the training needs and objectives. In this stage, a training needs analysis is conducted to see which area of operations the organization is lacking. Once training needs are defined they are set to the following 3 levels:

The ultimate objective – this objective aims to eliminate organizational deficiencies like poor performance, low profit, low productivity, or poor customer service.

Intermediate objectives – these objectives require changes in employee's work behavior in order to achieve the ultimate objective.

Immediate objectives – these objectives involve acquiring new skills and knowledge and even changing employee attitudes to change their behavior.

Stage 2: Input – In this stage, practitioners of the training evaluation gather information by analyzing available resources in the organization to determine the best choice of training technique or method to achieve training objectives.

Stage 3: Reaction – In this stage, feedback from the participants is collected. The information gathered from this stage is used to further improve the training program.

Stage 4: Outcome – This stage evaluates the results of the training program. The outcome is measured on the following 4 levels:
The learner level
The workplace level
The team or department level
The business level

Training Need Analysis

Training needs analysis is a systematic process of identifying which kind of training is required and provide the details related to training implementation. It is also known as a tool to identify the new skills, knowledge and attitudes which employees need to acquire in order to improve performance.

The Training Needs Analysis (TNA) helps organization to find out the gap in terms of skills and training in their existing employees to perform the current and upcoming Jobs efficiently. The Training Manager uses the Analysis very carefully to design the right Training program to meet the skill and training requirement of the employees to enhance productively and ultimately to achieve the goals and objectives set by the organization.

What is Training Needs Analysis Definition in HRM
The term training needs analysis is often referred, as learning needs analysis in human resource department. The training needs reflect that there are lots of ways to perform a job and thus a huge opportunity of learning to work. The analysis is all about the gap in the skills and knowledge and how the HRM department can help to bridge the gap.

HR department always put focus on the idea that constant learning process is good for employees. It keeps their skills updated and improves their performance. The training need analysis implies to the analysis of skill improvement required to perform the current or future job with great excellence.

Requirement of Training Needs Analysis
Training needs analysis is always considered as a first step towards helping employee to improve their output at work. The requirement of training needs analysis is to

- Understand the performance improvement needed by the organization
- To relate this performance improvement with required **Knowledge, Skills, and Abilities (KSA)**
- To figure out exact course work or skill set training program employees need to attend
- To design the appropriate training program to bridge the gap between the present productivity of organization and desired output.

What is Training Needs Analysis Methods and Process?

The method of training needs analysis is selected based on the job type of the employee and the analysis that has to be carried out to understand the skill gaps. Here are a few popular training need analysis methods used in the corporate world:

Direct observation- In different working situations the training managers observe the working style of the employees. With the help of this observation the managers get information about the performance gaps. The observation includes watching over the technical methodology followed to perform the job, the functional aspects of the job and behavioral aspects of the employee. It is provides both qualitative and quantitative feedback about the current performance of the employee.

Interviews- It is a face to face conversation about the way employee performs the job. It is an effective way to collect information about output gaps by talking with each employee or a team. It can be a formal or informal setting of the interview. The interview can be conducted in person or through virtual means.

Focus groups- It is a brainstorming process to understand the skill gaps among the employee. The employees working in the organization are encouraged to talk and discuss about the ways to improve the work performance. This conversation is closely observed by analyzed by the training manager to understand the training requirement in the organization.

Assessments/surveys- Surveys are effective and simple way to identify the performance deficiencies in particular department. A well designed questionnaire is circulated among employees to understand the training needs of the employees. The questionnaire can consist of combination of open-ended and closed ended question along with some ranking and projective questions. To improve the credibility of the survey the employees are allowed to submit the answers anonymously.

Customer Feedback- In most of the service industry the performance deficiencies are identified using customer feedback. The direct feedback from the customer indicates the specific work area which needs improvement.

Others: There are few other methods of training need analysis such as consolation with the persons working in key position in the organization, by reviewing relevant literature of the work area, with the use of reports, records and work samples.

Advantages and disadvantages of training needs analysis

Every process and tool used in human resource management has some positive and negative points. Here are some benefits and issues related to training need analysis-

- It determines the population which needs the training most in order to perform well in the organization.
- It determines what kind of training is required in terms of skills, knowledge, abilities, competency and behavior of the employee.
- It helps the management to direct resources to regions of greatest priority of training.
- It helps employee and organization to improve work productivity
- It helps the company to improve their quality of services and thus helps in customer retention.

Disadvantages of Training Needs Analysis

- Training need analysis can be a time consuming process as it includes a lot of assessments and surveys.
- Training need analysis can be a costly affair for the company as often tired party is hired to conduct the training need analysis

- The low response rate of the employees to the internal surveys can have negative impact on effectiveness of the training need analysis
- Many times when the long process of training needs analysis is completed the management is no longer looking to fulfill the same business goals.
- Employees often hesitate to provide the honest response on self assessment which can affect the result of training needs analysis

PROMOTION

Promotion has an in-built motivational value as it elevates the authority, power and status of an employee within an organisation. It is considered good personnel policy to fill vacancies in a higher job through promotions from within because such promotions provide an inducement and motivation to the employees and also remove feelings of stagnation-and frustration.

Types of Promotion:

1. Horizontal promotion:
When an employee is shifted in the same category, it is called 'horizontal promotion'. A junior clerk promoted to senior clerk is such an example. It is important to note that such promotion may take place when an employee shifts within the same department, from one department to other or from one plant to another plant.

2. Vertical Promotion:
This is the kind of promotion when an employee is promoted from a lower category to lower category involving increase in salary, status, authority and responsibility. Generally, promotion means 'vertical promotion'.

3. Dry Promotion:

When promotion is made without increase in salary, it is called 'dry promotion'. For example, a lower level manager is promoted to senior level manager without increase in salary or pay. Such promotion is made either there is resource/fund crunch in the organisation or some employees hanker more for status or authority than money.

Purposes:

The following are the purposes or objectives of promotion:

1. To recognize an employee's skill and knowledge and utilize it to improve the organisational effectiveness.

2. To reward and motivate employees to higher productivity.

3. To develop competitive spirit and inculcate the zeal in the employees to acquire skill, knowledge etc.

4. To promote employees satisfaction and boost their morale.

5. To build loyalty among the employees toward organisation.

6. To promote good human relations.

7. To increase sense of belongingness.

8. To retain skilled and talented people.

9. To attract trained, competent and hard working people.

10. To impress the other employees that opportunities are available to them too if they also perform well.

Promotion can be made on various bases. Following are the major ones:
1. Seniority i.e., length of service
2. Merit, i .e., performance
3. Educational and technical qualification
4. Potential for better performance
5. Career and succession plan
6. Vacancies based on organisational chart
7. Motivational strategies like job enlargement.
8. Training

Transfer

Transfer is a process placing employees in positions where they are likely to be more effective or where they are likely to get more job satisfaction this transfer is a process of employee's adjustment with the work, time and place. In transfers there is change in responsibility, designation and pay, etc.

For example, if the marketing manager finds the sales of north zone falling continuously, he may transfer some salesmen from other zones to north zone in order to improve the situation as those salesmen are considered to be more experienced and trained in promotion sales.

Sometimes, transfer may be made as disciplinary action also. In some organisations it is, a usual practice to transfer employees from one zone to another zone due to administrative reasons as in government services.

Definition

Transfer is "a lateral shift causing movement of individuals from one position to another usually without involving any marked change in duties, responsibilities and skills needed for compensation", (Yoder and associates)

Edwin B. Flippo defines, "Transfer is a change in job where the new job is substantially equal to the old in terms of pay, status and responsibilities."

Purpose:

1. To increase the effectiveness of the organisation.
2. To increase versatility and competence of key positions.
3. To deal with fluctuations in work requirements.
4. To correct incompatibilities in employee relations.
5. To correct erroneous placement.
6. To relieve monotony.
7. To move an employee in the interests of health or age.
8. To provide creative opportunity.
9. To train employees for later advancement or promotion

Separation

Separation is a situation when the service agreement of an employee with his/her organisation comes to an end and employee leaves the organization. In other words, separation is a decision that the individual and organisation part from each other.

In practice, employees may be separated, or say, may move out of organisation for a variety of reasons like retirement, resignation, suspension, discharge, dismissal and layoff. Be whatever the types/forms of separation, separation becomes important and sometimes traumatic event for both the employee and organisation'.

1. Retirement:
Retirement is the major cause of separation of employees from the organisation. It can be defined as the termination of service of an employee on reaching the age of superannuation. For example, at present the superannuation age for the teachers working in the Central Universities is 62 years and in case of some state government employees, it is 58 years. Some people characterize retirement as 'role less role'.

Retirement may be of two types:
(i) Compulsory Retirement:

This is the retirement when employees retire compulsorily from service on attaining the age of superannuation. Some organisations like Universities may have a policy to reappoint professionals and others who possess rare skills and expertise for a limited time even after attaining superannuation.

(ii) Voluntary Retirement:
When organisations give option to its employees to retire even before superannuation, it is called 'voluntary retirement'. This scheme is termed as, 'voluntary retirement scheme (VRS)'. Of late, in their efforts to downsize the employees, organisations by providing certain incentives, are trying to encourage their employees to opt for voluntary retirement. Employees in return of voluntary retirement are given lumpsum payment. This type of retirement is also called 'Golden Hand Shake'.
Retirement from service is a significant milestone in the life of an employee. Post-retirement life requires a great deal of adjustment on the part of (retired) employee. Here, organisation has a major role in facilitating smooth transition from job state to jobless stage.

2. Resignation:
Resignation is termination of service by an employee by serving a notice, called 'resignation' on the employer. Resignation may be voluntary or involuntary. A voluntary resignation is when an employee himself/herself decides to resign on the grounds of ill health, marriage, better job prospects in other organisations, etc.
Resignation is considered involuntary or compulsory when the employer directs the employee to resign on grounds of duty and indiscipline or face the disciplinary action. However, in case of involuntary resignation, a domestic enquiry should be conducted before asking the employee to resign. This is because otherwise the affected employee can go to the union or court of law and complain that he was asked to resign under duress.

While some resignations may be advisable and beneficial for the organisation to rectify the mistakes committed in hiring the employees, excessive turnover may be alarming as well. In such case, it is appropriate for the organisation to trace out the reasons behind resignations by conducting 'exit interviews' with the employees who are leaving the organisation. Exit interviews may enable the organisation to curb the employee turnover before it reaches to the proportion of exodus.

3. Layoff:
Layoff implies denial of employment to the employees for reasons beyond the control of employer. Breakdown of machinery, seasonal fluctuations in demand, shortage of power, raw materials, etc. are the examples of reasons leading to layoff.

According to Section 2 of the Industrial Disputes Act, 1947, lay off is defined as "the failure, refusal or inability of an employer, on account of shortage of coal, power or raw materials or accumulation of stocks or breakdown of machinery or by any other reason, to give employment to a workman whose name appears on the muster rolls of his industrial establishment and who has not been retrenched".

It is important to note that the employee-employer relationship does not come to an end but is suspended for some time Layoff may be temporary. In seasonal Industries like mines, sugar, etc., lay off occurs routinely. Layoff also may occur for an indefinite time.

4. Retrenchment:

Retrenchment means permanent termination of an employee's services for economic reasons. Retrenchment occurs on account of surplus staff, poor demand for products, general economic slowdown, etc. It's worth noticing that termination of services on account of retirement, winding up of a business, illness or on disciplinary grounds does not constitute retrenchment.

Retrenchment is mainly seen in plantations, agricultural services, forestry and logging, food products, manufacture of machinery and cotton textile. The reasons pointed out behind retrenchment were mainly financial stringency and lack of demand for their products.

The Industrial Disputes Act, 1947 makes it obligatory for organisations employing 100 or more employees to give three months' notice to the employee to be retrenched and also seek prior approval of the Government.
In other organisations, employee must be served one month's prior notice in writing indicating the reasons for retrenchment. He/she should be paid compensation equal to 15 days' wages for every completed year of service. As and when there is need for employing people in future, the retrenched employee must be given preference.

5. Dismissal:
Dismissal is termination of service of an employee as a punitive measure. This may occur either on account of unsatisfactory performance or misconduct. Persistent failure on the part of employee to perform up to the expectations or specified standard is considered as unsatisfactory performance. Wilful violation of rules and regulation by the employee is treated as misconduct. Dismissal is a drastic step seriously impairing the earnings and image of the employee.

Therefore, dismissal as a measure should be resorted to with great care and caution. It must be justified and duly supported by the just and sufficient cause. Before an employee is dismissed, he must be served advance notice to explain his position. The reasons for dismissal must be clearly made known to the employee.

Organizational citizenship behavior

Most employees understand that their primary duty is to do the work that is assigned to them, stay away from behaviors that could be deemed troublesome, and deliver work that is acceptable and beneficial to the organization.

Organizational citizenship behavior deals with the actions and behaviors that are not required by workers. They are not critical to the job, but benefit the team and encourage even greater organizational functioning and efficiency.
This is typically categorized as a worker "**going above and beyond**," or "**giving their all**." They look at their job as more than just a paycheck and strive to do all they can to make their work environment run smoothly; even if it has a minimal connection to their current duties. Usually, these behaviors are seen as positive by managers and business leaders, and the importance and impact of these behaviors should be noted.

Types of Citizenship Behavior

- **Helping Behavior:** helping behavior involves voluntarily helping others with, or preventing the occurrence of, work related problems.
- **Sportsmanship:** It is the willingness to tolerate the inevitable inconveniences and impositions of work without complaining.
- **Organizational loyalty:** It consists of loyal boosterism and organizational loyalty, spreading goodwill and protecting the organization , and the endorsing, supporting, and defending organizational objectives construct.

- **Organizational compliance:** This dimension appears to capture a person's internalization and acceptance of the organization's rules, regulations, and procedures, which results in a scrupulous adherence to them, even when no one observes or monitors compliance.
- **Individual initiative:** Such behaviors include voluntary acts of creativity and innovation designed to improve one's task or the organization's performance, persisting with extra enthusiasm and effort to accomplish one's job, volunteering to take on extra responsibilities, and encouraging others in the organization to do the same. Civic virtue represents a macro-level interest in, or commitment to, the organization as a whole. This is shown by a willingness to participate actively in its governance (e.g.,attend meetings, engage in policy debates, express one's opinion about what strategy the organization ought to follow, etc.); to monitor its environment for threats and opportunities (e.g., keep up with changes in the industry that might affect the organization); and to look out for its best interests (e.g., reporting fire hazards or suspicious activities, locking doors, etc.), even at great personal cost.
- **Self-development:** Self-development includes voluntary behaviors employees engage in to improve their knowledge, skills, and abilities.

HUMAN RESOURCE INFORMATION SYSTEM (HRIS)

A Human Resources Information System (HRIS) is a software or online solution that is used for data entry, data tracking and the data information requirements of an organization's human resources (HR) management, payroll and bookkeeping operations. A HRIS is usually offered as a databased

HRIS is geared toward enhancing the capacity of HR management to:
Absorb new and promising technologies
Simplify workflow
Optimize precision, stability and credibility of workforce data
Simplify the deployment and collection of data

An efficient HRIS provides:
Administration of all staff data
Reporting and evaluation of staff data
Company-related records, including staff handbooks, disaster evacuation methods and security recommendations
Rewards management, such as enrollment, status modifications and updating of personal data
Comprehensive integration with payroll, in addition to other accounting systems and financial software
Applicant monitoring and resume administration

An efficient HRIS helps an organization track:
Paid time off (PTO) and attendance
Pay scale history
Positions and pay grades
Overall performance development strategies
Coaching obtained
Disciplinary actions
Personal staff data
Key staff succession plans
Identification of prospective staff
Applicant administration, including interview process and selection

An organization can select and customize a HRIS it to meet its requirements. An efficient HRIS provides an organization with information on virtually anything required to monitor and examine staff/applicant data. A customized HRIS helps HR train staff to execute administrative tasks, allowing HR to focus on other strategic functions.

In addition, information required for knowledge development, equal treatment, staff management and career growth is provided. Also, managers can gain access to the information required to efficiently and legally assist the success of their direct reports.

Competency Mapping

Competency mapping is a way of assessing the strengths and weaknesses of a worker or organization. It is about identifying a person's job skills and strengths in areas like teamwork, leadership and decision making. Thus, it is about identifying a person's job skills and strengths in the areas like teamwork, leadership and decision-making.

Many competency mapping models break down strengths in to two major areas- functional and behavioral. Functional skills include practical knowledge that a person needs to perform a job. For e.g. functional requirements for a secretary might include familiarity with computer systems and office machinery as well as bookkeeping knowledge. These skills are generally easy to measure through skill tests and can define whether a worker is capable of carrying out his or her responsibilities.

Objectives

1. Identifying the key success factors
2. Pinpointing triggers for each role
3. Laying direction for superior performance
4. Setting defined expectations from employees
5. Serving means for communicating performance expectations
6. Ensuring that the employees obtain greater transparency about their roles
7. Providing opportunities for development
8. Creating a more empowered workforce
9. Employing the workforce effectively

The Seven Components of Talent Management

Talent management includes seven components that, when implemented strategically, combine to keep an organization on the leading edge.

Strategic Employee Planning. Developing your organizational goals and strategic plan is the first step. Next you must think about how to reach your goals and implement the plan. More specifically, you must identify the key roles and personnel who will get you there. You may already have the positions and people in place, or you may need to adjust the current structure to fill the gaps.

Talent Acquisition and Retention. Bringing new talent into your organization is important, yet equally so is recognizing and cultivating talent you already have in-house. Hiring from within your organization is more cost-effective, so when you're working at talent pooling, remember to look internally as well as externally.

Performance Management. Aligning the right person with the right role is the heart of performance management. Its ultimate goal is to ensure that roles align with business strategy to achieve goals. It enables you to ensure that you're aligning a talented employee with a role that suits them, develops goals for success, supports their development, and moves the organization forward.

Learning and Motivating. Semantics become important here, because learning is more than training. Learning is the acquisition of information and skills, which yields knowledge and experience. Implement learning programs that include activities and tasks that support the organization's culture and initiatives. When employees see how their growth impacts the organization, they'll see just how valuable their role is.

Compensation. Alignment remains the important concept. Aligning your strategic goals with incentives means recognizing employees, rewarding contributions to success, and acknowledging their value to the organization.

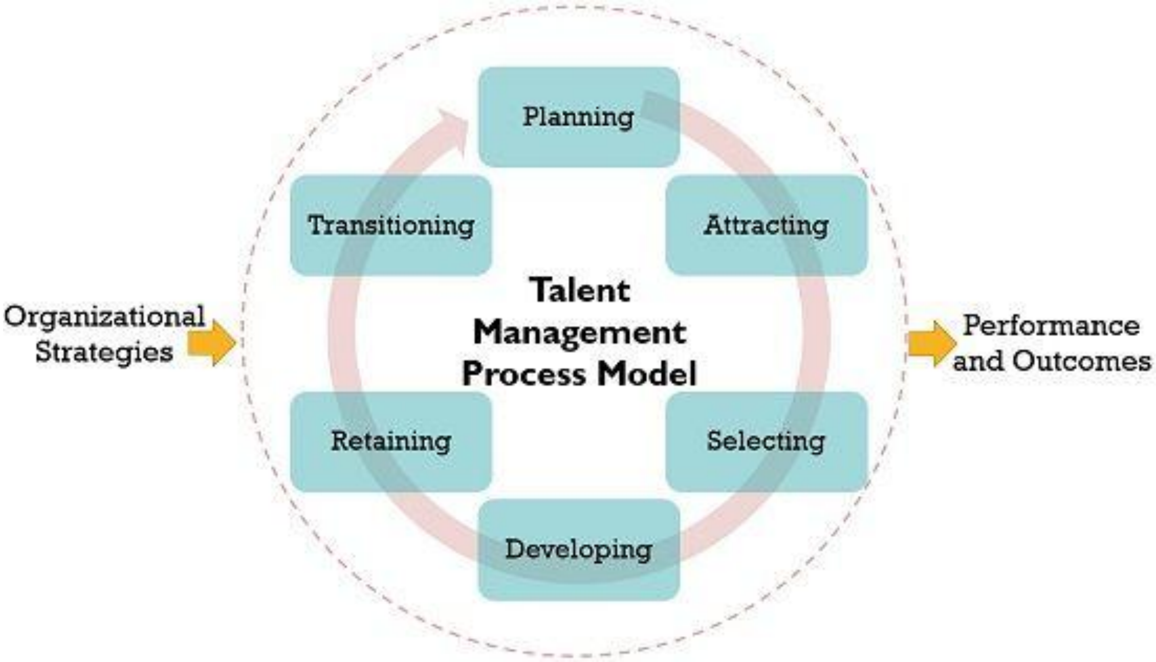
Career Development. This ties back to the talent retention component and the notion that hiring from within is not only an option, but often preferable. Nurture potential leaders by providing professional development tools that can advance their career.

Succession Planning. Knowing the talent within your organization is a start. Knowing the key roles essential to its success is equally vital. Which roles are critical to success? Who currently fills those roles? What happens when those positions become available? Having a plan in place means that the decisions are already made, and that the organization will continue to run smoothly if a key position must be filled quickly.

Talent Management

Talent management is the systematic process of identifying the vacant position, hiring the suitable person, developing the skills and expertise of the person to match the position and retaining him to achieve long-term business objectives.

Talent Management Process Model



Planning: Planning is the initial step in the process of Talent Management. It involves the following:

- Identifying the human capital requirement.
- Developing the job description and key roles.
- Proposing a workforce plan for recruitment.

Attracting: Deciding whether the source of recruitment should be internal or external and seeking for the suitable individuals to fill in the vacant positions through:

- Job Portals such as Naukri.com, Timesjob.com, etc.
- Social Network such as LinkedIn and Twitter.
- Referrals.

Selecting: Recruiting and selecting the personnel. It involves the following steps:

- Scheduling written test and interviews.
- Scrutinizing the most suitable candidate for the profile.

Developing: In this stage, the employee is prepared according to and for the organisation and the profile. Following are the steps involved in the process:

- Carrying out an onboarding programme or an orientation programme.
- Enhancing the skills, aptitude and proficiency of the personnel to match the profile.
- Counselling, guiding, coaching, educating, mentoring employees and job rotation.

Retaining: Employee retention is essential for any organisational existence and survival. Following are the ways of employee retention:

- Promotions and increments.
- Providing opportunities for growth by handing over special projects.
- Participative decision making.
- Teaching new job skills.
- Identifying the individual's contribution and efforts.

Transitioning: Talent management aims at the overall transformation of the employees to achieve the organisational vision. It can be done through:

- Retirement benefits to employees.
- Conducting Exit interviews.
- Succession Planning or Internal Promotions.

Employee Engagement

It is the extent that an employee believes in the mission, purpose and values of an organization and demonstrates that commitment through their actions as an employee and their attitude towards the employer and customers. Employee engagement is high when the statements and conversations held reflect a natural enthusiasm for the company, its employees and the products or services provided.

People are the primary source of competitive advantage. If the people or employees of the organization can be effectively 'engaged', then achieving the organizational goals becomes an easy task. The widely- used term 'employee engagement', embraces two attempts of management—motivating the employees and focusing their commitment to achieve the organizational objectives.

Employee Engagement can be defined as the level of commitment and ' involvement as employee has towards his/her organization and its values. 'It is the degree to which an employee is emotionally bonded to his/her organization and passionate about his/her work.'

Employee engagement further emphasizes the willingness to help out colleagues at par with organizational citizenship behaviour. In the broader sense, employee engagement goes beyond job satisfaction, job involvement, motivation, etc.

Henderson (2009) mentions that, 'engagement is something the employee has to be offered, it cannot be 'required' as part of the employee contract'. We can hire employees and we need to motivate them. Motivated employees are crucial to an organization's success; this has never been more applicable than today, particularly when margins are thin (or nonexistent) and economic recovery remains elusive.

HR practitioners believe that the engagement challenge has a lot to do with how employee feels about the about work experience and how he or she is treated in the organization. It has a lot to do with emotions which are fundamentally related to drive bottom line success in a company. There will always be people who never give their best efforts no matter how hard HR and line managers try to engage them. "But for the most part employees want to commit to companies because doing so satisfies a powerful and a basic need in connect with and contribute to something significant".

There are three organizational forces that enhance employee engagement as follows:

i. Lower attrition rate – An employee who engages in his assignments is unlikely to leave the organization. High attrition rate causes loss of huge amount of talents that could have been well-groomed and retained if provided the required environment. The probability of retention, in such a case, is high.

ii. Better productivity – The quality of work is more relevant than quantity of work. An involved person has to have an understanding of what is expected of him and what goes far ahead for him to perform his/her best in the company.

iii. Enhanced profitability – Every company desires to enhance profitability, for which the organization must enhance its employees' abilities. A person with complete dedication and commitment, and who is more engaged, can contribute to a greater extent to organizational profitability.

Types of Employee Engagement

1. Cognitive Engagement:
This involves the extent to which employees focus on their work tasks. An actively engaged employee is rarely distracted by small interruptions at work.

2. Emotional Engagement:
This consists of the here and now experience that the employees have while doing work. This involves their own feeling of the degree of involvement in the job.

3. Physical Engagement:
The extent to which employee takes steps for his own development. A voluntary nomination for a training program can be one of the means of identifying physical engagement.