

## SYLLABUS

**Class: - B.B.A. II Semester**

**Subject: - Human Resource Management**

UNIT – I	Introduction: Importance of Human Resource Management – Meaning, Nature and Scope, Functions and Role of HR Manager – Advisory and service function to other department – HRM function planning – objectives and policies, organizing the HRM Department.
UNIT – II	Procurement and Development Functions: Job Analysis, Job description, job specification, recruitment, selection, placement and induction and socialization,
UNIT – III	Training & development. Types and method, job change – career planning, promotion, demotion, transfer, separations.
UNIT – IV	Compensation Function: Job evaluation – Merit rating – Methods' of wage, payment, incentive compensation – Types, advantages, perquisites.  Wage system in India – Minimum wage, fair wage, living wage
UNIT – V	Maintenance and Integration Functions: Administration of welfare, amenities & fringe benefits, safety & accident prevention work, environment fatigue safety, accident prevention. Employee grievances and their redressal, suggestion schemes, administration of discipline.
UNIT-VI	Audit and Control Function: Performance appraisal – purpose, factors, methods 360 degree feed back uses and application, human resource accounting.

UNIT-I

HR: "THE MOST VIBRANT AND DYNAMIC RESOURCE" – PULAPA SUBBA RAO

**Introduction:-**

Henry Fayol the pioneer in the field of management state "Take out my building take out my machines and all capital but leave my men with me, I will become Henry Fayol again". This statement of Henry Fayol highlights that human resources in an organization plays a crucial role.

The human resource refers to the knowledge, skills, abilities, values, aptitude & beliefs possessed by the workforce in organization.

Human Resource Management:-

**Meaning:**

HRM is a process of bringing people & organization together so that the goals of each are met. It is the part of the management process which is concerned with the management of human resources in an organization & tries to secure best from the people by winning their wholehearted co-operation. In short, it may be defines as the art of procurement, developing and maintaining competent workforce to achieve the goals of an organization in an effective and efficient manner.

**Definitions:**

1. According to Edwin Flippo: HRM is planning, organizing, directing, controlling of procurement, development, compensation, integration, maintenance & separation of human resources to the end so that individual, organizational & social objectives are achieved.

2. HRM is the organizational function that deals with issues related to people such as compensation, hiring, performance management, organization development, safety, wellness benefits, employee motivation, communication, administration & training.

3. HRM is the process of attracting developing & maintaining a talented & energetic workforce to support organizational mission, objectives & strategies.

Nature of HRM:

1. Pervasive function: HRM is present in all the enterprises.
2. Action oriented: Scope of HRM is not only limited to record keeping.
3. Individually oriented
4. People oriented
5. Future oriented
6. Development oriented
7. Integrated Function
8. Comprehensive function: It covers all the type of personnel.
9. Auxiliary service: It is a staff function(Advice)
10. Inter disciplinary function
11. Continuous function
12. Involves team sprit & team work
13. Management function
14. Helps in achieving goals i.e. individual, organizational & social objectives.
15. Involves procurement, development & maintenance of human resource.

**Scope of HRM:**

1. HR planning: HRP refers to a process by which the company identifies the no. of jobs vacant, whether the company has excess staff or shortage of staff & to deal with this excess or shortage of staff.
2. Job analysis design: It gives a detailed explanation about each & every job in the company.
3. Recruitment & Selection: Recruitment is searching for the prospective employee & selection is process used to identify & hire individual
4. Orientation & induction: once a employee is being selected an induction program is conducted.
5. Training & development: Every employee goes under training program which helps him to put up a better performance on the job.

**B.B.A. II Sem.**

**Subject: Human Resource Management**

6. Performance Appraisal: HR department conducts appraisal programs & based on that appraisals decide future promotions, incentives, increments in salary etc.
7. Compensation Planning & Remuneration: Compensation Planning ensures that jobs are fairly compensated and more difficult jobs are paid more. It ensures equal pay or equal work.
8. Motivation, Welfare, Health & Safety: It deals with working condition and amenities such as canteens, crèches, rest and lunch rooms, medical assistance, education, health and safety, recreation facilities.
9. Industry Relations: It includes maintaining relation with the union members, settlement of disputes, grievances handling.

**Functions of HRM:**

The functions of HRM can be broadly classified into two categories:

1. Managerial Functions
2. Operative Functions

**(I). MANAGERIAL FUNCTIONS:**

- i. Planning: In the area of human resource management planning involves deciding human resource goals, planning human resources, requirements, recruitment, selection, training etc.
- ii. Organising: It is concerned with proper grouping of personnel activities, assignment of duties and delegation of authority.
- iii. Directing: It involves the process of motivating, leading, supervising, activating and guiding the personnel as and when necessary.
- iv. Controlling: It involves measurement of employees performance & taking corrective action.

**(II). OPERATIVE FUNCTIONS:**

Operative functions are related to specific activities of personnel management through:

1. Procurement or Employment function
2. Development function
3. Compensation Function
4. Maintenance or Human Relation
5. Integration Function

**1) Procurement or employment function:**

Employment is concerned with securing & employing the right kind and proper number of people required to accomplish the organizational objective. It consists of the following activities:

- a. Job Analysis: It is the process of studying in detail the operations and responsibilities involved in a job.
- b. HR Planning
- c. Recruitment
- d. Selection
- e. Placement
- f. Induction or orientation

**2) Development Function:** It is the process of improving, molding & changing the skill knowledge, creativity, attitude, values, commitments etc. of employees so that they can perform the present and future jobs more effectively. It includes:

- a. Performance appraisal
- b. Training
- c. Management Development: It is the process of developing managerial talent through appropriate programmes.
- d. Career Planning and Development: It involves planning the career of employees and implementing career plans so as to fulfil the career aspiration of employees.

**3) Compensation Function:** It is the process of providing adequate equitable & fair remuneration to the employees. It includes:

- a. Job Evaluation: It is the process of determining the relative worth of a job.

**B.B.A. II Sem.**

**Subject: Human Resource Management**

- b. Wage & salary administration: It implies developing and operating a suitable wage and salary programme.
  - c. Bonus
  - d. Fringe Benefits: These are the various extra benefits provided to employees in addition to the compensation paid in the form of salary or wage. Ex. Recreation facilities, Education facility to children etc.
  - e. Social Security Measures: Ex. Medical benefits, sick benefits, maternity benefits etc.
- 4) **Human Relations:** It is the process of interaction among human beings. It includes:
- a. Motivation
  - b. Employee Morale
  - c. Communication Skills
  - d. Leadership skills
  - e. Redressing Employee Grievances
  - f. Counseling the employees
  - g. Improving quality of work life of employees
- 5) **Integration Function:** It is the process of integrating the goals of an organization with employees goals through various employee oriented programmes such as grievances handling, Instituting proper disciplinary measures, employee participation etc.

#### **ROLE OF PERSONNEL MANAGER:**

HR managers perform different type of roles. They are as follows:

1. Administrative role
  2. Operational role
  3. Strategic role
1. Administrative role: It includes:
    - Policy Maker: Hr manager helps management in the formation of policies governing talent acquisition and retention, wage and salary administration, welfare activities etc.
    - Administrative Expert: Here the role of HR manager is heavily oriented to processing and record keeping.
    - Advisor: Personnel management is not a line responsibility but a staff function. Staff function advices, suggests, counsel and help the line managers in discharging their responsibility.
    - Housekeeper: It includes recruiting, pre-employment testing, refrence checking, employee surveys, wage and salary administration etc.
    - Counselor: The personnel manager discusses various problems of the employees relating to work, career, their supervisors, colleagues, health, family, financial, social etc and advises them on minimizing and overcoming problems, if any.
    - Welfare Officer: As a welfare officer he provides and maintains canteens, hospitals, crèches, clubs, libraries etc.
    - Legal Consultant: Personnel manager plays a role of grievance handling, settling of disputes, handling disciplinary cases, doing collective bargaining etc.
  2. Operational roles:
    - Recruiter
    - Trainer, developer, motivator
    - Coordinator/Linking pin
    - Mediator
  3. Strategic Roles: The strategic role of HR management focuses attention on how to enable ordinary employees to turn out extra ordinary performance, taking care of their ever changing expectations.

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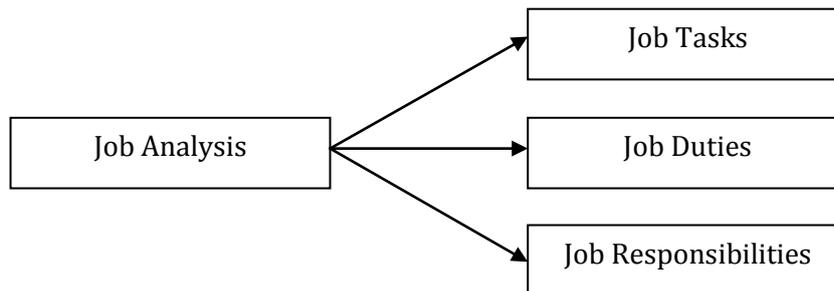
**Subject: Human Resource Management**

- Change Agent: HR's role as a change agent is to replace resistance with resolve, planning with results and fear of change with excitement about its possibilities.
- Hr helps an organization identify the key success factors for change and assess organization's strength and weaknesses.
- Strategic Partner: Hr role is to deliver strategic services cost effectively by building a competent, consumer oriented workforce. It must assume important roles in strategy formulation as well as strategy implementation.

**UNIT-II**  
**JOB ANALYSIS**

Job analysis is a formal and detailed examination of jobs. It is systematic investigation of the tasks, duties, responsibilities necessary to do a job. A task is an identifiable work activity carried out for a specific purpose. For example, typing a letter. A duty is a larger segment consisting of several tasks that are performed by an individual, or example pick up, sort out and deliver incoming mail. Job responsibilities are obligations to perform certain tasks and duties.

**Nature of Job Analysis -**



**Uses of Job Analysis -**

- 1) Human Resource Planning – Job analysis helps in forecasting human resource requirements in terms of knowledge and skills. It also helps in determining quality of human resources needed in an organization.
- 2) Recruitment – Job analysis is used to find out how and when to hire people for future job openings. For ex: company might be traditionally hiring MBA students for marketing purpose but through job analysis showed that the position can be filled by hiring a graduate with marketing skills.
- 3) Selection – Without a proper understanding of what is to be done on job, it is not possible to select the right person.
- 4) Placement and orientation – After selection people, we have to place them on jobs best suited to their interest, activities, and aptitude, if we are not sure about what is to be done on a job, it is not possible to teach a new employee how to handle a job.
- 5) Training – If there is confusion about what the job is and what is supposed to be done, proper training efforts cannot be initiated.
- 6) Counseling – Managers can properly counsel the employees about their careers when they understand the different jobs in the organization.
- 7) Employee Safety – A thorough job analysis reveals unsafe conditions associated conditions associated with the job.
- 8) Performance Appraisal – In performance appraisal we compare the work of an employee what he has to do and what he is actually doing. What the employee is supposed to do is based on job analysis.
- 9) Job design and redesign – Jobs are understood more properly through job analysis. It is easy to locate the weak points in any and take remedial steps.
- 10) Job Evaluation – Job evaluation is finding the worth of any job i.e. how much is to be paid for any particular job. This can be done through job analysis as it tells the degree of difficulty in any job, type of work done, skills and knowledge needed etc which is the basis on evaluating the job worth.

**Process of Job analysis**

**The major steps involved in job analysis are as follows -**

- 1) Organisational Analysis – Firstly we need to obtain an overall picture of the various jobs in an organization.

**B.B.A. II Sem.**

**Subject: Human Resource Management**

- 2) Selection of representative positions – It is not possible to analyse all jobs. A representative sample of jobs to be analyzed is decided keeping the cost and time constraints in mind.
- 3) Collection of Job analysis data – This step involves the collection of data on the characteristics of the job, the required behaviour and personal qualification needed to carry out the job effectively.
- 4) Preparation of Job description – This step involves describing the contents of the job in terms of functions, duties responsibilities operation etc.
- 5) Preparation of job specification – This step involves conversion of job description statements into job specification.

**Job Description –**

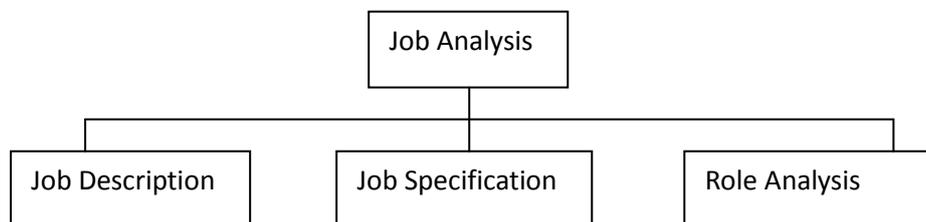
A job description (JD) is a written statement of what the job holder does, how it is done, under what conditions it is done and why it is done.

Contents –

- Job title
- Job summary
- Job activities
- Working conditions
- Social environment

**Job specification**

Job specification summarizes the human characteristics needed for satisfaction needed for satisfactory job completion. It tries to describe the key qualifications someone needs to perform the job successfully. It spells out the important attributes of a person in terms of education, experience, skills, knowledge and abilities (SKAs) to perform a particular job.



**Recruitment**

Recruitment is defined as “a process of searching for prospective employees & stimulating them to apply for jobs in the organization.

The function of recruitment precedes the selection function & its includes only finding, developing, the sources of prospective employees & attracting them to apply for jobs in an organization, whereas the selection is the process of finding out the most suitable candidate to the job out of the candidates attracted (i.e. recruited)

**Sources of Recruitment –**

The sources of recruitment are broadly divided into –

- a. Internal sources
- b. External source

**Internal sources –**

Internal sources are the sources within an organizational pursuit, internal sources included –

- 1) Present permanent employees – Organization considers the candidates from this sources for higher level jobs for ex. Promotion, transfers.
  - Promotions – Most of the internal candidates would be submitted to take up higher responsibilities & express their willingness to be engaged in the higher level jobs if management gives them assurance that they will be promoted to the next higher level.
  - Transfers – Employees will be stimulated to work in new sections or places if management

**B.B.A. II Sem.**

**Subject: Human Resource Management**

wishes to transfer to the places of their choice.

- 2) Retrenched or Retired Employees – Organization retrenches the employees due to layoff. The organization takes the candidates for employment from the retrenched employee due to obligation trade union pressure etc. sometimes the organization prefer to reemploy their retirees employees as a token of layoff to the organization.
- 3) Dependants of deceased, disabled, retire & present employee – Some organization with a view to developing the commitment & loyalty of not only the employees but also his family members & to build up image provide employment to the dependant(s) of deceased, disabled & present employees.
- 4) Employee Referrals – Employee referrals are the candidates recommended by the current employees. Current employees recommend these candidates whose performances & behaviours are known to them as well as suitable to the job & organization needs.

### **External Sources**

External sources are the sources which are outside the organization pursuit –

#### **External sources include –**

- a. Campus recruitment
- b. Private Employment Agencies/ Consultants
- c. Public employment Exchanges
- d. Professional Associations
- e. Data banks
- f. Casual applicants
- g. Similar organization
- h. Trade unions

### **HR Planning**

Planning for human resources is more important than planning for any other resources as demand for the latter depends upon the size & structure of the former.

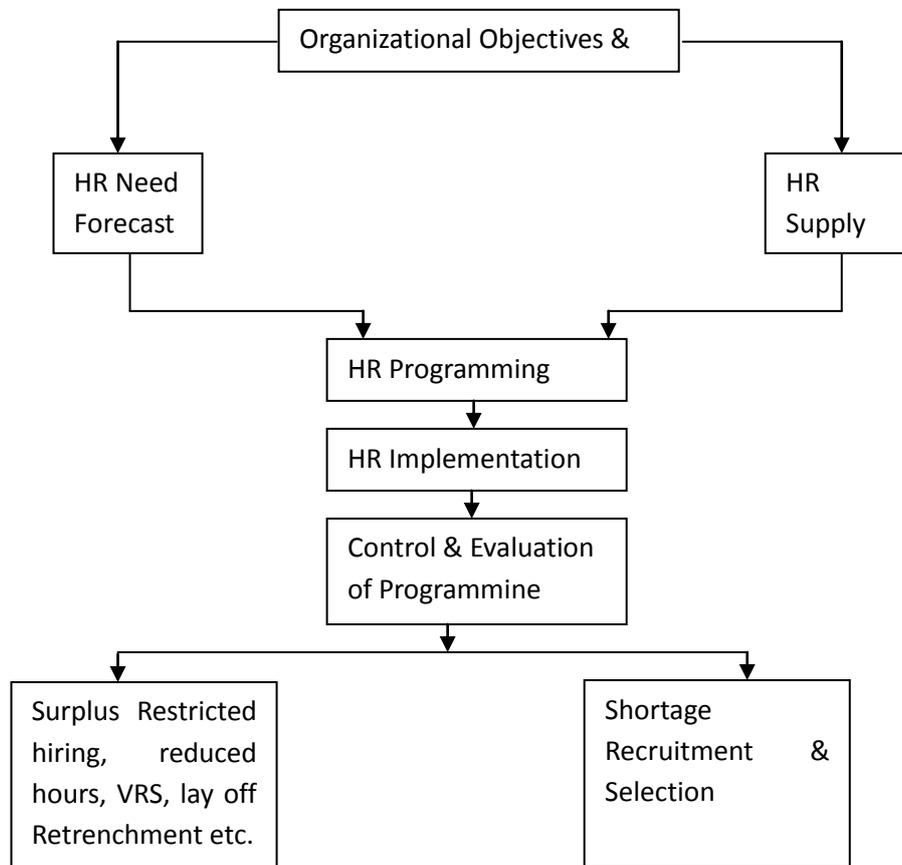
EW Vetter viewed HR planning as “a process by which an organization should move from its current manpower position to its desired manpower position. Through planning, management strives to have the right number & right kind of people at right place at the time, doing things which result in both the organizations the individual receiving maximum long run benefit.”

#### **Factors affecting HR plan –**

Several factors affect HRP. These factors can be classified into external factors & internal factors.

#### **External factors –**

- Government policies – Policies of government like labour policy; industrial relation policy affects the HRP.



- Level of Economic development – Level of Economic development determiner the level of HRD in the country & there by the supply of human resources in the future in the country.
- Business Environment – External business environment factors influencing the volume & mix of production & there by the future demands for human resources.
- Level of Technology – Determines the kind of human resources required.
- International Factors – Like the demand for resources & supply of HR in various countries.
- Outsourcing – Availability of outstanding facilities with required skills & knowledge of people reduces the dependency of HRP & vice versa.

#### Internal factors –

Company Policies & Strategies – Company policies & strategies relating to expansion, diversification, allowances etc determines the HR demand in terms of quality & quantity.

HR Policies – HR policies of the company regarding quality of HR, compensation level etc influences HR plan.

Job analysis – Fundamentally HR plan is based on job analysis. Job description & job specification determines the kind of employees required.

Time Horizons – Companies with stable competitive environment can plan for the long run & vice versa. Company's production operations policy; Company's policy regarding how much to produce & how much to buy from outside to prepare a final product influence the number & kind of people required.

Trade unions – Influence of trade unions regarding number of working hours/week, requirement sources etc affect the HRP.

**Process of HR Planning**

***Following are the steps***

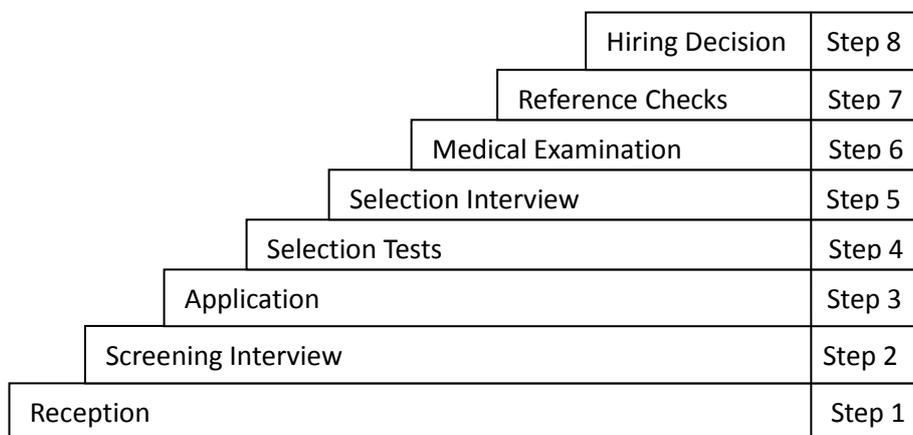
- 1) Analyzing the organizational plans – The process of HR planning should start with analyzing the organizational plan into production plan, technological plan for diversification etc, marketing plan, sales plan, and financial plan. Analysis of organizational plans & programmes help in forecasting the demand for human resources as it provides the scope of future work activity.
- 2) Demand Forecasting – Forecasting the overall human resource requirement in accordance with organizational plan. The jobs generally should be designed & analysed reflecting the future human resources & based on organizational plans.
- 3) Supply forecasting – Now, here there is a need to analysis from which sources we can fulfill our demand. It can be filed by
  - a. Internal labour supply
  - b. External labour supply
- 4) Determining Manpower Gaps – The existing number of personnel and their skills (from human resource inventory) are compared with the forecasting manpower needs (demand forecasting) to determine the quantitative and qualitative gaps in the workforce. A reconciliation of demand and supply forecasts will give us number of people to be recruited or made redundant as the case may be.
- 5) Formulating HR Plans – Organizations operate in a changing environment. Here organizations make strategies for recruitment, selections, training, promotion, retirement, replacement etc.

**SELECTION**

**Definition** – Selection is the process of picking individuals who relevant qualifications to fill job in an organization. The basic purpose is to choose the individual who can most successfully perform the job, from the pool of qualified candidates.

**The process**

- 1) Reception – A company is known by the people it employs. In order to attract people with talent, skills and experience a company has to create a favourable impression on the applicants right from the stage of reception.
- 2) Screening Interview – A preliminary interview is generally planned by large organizations to cut the cost of selection by allowing only eligible to go through the further stages in selection. A junior executive from the HR Department may conduct the interview & take responses from applicants on important items determining the suitability of an applicant for a job such as age, education, experience etc.



3. Application Blank – application blank or form is one of the most common methods used to collect information on various aspects of the applicants’ academic, social demographic, work related background and references.
4. Selection Testing – Another important decision in the selection process involves applicant

**B.B.A. II Sem.**

**Subject: Human Resource Management**

testing and the kinds of tests to use.

- a. Intelligence Tests.
- b. Aptitude Tests
- c. Personality Tests
- d. Achievement Tests
- e. Simulation Tests

Selection Interview – Interview is the oral examination of candidates for employment.

### **Types of Interviews**

- 1) The non-directive interview – The recruiter asks question as they come to mind.
- 2) The directive or structured interview – The recruiter uses a predetermined set of questions that are clearly job related.
- 3) The situational interview – The interviewer attempts find how applicants would respond to aggressive, embarrassing and insulting questions.
- 4) Stress interview – The interviewer attempts find how applicants would respond to aggressive, embarrassing and insulting questions.
- 5) Panel Interview – The applicant meets with three to five interviewers who take turns asking questions.
- 6) Medical Examination – Certain jobs require physical qualities like clear vision, acute hearing, unusually high stamina, tolerance level etc.
- 7) Reference checks – Candidates are required to give the names of two or three references in their application forms.
- 8) Hiring Decision – The line Manager concerned has to make the final decision-whether to select or reject a candidate. After taking the final decision the organization sends the appointment letter to the successful candidates.

**UNIT-III**  
**TRAINING & DEVELOPMENT**

**INTRODUCTION**

Training is a specialized function of human resource management. Every organization needs to have well defined trained people to perform the activities. As job have become more complex it s necessary to raise the skills level of employees.

**MEANING & DEFINITION OF TRAINING:-**

It is true in many organizations that before an employee is fitted into a harmonious working relationship with other employees, he is given adequate training. Training is the act of increasing the knowledge & skills of an employee for performing a particular job. A trainee learns new habits, refined skills and useful knowledge during the training that helps him improve performance. It is a systematic procedure for transferring technical knowhow to the employees.

According to Edwin B. Flippo. "Training is the act of increasing the knowledge & skills of an employee for doing particular job."

According to deal B. Beach "the organized procedure by which people learn knowledge and skill for a definite purpose".

Thus training refers to the teaching and learning activities directed at helping employees acquire & apply the knowledge skills, abilities & attitudes needed by a particular job & organization.

**CHARACTERISTICS or NATURE OF TRAINING**

1. Training is an act of increasing the knowledge, skills of an employee for doing a particular job.
2. Training is a continuous process.
3. It involves changing of skills, knowledge, attitudes or social behavior.
4. It is learning process & experience.
5. It seeks relatively permanent change in an individual that will improve.
6. Training is an aid to self development.
7. Essential part of management development.
8. Focus attention on the current job and it is job specific & addresses particular performance defeats or problems.
9. Concentrates on individual employees.
10. Training complement selection if well qualified candidates are selected, there will be less need of training inside the organization.

**NEEDS & OBJECTS OF TRAINING**

Training is needed to serve the following purpose

1. **Job requirements**–Newly recruited employee require training so as to perform their tasks effectively.
2. **Promotion**- Training is necessary to prepare existing employees for higher level jobs.
3. **Transfers**-Training is necessary to when a person moves from one job to another job. After training the employee can change job quickly, improve his performance levels & achieve career goals compatibly.
4. **Technological changes**-Technology is chaining very fast. New jobs require new skills. No organization can miss the advantages of latest technology without well trained employees.
5. **Increasing competition**-Due to economic liberalization & globalization the firms are experiencing & expansion & diversification of business & products. The kin competition has increased uncertainties & complexities in the market. Thus, in order to face such challenges the firms has to improve their capabilities.

**TYPES OF TRAINING OR APPROACHES OF TRAINING**

1. **Orientation Training** – It is also known as pre job induction training. This training provides new employees with information about company policies, history, procedure pay & benefits, conditions of employment etc. This training adjusts newly appointed employees to the work environment.

2. **Skills training** – This type of training is most common in organizations. The need for training in basic skills such as reading, writing, computing, peaking, listing problem solving, leading etc. is identified through assessment.
3. **Refresher Training** – Rapid changes in technology may force companies to go in for this kind of training organizing short term courses which incorporate the latest knowledge developments in a particular field, the company may keep its employee up to date and ready to take emerging challenges.
4. **Cross functional training**- Involves training employees to perform operations in areas other than their assigned jobs. There are many approaches to cross functional training job rotation can be used to provide a manager in one functional area with a broader perspective than they would otherwise have departments can exchange personnel for a certain period so that each employee how other departments are functioning.
5. **Training for promotion**- employees of high potential are selected & they are given training before promotion. This training is provided when vacant posts are filled up by internal recruitment i.e. by promotion.
6. **Safety Training**- This training is being provided to minimize accidents & damage to machinery. It involves instruction in use of machinery & safety devices.
7. **Apprentice Training**- It is used to prepare employees for a variety of skilled occupations & crafts for examples it is provided to tailor electrotyper, machinist, printing pressman, designer etc.
8. **Internship training**- It refers to joint programme of training educational institutions & business corporate selected students carry on regular school studies for period ranging from 3 to 12 months & then work in the factory or office for a designed period of time.
9. **Remedial Training**- This training has the object to overcome he short coming in the behavior and performance of old employees. Such employees are indentified and correct work methods and procedures are taught to them.
10. **Diversity Training**- Considers all of the diverse dimension in the work place, such gender, age, disability, lifestyle, culture education, idea etc. while designing a training programme. It concentrates on awareness building & skills building.
11. **Job Training**- This training is a conducted with a well increase the knowledge & skills of an employee for improving job performance.
12. **Creative Training**- Involves employees to ink unconventionally, go out of the box & levies unexpected solutions.

**Difference between Training & Development**

<b>Learning Dimension</b>	<b>Training</b>	<b>Development</b>
Meant for	Operatives	
Focus	Current job	Current and future job
Scope	Individual employee	Work group or organization
Goal	Fix current skill deficit	Prepare for future work demands
Initiated by	Management	The individual
Content	Specific job related information	General knowledge
Time-frame	Immediate	Long term

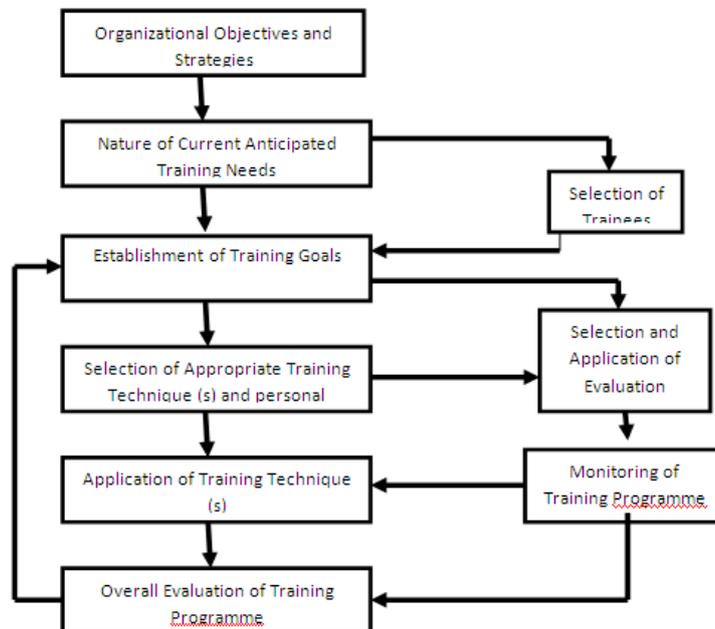
**The Training Process:-**

In order to achieve the objectives, an approximate training programme is necessary

The process is as follows-

1. **Organizational objectives:** - An organization first assesses its objective. What business are use in what product do we wish to provide to customers? These questions will decide what skills, knowledge, attitudes & other personnel attributes are necessary for employees.
2. **Training Policy:** - A training policy presents the commitment of top management to employee training. It consists of rules & procedures concerning training. A training policy is required to guide the design & implementation of training programme.
3. **Responsibility of training:-** Training is a joint process. It responsibility has to be shared among the top management, personal department, the line supervisor & the employees.

4. **Training needs assessment:-** It is the most important step in the process. It is from this needs assessment not the entire training process will flow.
5. **Selection of trainees:-** - It is necessary to decide who are to be trained new or old employees.
6. **Training goals:-** - The Training goals should ensure that the assessed needs will be served.
7. **Prepare the trainees:-** - The source of training depends to a great extent upon the instructors or the resource persons.
8. **Developing Training Package:-** - It involves deciding the content of training, designing support materials & choosing appropriate training techniques.
9. **Presenting the operation:-** - This is action phase of training. The instructor uses explanation & demonstration for training.
10. **Performance Tryout:-** The trainee is asked questions in order to endure that he really knows & understands the job. He is also asked to do the job several times.
11. **Overall evaluation:-** - At the end of training, formal evaluation of the training programme is necessary. This evaluation must be directly related.



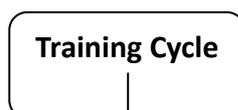
### PHASE OF TRAINING OR SYSTEMATIC APPROACH TO TRAINING

1. **Training needs Assessment** - Training efforts must aim at meeting the requirement of the organization & the individual employees. The goal of assessment phase is to collect information to determine if training is needed in the organization. If it is needed then it is important to determine where in the organization it is needed, what kind of training is needed what specific knowledge, skills, abilities should be taught. It includes:-
  - (a) **Organizational analysis:-** It involves a study of entire organization in kermes of its various objectives &. Its integration patterns with environments.
  - (b) **Task or Role analysis:-** This is a detailed examination of a job, its components its various operations & conditions under which it has to be performed.
  - (c) **Person analysis:-** Here the focus is on the individual in a given job.

#### 2. **Implementation phase:-**

Implementation of training programme includes

1. Selecting training methods – Whether on the job training or of the job training.
2. Conduct training
3. Arrange physical environment.



### The Systematic Training Cycle

3. **Evaluate phase-** The goal of evaluation phase is to examine whether the training programme has been effective in meeting the stated objectives.

#### IMPORTANCE

Training offers innumerable benefits to both employees and employers. It makes the employee more productive and more useful to an organization. The importance of training can be studied under the following heads:

##### **Benefits to the business:**

Trained workers can work more efficiently. They use machines, tools and materials in a proper way. Wastage is thus eliminated to a large extent.

There will be fewer accidents. Training improves the knowledge of employees regarding the use of machines and equipment. Hence, trained workers need not be put under close supervision, as they know how to handle operations properly.

Trained workers can show superior performance. They can turn out better performance. They can turn out better quality goods by putting the materials, tools and equipment to good use.

Training makes employees more loyal to an organization. They will be less inclined to leave the unit where there are growth opportunities.

##### **Benefits to the employees:**

Training makes an employee more useful to a firm. Hence, he will find employment more easily.

Training makes employees more efficient and effective. By combining materials, tools and equipment in a right way, they can produce more with minimum effort.

Training enables employees to secure promotions easily. They can realize their career goals comfortably.

Training helps an employee to move from one organization to another easily. He can be more mobile and pursue career goals actively.

Employees can avoid mistakes, accidents on the job. They can handle jobs with confidence. They will be more satisfied on their jobs. Their morale would be high.

Thus, training can contribute to higher production, fewer mistakes, greater job satisfaction and lower labour turnover.

#### AREAS OF TRAINING

The area of Training in which training is offered may be classified into the following categories.

##### **1. Knowledge**

Here the trainee learns about a set of rules and regulations about the job, the staff and the products or services offered by the company. The aim is to make the employee fully aware of what goes on inside and

**B.B.A. II Sem.**

**Subject: Human Resource Management**

outside the company.

### **2. Technical Skills**

The employee is taught a specific skill (e.g., operating a machine, handling computer etc.) so that he can acquire that skill and contribute meaningfully.

### **3. Social Skills**

The employee is made to learn about himself and others, and to develop a right mental attitude towards the job, colleagues and the company. The principal focus is on teaching the employee how to be a team member and get ahead.

## **TRAINING METHODS**

Training methods are usually classified by the location of instruction. On the job training is provided when the workers are taught relevant knowledge, skills and abilities at the actual workplace; off-the-job training, on the other hand, requires that trainees learn at a location other than the real work spot. Some of the widely used training methods are listed below.

### **ON THE JOB TRAINING METHODS:**

#### **1. Job instruction Training (JIT)**

The JIT method (developed during World War II) is a four-step instructional process involving preparation, presentation, performance try out and follow up. It is used primarily to teach workers how to do their current jobs. A trainer, supervisor or co-worker acts as the coach. The four steps followed in the JIT methods are:

1. The trainee receives an overview of the job, its purpose and its desired outcomes, with a clear focus on the relevance of training.
2. The trainer demonstrates the job in order to give the employee a model to copy. The trainer shows a right way to handle the job.
3. Next, the employee is permitted to copy the trainer's way. Demonstrations by the trainer and practice by the trainee are repeated until the trainee masters the right way to handle the job.
4. Finally, the employee does the job independently without supervision.

#### **Merits:**

- Trainee learns fast through practice and observation.
- It is economical as it does not require any special settings. Also mistakes can be corrected immediately.
- The trainee gains confidence quickly as he does the work himself in actual setting with help from supervisor.
- It is most suitable for unskilled and semi-skilled jobs where the job operations are simple; easy to explain and demonstrate within a short span of time.

#### **Demerits:**

- The trainee should be as good as the trainer if the trainer is not good, transference of knowledge and skills will be poor.
- While learning, trainee may damage equipment, waste materials and cause accidents frequently,
- Experienced workers cannot use the machinery while it is being used for training.

#### **2. Coaching**

Coaching is a kind of daily training and feedback given to employees by immediate supervisors. It involves a continuous process of learning by doing. It may be defined as an informal, unplanned training and development activity provided by supervisors and peers. In coaching, the supervisor explains things and answers questions; he throws light on why things are done the way they are; he offers a model for trainees to copy; conducts lot of decision making meetings with trainees; procedures are agreed upon and the trainee is given enough authority to make decisions and even commit mistakes. Of course, coaching can be a taxing job in that the coach may not possess requisite skills to guide the learner in a systematic way. Sometimes, doing a full day's work may be more important than putting the learner on track.

#### **3. Mentoring:**

Mentoring is a relationship in which a senior manager in an organization assumes the responsibility for grooming a junior person. Technical, interpersonal and political skills are generally conveyed in such a

relationship from the more experienced person. A mentor is a teacher, spouse, counselor, developer of skills and intellect, host, guide, exemplar and most importantly, supporter and facilitator in the realization of the vision the young person (protégé) has about the kind of life he wants as an adult.

The main objective is to help employees attain physiological maturity and effectiveness and get integrated with the organization. In a work situation, such mentoring can take place at both formal and informal levels, depending on the prevailing work culture and the commitment from the top management. Formal mentoring can be very faithful, if management invests time and money in such relationship building experiences.

#### **4. Job Rotation:**

This kind of training involves the movement of trainee from one job to another. This helps him to have a general understanding of how the organization functions. The purpose of the job rotation is to provide trainees with a larger organizational perspective and a greater understanding of different functional areas as well as a better sense of their own career objectives and interest. Apart from relieving boredom, job rotation allows trainees to build rapport with a wide range of individuals within the organization, facilitating future cooperation among departments. The cross-trained personnel offer a great amount of flexibility for organizations when transfers, promotions or replacements become inevitable.

#### **5. Apprenticeship Training**

Most craft workers such as plumbers and carpenters are trained through formal apprenticeship programmes. Apprentices are trainees who spend a prescribed amount of time working with an experienced guide, coach or trainer. Assistantship and internships are similar to apprenticeships because they also demand high levels of participation from the trainee. An internship is a kind of on-the-job training that usually combines job training with classroom instruction in trade schools, colleges or universities. Coaching, as explained above, is similar to apprenticeship because the coach attempts to provide a model for the trainee to copy. One important disadvantage of the apprenticeship methods is the uniform period of training offered to trainees. People have different abilities and learn at varied rates. Those who learn fast may quit the programme in frustration. Slow learners may need additional training time. It is also likely that in these days of rapid changes in technology, old skills may get outdated quickly. Trainees who spend years learning specific skills may find, upon completion of their programmes, that the job skills they acquired are no longer appropriate.

#### **6. Committee Assignments**

In this method, trainees are asked to solve an actual organizational problem. The trainees have to work together and offer solution to the problem. Assigning talented employees to important committees can give these employees a broadening experience and can help them to understand the personalities, issues and processes governing the organization. It helps them to develop team spirit and work with unity toward common goals. However, managers should very well understand that committee assignments could become notorious time-wasting activities. The above on-the-job methods are cost-effective. Workers actually produce while they learn. Since immediate feedback is available, they motivate trainees to observe and learn the right way of doing things. Very few problems arise in the case of transfer of training because the employees learn in the actual work environment where the skills that are learnt are actually used. On-the-job methods may cause disruptions in production schedules. Experienced workers cannot use the facilities that are used in training. Poor learners may damage machinery and equipment. Finally, if the trainer does not possess teaching skills, there is very little benefit to the trainee.

### **OFF-THE-JOB METHODS**

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

#### **a. Vestibule training:**

In this method, actual work conditions are simulated in a classroom. Material, files and equipment – those that are used in actual job performance are also used in the training. This type of training is commonly used for training personnel for clerical and semi-skilled jobs. The duration of this training ranges from a few days to a few weeks. Theory can be related to practice in this method.

- b. **Role playing:** It is defined as a method of human interaction that involves realistic behavior in imaginary situations. This method of training involves action, doing and practice. The participants play the role of certain characters, such as the production manager, mechanical engineer, superintendents, maintenance engineers, quality control inspectors, foreman, workers and the like. Method is mostly used for developing interpersonal interactions and relations.
- c. **Lecture method:** The lecture is a traditional and direct method of instruction. The instructor organizes the material and gives in to a group of trainees in the form of a talk. To be effective, the lecture must motivate and create interest among the trainees. An advantage of lecture method is that it is direct and can be used for a large group of trainees. Thus, costs and time involved are reduced. The major limitation of the lecture method is that it does not provide for transfer of training effectively.
- d. **Conference/discussion approach:** In this method, the trainer delivers a lecture and involves the trainee in a discussion so that his doubt the job gets clarified. When big organizations use this method, the trainees uses audio-visual aids such as black boards, mockups and slides; in some cases the lectures are videotaped or audio taped. Even the trainee's presentation can be taped for self confrontation and self assessment.  
The conference is thus, group-centered approach where there is a classification of ideas, communication of procedures and standards to the trainees. Those individuals who have a general educational background and whatever specific skills are required such as typing, shorthand, office equipment operation, filing, indexing, recording etc. may ne provided with specific instructions to handle their respective jobs.
- e. **Programmed instruction:** This method has become popular in recent years. The subject matter to be learned is presented in a series of carefully planned sequential units. These units are arranged from simple to more complex levels of instruction. The trainee goes through these units by answering questions or filing the blanks. This method is thus, expensive and time-consuming.

### EVALUATION OF A TRAINING PROGRAMME

The specification of value forms a basis for evaluation. The basis of evaluation and the mode of collection of information necessary for evaluation should be determined at the planning stage.

The process of training evaluation has been defined as any attempt to obtain information on the effects of training performance and to assess the value of training in the light of that information. Evaluation helps in controlling and correcting the training programme. Hamblin suggested five levels at which evaluation of training can take place, viz, reactions, learning, job behavior, organization and ultimate value

1. **Reactions:** Trainee's reactions to the overall usefulness of the training including the coverage of the topics, the method of presentation the techniques used to clarify things, often throw light on the effectiveness of the programme. Potential questions to trainees might include:
  - i. What were your learning goals for the programme.
  - ii. Did you achieve them?
  - iii. Did you like this programme?
  - iv. Would you recommend it to others who have similar learning goals?
  - v. What suggestions do you have for improving the programme?
  - vi. Should the organization continue to offer it?
2. **Learning:** Training programme, trainer's ability and trainee's ability are evaluated on the basis of quantity of content learned and time in which it is learned and learner's ability to use or apply the content learned.
3. **Job behavior:** This evaluation includes the manner and extent to which the trainee has applied his learning to his job.
4. **Organization:** This evaluation measures the use of training, learning and change in the job behavior of the department/organization in the form of increased productivity, quality, morale, sales turnover and the like.
5. **Ultimate value:** It is the measurement of ultimate result of the contributions of the training programme to the company goals like survival, growth, profitability etc. and to the individual goals like development of personality and social goals like maximizing social benefit.

**B.B.A. II Sem.**

**Subject: Human Resource Management**

### **Methods of Evaluation**

Various methods can be used to collect data on the outcomes of training. Some of these are:

- **Questionnaires:** Comprehensive questionnaires could be used to obtain opinions, reactions, and views of trainees.
- **Tests:** Standard tests could be used find out whether trainees have learnt anything during and after the training.
- **Interviews:** Interviews could be conducted to find the usefulness of training offered to operatives.
- **Studies:** Comprehensive studies could be carried out eliciting the opinions and judgments of trainers, superiors and peer groups about the training.
- **Human resource factors:** Training can also be evaluated on the basis of employee satisfaction, which in turn can be examined on the basis of decrease in employee turnover, absenteeism, accidents, grievances, discharges, dismissals, etc.
- **Cost benefit analysis:** The cost of training (cost of hiring trainers, tools to learn, training centre, wastage, production stoppage, opportunity cost of trainers and trainees) could be compared with its value (in terms of reduced learning time, improved learning superior performance) I order to evaluate a training programme.

**Feedback:** After the evaluation, the situation should be examined to identify the probable causes for gaps in performance. The training evaluation information (about costs, time spent, outcomes etc) should be provided to the instructors, trainees and other parties concerned for control, correction and improvement of trainees activities. The training evaluator should follow it up sincerely so as to ensure effective implementation of the feedback report at every stage.

### **CAREER PLANNING**

#### **Concept of career:**

According to E.H. Schein, "A career is a sequence of positions held by a person during the course of a lifetime. It comprise of a series of activities that provide continuity, order and meaning to a person's life."

#### **Features:**

1. It is a proper sequence of job related activities.
2. It may be individual centered or organization centered.
3. It is a sequence of career progression within an occupation.
4. It is a lateral movement in an occupation of an individual over his employment span.
5. It is a sum total of all the jobs occupied by a person during his working life.
6. A career develops overtime
7. The important element in one's career is experiencing psychological success which is feeling a sense of personal accomplishment and fulfillment.
8. It is the individual who ultimately must judge the success of his career.

#### **Meaning of Career Planning:**

Career planning is the process by which one selects career goals and the path to reach goals. The major focus of career planning is on assisting the employees achieve a better match between personal goals and the opportunities that are realistically available in the organization. Career programs should not concentrate only on career growth opportunities. Hence, career planning efforts need to pinpoint and highlight those areas that offer psychological success instead of vertical growth.

According to Schermerbon, hunt and osborn, "Career planning is a process of systematically matching career goals and individual capabilities with opportunities for their fulfillments.

#### **Objectives of career planning:**

1. Attract and retain talent by offering careers not jobs.
2. Use human resources effectively and achieve greater productivity.
3. Improve employee morale and motivation.
4. To encourage individuals to explore and gather information, which enables them to gain competencies. Make decisions, set goals and take action.

**B.B.A. II Sem.**

**Subject: Human Resource Management**

5. To increase employee productivity.
6. To prevent job obsolescence.
7. To improve the quality of employee work life.
8. To help companies meet internal staffing requirements and reduce turnover.
9. To help companies meet their need for challenge and achievements of career goals.
10. To develop an awareness of each employee uniqueness.

### **Advantages**

- **Benefits to employee:** The employee has advance knowledge of career opportunities within the company. He knows where he stands, where he wants to go, who is ahead of him, how to scale the corporate ladder. This helps him set his career goals more realistically and take appropriate steps to realize them.
- **Benefits to organization:** Organization can base their decisions more systematically. Fast tracks for stars could be arranged, training to slow movers can be provided, replacements can be planned in advance, hard hard-working, talented people can be retained through offering attractive career options and compensation plans: job assignments can be made based on merit etc.
- **Relations:** Relations between the employer and the employee would become more cordial; employee skills could be used properly; valued employees could be retained, there will be an expanded image of the company as a people developer.

### **Limitations**

- For small units (where there are very few opportunities for the vertical growth of employees) it is not suitable.
- Several environmental factors such as government policy, laws of the land, reservation based on castes, regional pressures, union demands may upset career planning and development efforts.
- In the organization fails to focus on any of the career related issue clearly, problems may crop up (eg., early career issues, mid career issues, late career issues, minority group, dual career couples, failure to match task and emotional needs, post retirement issues, forced lay-off issues etc.).

### **Process of Career Planning:**

The career planning process involves the following steps:

- a. **Identifying individual needs and aspirations:**  
The basic purpose of such an exercise is to an employee form a clear view about what he should do to build his career within the company. Workshops and seminars increase employee's interest by showing the value of career planning. They help employees set career goals, identify career paths and uncover specific career developments activities.
- b. **Analyzing career opportunities:**  
Once career need and aspirations of employees are known the organization has to provide career paths for each position. Career paths show career progressions, possibilities clearly. They indicate the various positions that one should hold over a period of time, if one is able to perform well.
- c. **Aligning needs and opportunities:**  
This process consists of two steps: identify the potential of employees and then undertake career developments programs with a view to align employee need and organizational opportunities.
- d. **Action plans and periodic reviews:**  
The action plans of individual career development are made. This will be helpful for the employee to know in which direction he is moving.

### **INTERNAL MOBILITY:**

“The lateral or vertical movement of an employee within an organization is called internal mobility.” It may take place between jobs in various departments or divisions. Some employees may leave the organization for reasons such as better prospects, retirements, terminations etc. Such movements are known as internal mobility's.

### **Purpose of Internal Mobility:**

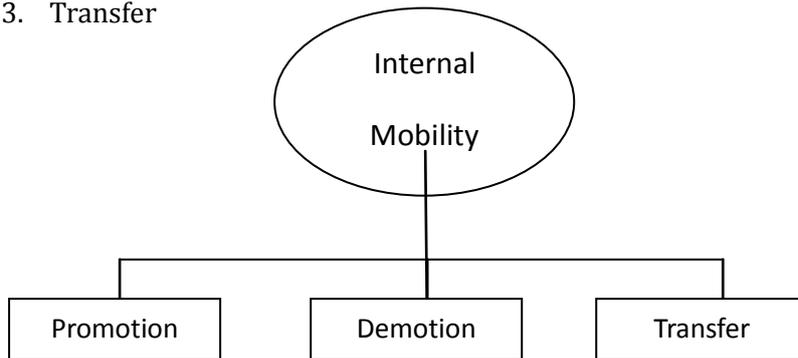
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**Subject: Human Resource Management**

1. Improve organizational effectiveness
2. Improve employee effectiveness
3. Adjust to changing business operations
4. Ensure discipline

**Internal mobility can take place in any of the following manner:**

1. Promotion
2. Demotion
3. Transfer



**PROMOTION:**

Promotion is an upward movement of employee in the organization to another job, higher in organization hierarchy. In the new job the employee finds a change in salary, status, responsibilities and grade of job or designation.

**Types of Promotion:**

**Vertical promotion:**

Under vertical promotion the employees are promoted, from one rank to next higher rank in the same department.

**Horizontal promotion:**

Under such promotion, employee may be promoted to higher ranks in other departments as well.

**Base of promotion:**

**Seniority based promotion:**

If seniority is the basis for promotion, an employee with the longest period of service will get promoted, irrespective of whether he is competent to occupy the higher post or not.

**Merits of seniority based promotion:**

1. It is fairly objective
2. It is easy to measure the length of service and judge the seniority.
3. By seniority, everyone is sure of getting the promotion one day.
4. It is easy to administer.
5. Labour unions welcome seniority based promotions.
6. Loyalty is rewarded.
7. Seniority and experience goes hand in hand.

**Demerits of seniority based promotion:**

1. The learning capabilities of senior people may diminish (reduce).
2. It demotivates the young and more competent employees.
3. It kills the zeal and interest as everybody will be promoted without showing any all round growth or promise.
4. Promotion by seniority frustrates really talents employees.
5. It destroys initiative of people.

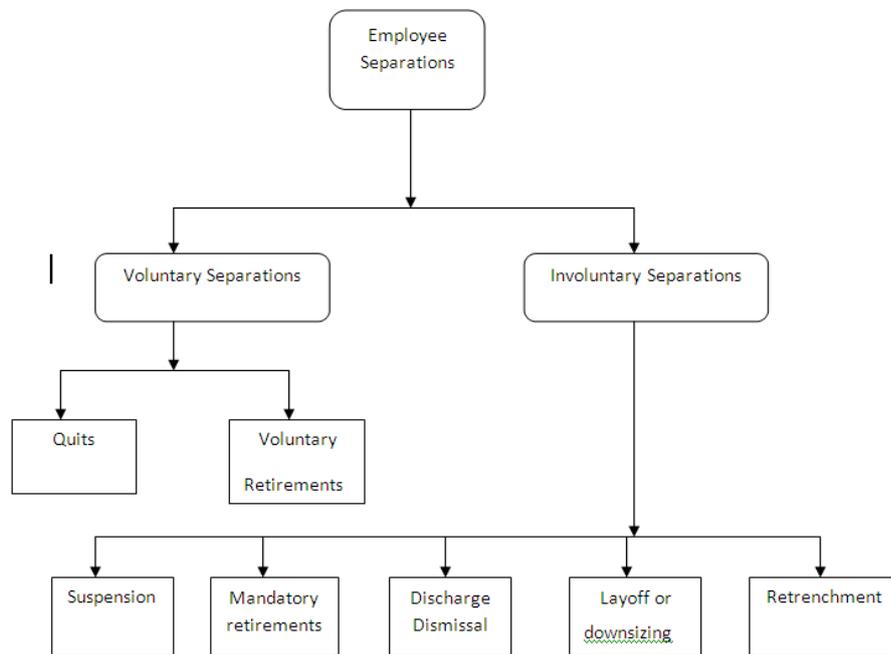
**Merit based promotion**

Merit based promotion occur when an employee is promoted because of superior performance in the current job.

**Merits:**

1. Promotion by merit is a reward to encourage those employees who make a successful effort to increase their knowledge or skills and who maintain a high level of productivity.
2. It motivates employee to work hard.
3. It helps employee to improve their knowledge, acquire new skill and contribute to organizational efficiency.
4. Efficiency is encouraged, recognized and rewarded.
5. Productivity increases.
6. Organization goals can be attained effectively.

**Types of employee separation:**



**Voluntary Separations:**

1. **Quits:** W.H. Mobley says that the decision to quit depends on:
  - (i) The employees level of dissatisfaction with the job and
  - (ii) The number of attractive alternatives the employee has outside the organization.
2. **Voluntary Retirements or resignations:** An employee may decide to resign voluntary on personal or professional reasons. Sometimes employee may be forced to resign from the job compulsorily in the grounds of duty, misuse of funds etc.

**Involuntarily Separations**

1. **Mandatory Retirements:** Retirements has been characterized by some as a role less role. It is a compulsory retirement of the employee from his services.
2. **Discharge and Dismissal:** Discharge is the most drastic disciplinary step that manager can take. Dismissal is the termination of the services of an employee as punitive measure for some misconduct. Discharge also means termination of the service of an employee, but not necessary as a punishment. Discharge is serious because it impairs earning and image of the employees.
3. **Layoffs:** A layoff is a temporary separation of the employee from his employer at the instance of the latter without any prejudice to the worker. Layoff is the failure, refusal or inability of an employer to give employment to a worker whose name is present in the rolls but who has not been retrenched.
4. **Retirement:** Retrenchment is the permanent termination of employee's services due to economic reasons. These include
  - a) Replacement of labour by machines
  - b) Closure of plant
  - c) Surplus staff
5. **Suspension of an employee:** Suspension means prohibiting an employee from attending workplace and reforming normal duties assigned to him. Till the enquiry and investigation in case of misconduct is completed, the employee is kept suspended.

**UNIT-IV**  
**JOB EVALUATION**

Wage or salary is the most important factor in maintaining and developing good employer employee relations. Job evaluation is the process which establishes a consistent and systematic relationship among compensation rates for all jobs within the organization. Determining of base compensation is also important for the employee because it determines the status of employee in the society. Employee should be compensated on the basis of –

- 1) The nature of the job
- 2) The present relative worth of the job.
- 3) The defectiveness with which the individual performs the job.

According to Flippo, “Job evaluation is systematic and orderly process of determining the worth of a job in relation to other jobs”.

According to Kimball & Kimbal, “Job evaluation is an effort to determine the relative value of every job in a plant to determine what the fair basic wage for such a job should be.”

**Objectives of Job Evaluation-**

- 1) To maintain complete and accurate description of each job or occupation.
- 2) To provide a standard procedure to determine the relative worth of each job.
- 3) To ensure that fair wages is paid to all qualified employees.
- 4) To provide an accurate and fair consideration of all employees for advancement and transfer.
- 5) To provide information for selection, placement and training of employees.

**Factors in Job Evaluation –**

- 1) Training level or qualifications requirements
- 2) Knowledge and skills requirements
- 3) Complexity of tasks
- 4) Interaction with various level of the organization.
- 5) Problem solving and independent judgment
- 6) Accountability and responsibility
- 7) Decision – making authority
- 8) Degree of suppression required
- 9) Cross-training requirements
- 10) Working conditions.
- 11) Degree of difficulty in filling job.

**Procedure of Job Evaluation –**

- 1) Job analysis – collection of data
- 2) Job description – to give the detailed account of the job
- 3) Selection and preparation of job evaluation plan
- 4) Job grading or classification
- 5) Pricing the jobs
- 6) Installation of programme

**Principles of J.E. Programme –**

- 1) Job should be rated not the job holder.
- 2) Elements for rating should be easily explainable.
- 3) Elements should be clearly defined and properly selected
- 4) Evaluation plan should be communicated to workers and supervisors.
- 5) Foreman should participate in the rating of the jobs in their own departments.
- 6) Cooperation should be achieved from workers.

**B.B.A. II Sem.**

**Subject: Human Resource Management**

**Methods of Job Evaluation –**

**A. Non-Quantitative Methods –**

- a. *Ranking Method:* Under this system, all the job are arranged or ranked in the order of importance from the simplest to the hardest or in the reverse in, order each successive job higher or lower than the previous one in the sequence.
- b. *Job classification or grading system:* Job grading refers to the classification and analysis of jobs which are performed in an organization and to their relative levels. The jobs may be graded as skilled, unskilled, routine, administrative, shop jobs, clerical jobs, sales jobs and so on.

**B. Quantitative Methods –**

- a. *Factors comparison method:* This method is an application of the person to person system of merit rating to job evaluation. In fact, this method is a combination of point method and rank method. The steps in this method are as follows:
  - i. Select key factors.
  - ii. Select key jobs
  - iii. Determine correct rates of key jobs
  - iv. Rank key jobs under each job factor
  - v. Allocate the correct rate of each key job among the job factor.
  - vi. Evaluation all other jobs in terms of these factors yardistics
  - vii. Design, adjust and operate wage structure
- b. *Point-Method –* This method is most widely used system of job evaluation. It involves a more detailed advantages of job evaluations.
  - i. Job evaluation is a logical and objective method of ranking and grading jobs.
  - ii. Data or information generated during job evaluation can be used for decisions related to selection placement, training transfer and promotion of employees etc.
  - iii. It is helpful in constructing an appropriate policy for payments of wages which helps in attracting better works.
  - iv. It helps to fit the newly created jobs.
  - v. Job evaluation also helps to redesign the jobs by reallocating the easy and difficult tasks equally among various jobs.

**Disadvantages –**

- 1) Statutory and other factors
- 2) Highly subjective
- 3) Cyclist effect
- 4) Promotes grievances
- 5) Conflict between worker and management
- 6) Inflexibility
- 7) Require time and finance

**Merit Rating –**

MR is the comparative evaluation and analysis of the individual merit of the employees. It analyzes the differences in performance between employees who are working on similar jobs and would therefore earn the same wages. MR is also known as ‘performance appraisal’, ‘employee rating’, ‘efficiency rating’, ‘performance evaluation’, ‘performance review’, ‘personnel rating’ or employee evaluation.

**Acc. To Scott, Clotheir and Spriegel:**

“Performance appraisal (or merit rating) is the process of evaluating the employees performance on the job in terms of requirements of the job.”

**Characteristics of Merit Rating –**

- 1) It is a means of self-control, judgement and evaluating “Potentiality”.
- 2) Merit rating evaluates the relative merit of workers.
- 3) It is a scientific study in which formal procedures and actual data are used in this study.

**B.B.A. II Sem.**

**Subject: Human Resource Management**

- 4) Co-operation
- 5) Quality of work done
- 6) Attendance and regularity
- 7) Education, skill, experience

**Objectives of Merit rating –**

***Merit rating has the following objectives –***

- 1) To evaluate the merit of an employee for the purpose of promotion, increment, reward and other benefits.
- 2) To established and develop a wage system and incentive scheme.
- 3) To determine the suitability of an employee for a particular job.
- 4) To analyze the merits (or demerits) of a worker and help him in developing his capability and competence for the job.
- 5) Help in executive decisions related to human resource department (HRD).
- 6) Appraisal of workers.
- 7) Continuous record for the worth of a worker.
- 8) Tool for decisions related to training, placement, promotion, confirmation, increment, transfer and counseling of workers.
- 9) Useful for understanding areas of improvement in a worker.
- 10) Helps in discovering special talents in a worker.
- 11) Useful in personal research, validation of training objectives and training methodology.

**Advantages of Merit rating –**

- 1) Systematic evaluation of employees.
- 2) Facilitates matching of job with individual
- 3) Facilitates promotion related decisions
- 4) Facilitates training related decisions
- 5) Helpful in identifying weakness of the employees which may systematically be removed
- 6) Provides base for guidance & counseling for the employees.
- 7) Develops healthy competition among workers improve performance
- 8) Serve as motivational tool for employees.
- 9) Provides objectives basis for bonus, incentive wage salary related decisions.
- 10) Improves employee-employer relationship due to increased trust and confidence.
- 11) Sound base for negotiation with trade union

**Disadvantages of merit rating –**

- 1) The rating of employees may be subjective and this creates dissatisfaction among them.
- 2) Evaluators or rates tend to give much premium to ..... ratings o an employee who might have improved himself in the course of time.
- 3) Rates may be influenced by raters own attitude and self-made rating factors which are not consistent with the merit, rating process. Incentives schemes may not be introduced advantageously if merit rating is inaccurate, unreliable and subjective.

**Methods of wage payment**

The wage – policy of an organization is determined by keeping in view the principles on wage-determination and taking into account the various factors affecting wages. It is not only the concern of the organization.

The four important constituents of wage policy are:

- I. **The level of wages:** An average of the rates of wages paid for the organization is called wage level.

**Example:**

1. The 'minimum wages Act' prescribing minimum rates of wages.
2. The 'payment of wages Act' regulating payment of wages.
3. The 'payment of Bonus Act', "The Equal Remuneration Act" etc. have been framed and brought into force.

**B.B.A. II Sem.**

**Subject: Human Resource Management**

**II. Methods of wage payment:-** Different methods or systems of wage payments are prevalent in different countries. An organization usually adopts the following methods:

1. Time wage system:-under this system, the time is made a basis for determining wages of a person. The formulas used for calculating wages under this system are:

Earning = T x R

Where T=Time Spent

R=Rate of pay

**Merits**

1. Simplicity.
2. Sense of security.
3. Quality of product is more important.
4. Equitable from of wage payment.
5. Trade unions accept this form of wage payment quite willingly.

**Demerits**

1. It does not provide any incentive to greater effort or hard worker.
2. The superior workers are repressed under this system.
3. It leads to a reduced quantum of work unless a strict and close supervision is arranged.
4. Difficulty to determine labour cost.
5. Low production.

**II Piece Wage Systems:-**

According to the piece rate system, a worker is paid for the amount of work performed rather than on tie basis. The wages payable to a worker under this system is calculated by the formula.

Where. N, R

N= Number of units produced

R= Wage rate per unit of product

**Merits:**

1. It helps in speediating production
2. In the case of excessive work, the 'work load' can be distributed among other workers.
3. Less time consumption is left.
4. Less supervision is required.
5. Employers are protected against lazy and idlers through this system.
6. It avoids frequent industrial disputes.

**Demerits**

1. Payment under this system is irregular and uncertain for workers point of view
2. During the periods of illness, or disability, the worker is not paid any amount.
3. The system consumers enough time & space.
4. Too much emphasis on the quantity of production may lower the quality of products.
5. It becomes the source of grievances

**III Balance method:** This method is a combination of time wage and piece wage methods. In this method a worker is paid a fixed wage based on the time rate with a provision of piece wage method. This is just like minimum rent with provision of short working recoupment in case of royalty.

This method is also known as debt method, if the wage calculated at piece rate exceed time rate the worker gets credit. On the other hand, if time wages exceed piece wages, the worker is paid time wage and the deficit is carried forward as debt to be reconserved in future.

This method provides a sense of security to the employees. it is suitable in industries, where the flow of work is minimum. But rates in this method have to be fixed on the most scientific basis.

**Some of the modern approaches to wage determination are-**

- a. Skill based pay- in this system employees are compensated for their job – related skills. This is also known as knowledge based pay.
- b. Competency based pay: - Act the knowledge, skills and behavior of an individual that contribute to a workers performance is called competency.

**B.B.A. II Sem.**

**Subject: Human Resource Management**

c. Broad handing:- this technique reduce the number of salary levels into broad salary bends. These bends normally, have a fixed minimum and maximum, which over plan with other bands.

types of piece Rate system:

1. **Straight piece Rate:-** in this method one piece rate is fixed and whole production is paid basis. The rate of payment remains the same irrespective of level of output.
2. **Increasing piece rate:** - in this method different rates are fixed for different levels of production. Higher rates are given when production increases beyond a certain level.
3. **Decreasing piece rate:-** in this method the rate per unit decreases with increase in output. Re 1 per unit may be allowed up to a production of hundred units, 0.9p per unit for production between 101-150 units, 0.85p per unit for an output beyond 150 units and so on This method discourage workers from rising their output because netter efforts are rewarded at lower piece rates.

**Meaning**

**Wages:** payment to labour engaged directly in production is called wages.

**Salaries:** Is the remuneration for the quantum of services rendered by person whose our out is difficult to be measured such as, remuneration paid to clerical or managerial or supervisory staff.

**Types of wages-**

1. **Living wages-** According to Justice Higgins “ during wage is a wage sufficient to ensure the workman food, shelter, clothing frugal comfort, provision for evil days etc. as regard for the skill of an artisan if he is one”.
2. **Minimum wages-** Means the payment to a workman which is first sufficient to cover the bare necessities of food, shelter & clothing for himself and his family and to maintain his work efficiency. Minimum wage in a country is fixed by the government in consultation with business organization and trade unions.
3. **Fair wage-** A fair wage is something more than the minimum wages. Fair wage is a mean between the living wage & the minimum wage. The lower limit of fair wage must obviously be the minimum wage.

The fair wages depends upon the following factors-

1. Minimum wages
2. Capacity of the industry to pay
3. Prevailing rates of wages in the same similar occupation in the same or neighboring localities.
4. productivity of labour
5. Level of national income and its distribution
6. The place of the industry in the economy of the country.

**Objectives-** The wage and salary administration tries to achieve following objectives-

1. To establish a fair remuneration
2. To attract competent personnel.
3. To retain the present employees
4. To improve productivity
5. To control costs
6. Job sequences and lines
7. To improve union management relations
8. To improve public image of the company.

**Factors Influencing wage & salary structure and Administration:**

A sound wage policy must be adopted to establish a fair differential in wages based upon differences in job contents.

1. Supply and Demand
2. Prevailing market rates
3. Organizations capacity to pay
4. Productivity
5. Job requirements
6. Bargaining power of trade union
7. Other factors.

**Principles of wage & salary Administration-**

**B.B.A. II Sem.**

**Subject: Human Resource Management**

1. There should be a definite plan for determination of wage & salary.
2. Variation in wage rate should be justified according to job requirements.
3. There should be principle of equal pay for equal work.
4. The general level of wages and salary should be according to the prevailing rates in market.
5. Every worker should be well informed about his position his job requirements and wage structure.
6. The wage should be sufficient enough to ensure a reasonable standard of living.
7. There should be flexibility in wage & salary structure.

### **INCENTIVE COMPENSATION SYSTEM**

**Meaning of incentive Plans:** Incentives are monetary benefits paid to workers in recognition of their outstanding performance.

According to the National commission on labour "Wage incentives are extra financial motivation. They are designed to stimulate human effort by rewarding the person over and above the time rated remuneration for improvements in present or targeted results.

#### **Objectives:**

Wages incentive scheme aim at the fulfillment of following objectives.

1. To improve the profit of a firm through a reduction in the unit costs of labour and materials or both.
2. To avoid or minimize additional capital investment for the expansion of production capacity.
3. To increase a worker's earning without dragging the firm into a higher wage rate structure regardless of productivity.
4. To use wage incentives as a useful tool for securing a better utilization of manpower.

#### **Characteristics**

1. Minimum wages are guaranteed to all workers.
2. An incentive plan may consist of both monetary and non monetary elements.
3. For successful incentives plan, the essentials are timing, accuracy and frequency of incentives.
4. The incentive plan requires that it should be properly communicated to the workers to encourage individual performance.

#### **Merits of the Incentive system:-**

1. Incentive system is a healthy way to strengthen the productive front of the industry.
2. Employers as well as workers, both are at advantage.
3. Incentive system reduces the burden of heavy supervisory costs.
4. It has been found that the cases of absenteeism are comparatively lower than in other system of wage payment.
5. It develops healthy industrial relations and reduces chances of disputes between the workers and the employers.
6. Incentives system provides better scope for developing human ingenuity.
7. Incentive system develops the feeling co-operation among the workers.

#### **Demerits**

1. If there is no ceiling on incentive earnings, some workers may work overtime and spoil their health.
2. For maximizing the output, quality may be sacrificed unless a strict check is maintained.
3. Once an incentive plan is introduced, management may face still resistance from workers while revising standards and rates due to changes in technology, methods, machinery and materials.
4. Workers may disregard safety regulations in order to produce more.
5. Introduction and administration of incentive plans requires additional cost and time of clerical staff.
6. Sometimes, production flow may be disrupted due to the fault of management. In that case, workers, may insist on compensation.
7. Peer jealousy and conflicts may arise if some workers earn more than other.

#### **Essential of a good Incentive Plan:-**

1. Suitable climate
2. Workers Participation
3. Simplicity
4. Just and Equitable
5. Organization and method studies

**B.B.A. II Sem.**

**Subject: Human Resource Management**

6. Scientifically set standards.
7. Minimum guaranteed wages.
8. No upper limit
9. Economical
10. Stability
11. Comprehensive coverage
12. Conducive to workers health & welfare.
13. Prompt payment
14. Grievance Machinery
15. Follow up

**Types of Incentive payments**

Organization can opt for an effective incentive plan from the various alternatives available.

1. piece rate:- This incentive is given to the employees based on the number of units produced.
2. Commission: It is given to employees on a pre-established goal or criterion.
3. Bonuses: Bonuses are given to employees on a pre-established goal or criterion.
4. Merit Rises:- Merit rises are given on the basis of predetermined policies.
5. Standard hour pay: - Provides incentives to employees based on the time saved by them during the job course.
6. Maturity Curves:- Considers the experience and performance of an employee for giving out the incentives.
7. Gain sharing: - Plans undertake those employees who give outstanding performance and provide for cost saving measures.
8. Profit sharing: - Incentive plans are practiced in retail and FMCG sectors. It refers to giving out the share of profits, the organization earned to all the employees.

**PERQUISITES**

The term “perquisites” is often colloquially to refer to those benefits of a more discretionary nature. Perquisites are also called ‘perk’. These are those benefits that are provided to executives above and beyond the benefits provided to all other employees. Generally executive perquisites include office space, parking \, cell phones, annual medical checking, company car, club membership, first class air travel, employment contracts, legal and financial services, change in control agreements, special.

**List of perquisites**

1. Employment contracts
2. Retirement plans
3. Control-agreements: Change-in-control agreement also known as “Golden Parachutes”, provide the executive with protection against the risk of losing their employment if the company is acquired.
4. Life-insurance plans: Companies offer executive additional life insurance coverage as a perquisite, beyond the company group plan.
5. relocation packages
6. make whole or leave behind payments
7. leave travel concession (LIC)
8. Free medical facilities etc.

## UNIT-V

### **Administration of Employee Welfare**

Employee welfare is related to well-being of the employee. It is a comprehensive term which includes various services, benefits and facilities offered to employees.

According to the committee on labour Welfare (1969) "such services, facilities and amenities as adequate canteen, rest and recreation facilities. Sanitary and from work and for the accommodation of workers employed at a distance from their homes and such other services, amenities and facilities, including social security measures as contribute to improve the conditions under which workers are employed.

labour welfare has two aspects negative and positive. On the negative side, labour welfare is concerned with counteracting the baneful effects of the large-scale industrial system of production- especially capitalistic, as far as India is concerned.

On its positive side, it deals with the provision of opportunities for the worker and his/her family for good life.

### **Administration of welfare involves decision on**

- i. Welfare policy

**B.B.A. II Sem.**

**Subject: Human Resource Management**

- ii. Organization of welfare
- iii. Assessment of effectiveness

**Characteristics of Employee Welfare-**

1. Comprehensive Term
2. Dynamic Concept
3. Origin
4. Accepted as social right & Responsibility
5. Additional benefit
6. Provided by Various Agencies
7. Part of Social Welfare
8. Both Voluntary and Statutory
9. Individual and Group Services

**Importance of Employee Welfare-**

It safeguards individual economy and has great impact and influence on industries development.

1. removal of negative Effects
2. Improve Family life
3. In the interest of larger society
4. Improve morale, loyalty and productivity
5. Improve physical and mental health
6. Improve hiring process
7. Help remove social evils
8. Establishes industrial peace
9. Raise goodwill
10. Voluntary efforts reduce the threat of further Govt. Intervention.

**Types of Welfare Facilities**

1. Conditions and comforts of work environment
2. Conveniences
3. Health services
4. Women and child welfare
5. Recreation
6. Economic services
7. Domestic and employment guidance
8. Worker's education
9. Labour-management joint programmes services to elderly and retires employees
10. Services to elderly and retired employees

A part from these there is many more which are known as (Extramural facilities). Mentioned below-

1. Housing
2. Waste disposal
3. Banks, transport, schools, post office
4. Health and Medical services
5. Recreation games, clubs
6. Watch & ward: Security
7. Community Leadership development
8. Co-operative, consumer & credit societies
9. Leave travel holiday homes, vocational training

**Safety**

Industrial safety or employee safety refers to the protection or workers from the danger of health hazards caused by poorly maintained equipment, unsafe machinery, exposure to hazardous chemicals and other

**B.B.A. II Sem.**

**Subject: Human Resource Management**

potential injuries which include loss of hearing eye sight.

**Types of safety & Health Hazards-**

- |                         |                          |
|-------------------------|--------------------------|
| 1. Injuries             | 6. Environment Hazards   |
| 2. Equipment Hazards    | 7. Atmospheric Hazards   |
| 3. Fire Hazards         | 8. Physiological Hazards |
| 4. Chemical Hazards     | 9. Occupational Hazards  |
| 5. Biographical Hazards |                          |

**Need & Importance of Safety**

- |                       |  |
|-----------------------|--|
| 1. Altruism           | 7. To reduce accidents   |
| 2. Injuries & illness | 8. To promote teamwork   |
| 3. Savings            | 9. To promote productively & quality of work                   |
| 4. Penalties & fines  | 10. To increase the concentration and confidence of employees. |
| 5. Moral obligation   |  |
| 6. Promote well-being |  |

**Essential Pre-requisites of a Grievance Procedure**

- Conformity with statutory provisions
- Unambiguity
- Simplicity
- Promptness in handling the grievance
- Training the supervisors and union representatives
- Follow up for making necessary changes from time to time for improved working.

**Steps in Grievance Procedure**

- Identification of grievance by the management
- Management should define the problem properly and accurately after identification
- Data collection should be complete by all the parties
- Analysis and solution to the problems should be developed
- Prompt Redressal
- Implementation and follow up should be fast

**Safety provisions under the factories act**

The factories act, 1948 lays down the following safety provisions-

- Fencing of machinery
- Work on or near machinery in motion (Sec 22)
- Prohibiting young person's on dangerous machine (Sec 23)
- Striking gear and devices for cutting off power (Sec 24)
- Self-acting machines (Sec 25)
- Casing of new machinery (Sec 26)
- Prohibiting women and children near cotton openers (Sec 27)
- Hoist and lifts (Sec 28)
- Lifting machines, chains and ropes (Sec 29)
- Revolving Machinery (Sec 30 and so on).

**Key Principles of a Total safety Culture-**

- All employees should be given through training in safety methods
- Safety should be internally, not externally, driven
- Don't count on common sense for safety improvement
- Safety incentive programmes should focus on process rather than outcomes
- On-the-job observation and interpersonal feedback are key to total safety culture

**B.B.A. II Sem.**

**Subject: Human Resource Management**

6. Behavior is directly by activators and motivated by consequences.

### **HR Grievance**

Every employee has certain expectations which he thinks must be fulfilled by the organization he is working for. When an employee feels that something is unfair in the organization, he is said to have a grievance. According to Jucius : A Grievance is "any discontent or dissatisfaction, whether valid or not, arising out of anything connected with the company which an employee thinks, believes or even feels to be unfair, unjust or inequitable."

#### **Features:**

- A) A grievance refers to any form of discontent dissatisfaction with any aspect of the organization.
- B) The dissatisfaction must arise out of employment and not due to personal or family problems.
- C) The discontent may arise out of real or imaginary reasons.
- D) The discontent may be voiced or unvoiced. But it must find expression in some form.

#### **Forms of Grievances:**

A grievance may take any one of the following forms

- a) **Factual:** A factual grievance arise when legitimate needs of employees remain unfulfilled e.g. Wage hike has been agreed but not implemented citing various reasons.
- b) **Imaginary:** When an employee's dissatisfaction is not because of any valid reason but because of a wrong protection, wrong attitude or wrong information he has.
- c) **Disguised:** When an employee may have dissatisfaction for reasons that are unknown to him.

#### **Causes:**

Grievance may occur for a number of reasons:

- a) **Economic:** Wage fixation, overtime, bonus, wage revision etc.
- b) **Work environment:** Poor physical conditions of workplace, tight production norms, defective tools and equipment, poor quality of material, unfair rules, lack of recognition etc.
- c) **Supervision:** Relates to the attitudes of the supervisor towards the employee.
- d) **Work group:** Employee is unable to adjust with his colleagues; suffers from feelings of neglect, humiliation etc.
- e) **Miscellaneous:** There include issues relating to certain violations in respect of promotions, safety methods, transfer, disciplinary rules, fines, granting leave, medical facilities etc.

#### **Effects:**

Grievance, if not indentified and redressed , may adversely affect woekers, managers and the organizations as a whole.

#### **The effects are:**

- A) On production include:
  - Low quality of production.
  - Low quality of production and productivity.
  - Increase in the wastage of material, spoilage of machinery.
  - Increase in the cost of production per unit.
- B) On the employees:
  - Increases the rate of absenteeism and turnover.
  - Reduces the level of commitment, sincerity and punctuality.
  - Increase the incidence of accidents.
  - Educes the level of employee morale.
- C) On the managers:
  - Strains the superior-subordinate relations.
  - Increase the degree of supervision, control and follow up.
  - Increases in indiscipline cases.
  - Increase in unrest and thereby machinery to maintain industrial place.

**B.B.A. II Sem.**

**Subject: Human Resource Management**

**Need for a Grievance handling procedure:**

- a) The management can know the employee's feelings and opinions about the company's policies and practices.
- b) The employee gets a chance to ventilate his feelings through grievance handling procedure.
- c) It keeps a check on the supervisor's attitude and behavior towards their subordinates.
- d) The morale of the employees will be high with the existence of proper grievance handling procedure.

**Solutions to Grievance:**

- 1) Observation: done by manager.
- 2) Grievance procedure; should be systematic in order to highlight employee dissatisfaction at various levels.
- 3) Grip boxes: by placing complaint boxes in the factory or working places.
- 4) Open door policy: i.e. a walk-in-meeting with the manager, to express employee feelings openly.
- 5) Exit interview: it is conducted in order to find the real reason for employee leaving the job.
- 6) Opinion surveys: Surveys may be conducted periodically to elicit the opinions of employees about the organization and its policies.

**Fringe Benefits**

Employees are paid several benefits in addition to wages, salary, allowances and bonus. These benefits and services are called 'fringe benefits' because these are offered by the employer as a fringe. Employees of the organization are provided several benefits and services by the employer to maintain and promote employee's favorable attitude towards the work and work environment. It not only increases their morale but also motivate them. These provided benefits and services forms the part of salary and are generally refereed as fringe benefits.

**According to D. Belcher**, "Fringe benefits are any wage cost not directly connected with the employees productive effort, performance, service or sacrifice".

According to Werther and Davis, "Fringe embrace a broad range of benefits and services that employees receive as part of their total compensation, packagepay or direct compensation and is based on critical job factors and performance".

According to Cockman, "Employee benefits are those benefits which are supplied by an employer to or for the benefits of an employee and which are not in the form of wages, salaries and time rated payments". These are indirect compensation as they are extended condition of employment and are not related to performance directly.

**Kinds of Fringe Benefits**

The various organizations in India offers fringe benefits that may be categorized as follows:

- 1) Old Age and Retirement Benefits** - these include provident fund schemes, pension schemes, gratuity and medical benefits which are provided to employee after their retirement and during old age as a sense of security about their old age.
- 2) Workman's Compensation** - these benefits are provided to employee if they are got ignored or die under the working conditions and the sole responsibility is of the employer.
- 3) Employee Security**- Regular wage and salary is given to employee that gives a feeling of security. Other than this compensation is also given if there is lay-off or retrenchment in an organization.
- 4) Payment for Time Not Worked** – Under this category of benefits, a worker is provided payment for the work that has been performed by him during holidays and also for the work done during odd shifts. Compensatory holidays for the same number in the same month are given if the worker has not availed weekly holidays.
- 5) Safety and Health** – Under this benefit workers are provided conditions and requirements regarding working condition with a view to provide safe working environment. Safety and Health measures are also taken care of in order to protect the employees against unhealthy working conditions and accidents.
- 6) Health Benefits** – Employees are also provided medical services like hospital facility, clinical facility by the organization.

**B.B.A. II Sem.**

**Subject: Human Resource Management**

### **UNIT-VI**

#### **HR Audit**

“Extending the general meaning of auditing to the field of personnel management, personnel auditing may be defined as the analysis and evaluation of personnel policies, procedures and practices to determine the effectiveness of personnel/human resource management in an organization.”

#### **Objectives of Personnel Audit**

- 1) To review the whole organizational system of human resource practices, i.e. acquiring, developing.
- 2) To evaluate the effectiveness of various personnel policies and practices.
- 3) To identify shortcoming in the implementation of human resource practices in the organization.
- 4) To modify the existing human resource practices to meet the challenges of personnel/HRM.

#### **Area wise and Level-wise scopes of personnel audit as follows:**

- |                           |                            |
|---------------------------|----------------------------|
| 1) Planning               | 4) Motivation & Commitment |
| 2) Staffing & Development | 5) Administration          |
| 3) Organizing             | 6) Research & Innovation   |

#### **Need for Personnel Audit**

- 1) Increasing size of the organization & personnel in several organizations.
- 2) Changing philosophy of management towards human resources.
- 3) Increasing strength & influence of trade unions.
- 4) Changing human resources management philosophy and thereby personnel policies & practices throughout the world.
- 5) Increasing dependence of the organization on the human resources system & its effective functioning.

#### **Benefits**

- 1) Identifies the contribution of the HR department.
- 2) Improves the professional image of HR department.
- 3) Encourages greater responsibility & professionalization among members of HR department.
- 4) Classifies the HR departments' duties & responsibilities.
- 5) Stimulates uniformity of personnel policies & practices.
- 6) Find critical personnel problems.
- 7) Reduce human resource cost.

#### **HR Audit Process**

The process of personnel audit consist identifying, indicators, indexes, statistical ratios & gross numbers in some cases and examining the variations in a time frame in comparison with a similar previous corresponding period.

#### **Types of Audit**

- 1) Internal Audit
- 2) External Audit

#### **Parts of Audit Report**

- 1) Table of contents
- 2) Preface
- 3) Statement of the objectives, methodology, scope & techniques used.
- 4) A synopsis containing the summery & conclusion of the audit that has been carries out.
- 5) Clear & in-depth analysis of the data & information.
- 6) Evaluation
- 7) Appendix
- 8) Bibliography

#### **360 Degree Feedback programme:**

**Definition:** 360-degree feedback is a feedback process where not just your superior but your peers and direct reports and sometimes even customers evaluate you. You receive an analysis of how you perceive yourself and how others perceive you.

**Benefits of 360-degree feedback:**

To the individual:

> This helps the person understand his or her own personality from an outsider's perspective > Development needs are revealed

To the team:

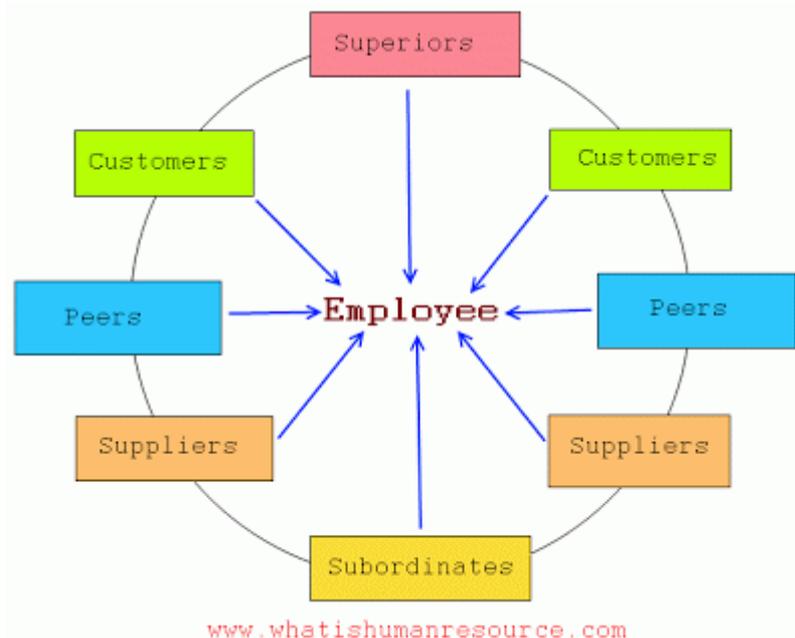
> Increases communication between team members > Supports teamwork by involving team members in the development process

To the organization:

> Better career development for employees > Improves customer service by having customers contribute to evaluation > Drives training

However, should 360-degree feedback be linked to performance appraisals? Prevailing thought says that 360-degree feedback and performance appraisals should not be linked. If it is linked to compensation decisions, it may lose its power as a tool for development. The thinking is that when compensation is the outcome, individuals will quickly learn how to play the game of "I'll scratch your back, if you scratch mine."

Further, if people do not get satisfactory ratings, morale can decrease when 360 is linked to performance appraisal mode. But when 360 is used purely for development, low scores tend to be viewed as constructive feedback.



**WHO ARE THE STAKEHOLDERS IN DOING 360-DEGREE ASSESSMENT?**

360 degree respondents for an employee can be his/her peers, managers (i.e. superior), subordinates, team members, customers, suppliers/ vendors - anyone who comes into contact with the employee and can provide valuable insights and information or feedback regarding the "on-the-job" performance of the employee.

**360 degree appraisal has four integral components:**

1. **Self appraisal**
2. **Superior's appraisal**
3. **Subordinate's appraisal**
4. **Peer appraisal.**

**Self-appraisal** gives a chance to the employee to look at his/her strengths and weaknesses, his achievements, and judge his own performance. Superior's appraisal forms the traditional part of the 360 degree appraisal where the employees' responsibilities and actual performance is rated by the superior.

**Subordinates appraisal** gives a chance to judge the employee on the parameters like communication and

**B.B.A. II Sem.**

**Subject: Human Resource Management**

motivating abilities, superior's ability to delegate the work, leadership qualities etc. Also known as internal customers, the correct feedback given by peers can help to find employees' abilities to work in a team, co-operation and sensitivity towards others.

**Self-assessment** is an indispensable part of 360 degree appraisals and therefore 360 degree Performance appraisal have high employee involvement and also have the strongest impact on behavior and performance. It provides a "360-degree review" of the employees' performance and is considered to be one of the most credible performance appraisal methods.

360 degree appraisal is also a powerful developmental tool because when conducted at regular intervals (say yearly) it helps to keep a track of the changes others' perceptions about the employees. A 360 degree appraisal is generally found more suitable for the managers as it helps to assess their leadership and managing styles. This technique is being effectively used across the globe for performance appraisals. Some of the organizations following it are Wipro, Infosys, and Reliance Industries etc.

#### **Advantages of 360 degree appraisal**

- Offer a more comprehensive view towards the performance of employees.
- Improve credibility of performance appraisal.
- Such colleague's feedback will help strengthen self-development.
- Increases responsibilities of employees to their customers.
- The mix of ideas can give a more accurate assessment.
- Opinions gathered from lots of staff are sure to be more persuasive.
- Not only manager should make assessments on its staff performance but other colleagues should do, too.
- People who undervalue themselves are often motivated by feedback from others.
- If more staff takes part in the process of performance appraisal, the organizational culture of the company will become more honest.

#### **Disadvantages of 360 degree appraisal**

- Taking a lot of time, and being complex in administration
- Extension of exchange feedback can cause troubles and tensions to several staff.
- There is requirement for training and important effort in order to achieve efficient working.
- It will be very hard to figure out the results.
- Feedback can be useless if it is not carefully and smoothly dealt.
- Can impose an environment of suspicion if the information is not openly and honestly managed.

#### **Who should conduct 360 degree performance appraisal?**

- Subordinates.
- Peers.
- Managers (i.e. superior).
- Team members.
- Customers.
- Suppliers/ vendors.
- Anyone who comes into contact with the employee and can provide valuable insights and information.

#### **HR Accounting :**

Human Resource Accounting is the process of assigning, budgeting, and reporting the cost of human resources incurred in an organization, including wages and salaries and training expenses.

Human Resource Accounting is the activity of knowing the cost invested for employees towards their recruitment, training them, payment of salaries & other benefits paid and in return knowing their contribution to organisation towards its profitability.

**The American Accounting Association's Committee** on Human Resource Accounting (1973) has defined Human Resource Accounting as "the process of identifying and measuring data about human resources and communicating this information to interested parties". HRA, thus, not only involves measurement of all the costs/ investments associated with the recruitment, placement, training and development of employees, but also the quantification of the economic value of the people in an organisation.

Flamholtz (1971) too has offered a similar definition for HRA. They define HRA as "the measurement and reporting of the cost and value of people in organizational resources".

### **CONCEPT OF HUMAN RESOURCE ACCOUNTING**

Human Resource Accounting (HRA) is a new branch of accounting. It is based on the traditional concept that all expenditure of human capital formation is treated as a charge against the revenue of the period as it does not create any physical asset. But now a day this concept has changed and the cost incurred on any asset (as human resources) should be capitalised as it yields benefits measurable in monetary terms.

Human Resource Accounting means accounting for people as the organisational resources. It is the measurement of the cost and value of people to organisations. It involves measuring costs incurred by private firms and public sectors to recruit, select, hire, train and develop employees and judge their economic value to the organisation.

### **According to Likert (1971), HRA serves the following purposes in an organisation:**

- It furnishes cost/value information for making management decisions about acquiring, allocating, developing, and maintaining human resources in order to attain cost-effectiveness;
- It allows management personnel to monitor effectively the use of human resources;
- It provides a sound and effective basis of human asset control, that is, whether the asset is appreciated, depleted or conserved;
- It helps in the development of management principles by classifying the financial consequences of various practices.

### **Meaning**

Human resource accounting is an attempt to identify and report investments made in the human resources of an organisation that are not presently accounted for under conventional accounting practice. Basically, it is an information system that tells the management what changes overtime are occurring to the human resources of the business, and of the cost and value of the human factor to the organisation. The system may serve both the internal and external users, providing management (internal users) with relevant data on which to base recruiting, training and other development decisions and supplying investors, lenders and other external users of financial statement with information concerning the investment in and utilisation of human resources in the organisation.

Accounting is a man-made art and its principles and procedures have been evolved over a long period to aid business in reporting for the management and public. Of the four factors of production, viz., man, money, material and land, the last three of them are amenable to conventional accounting, but the first one, i.e., the human resource has not been subject to such accounting. Over the last two decades the idea of accounting for human resources is gaining active consideration.

Much of the work on accounting for human resources focused primarily on development or validation of HRA concepts. The traditional practice of treating all expenditure on human capital formation as an immediate charge against income is not consistent with the treatment accorded to comparable outlays in physical capital. The American Accounting Association strongly criticised the practice of assigning a Zero value to an asset and stated that 'Costs should be capitalised when they are incurred in order to yield future benefits and when such benefits can be measured.'

Management of any concern continuously strives hard for obtaining maximum efficiency. In order to measure the effectiveness of any firm the normal method is to examine financial statements. These

**B.B.A. II Sem.**

**Subject: Human Resource Management**

statements include balance sheets in which physical assets such as cash accounts receivables, inventory and plant are recorded. These statements normally do not mention the productive capacity of the workers or goodwill of the company.

HRA is the art of valuing, recording and presenting systematically the work of human resources in the books of accounts of an organisation. Thus, it is primarily an information system, which informs the management about the changes that are taking place in the human resource of an organisation.

### **DEFINITIONS**

“Human Resource Accounting is the process of identifying and measuring data about human resources and communicating this information to interested parties.”

- American Accounting Society Committee on HRA

“Human Resource Accounting is an attempt to identify and report investments made in human resources of an organisation that are presently not accounted for in conventional accounting practice. Basically it is an information system that tells the management what changes over time are occurring to the human resource in the business.”

- Woodruff

“A term used to describe a variety of proposals that seek to report and emphasize the importance of human resources – knowledgeable, trained and loyal employees in a company earning process and total assets.”

- Davidson and Roman L Weel

“Human resource accounting is the measurement of the cost and value of the people for the organisation.”

- Eric Flamholtz of university of California, Los Angeles

### **Objectives of HR Accounting**

The objective of HRA is not merely the recognition of the value of all resources used by the organisation, but it also includes the management of human resource which will ultimately enhance the quantity and quality of goods and services. The main objectives of HR Accounting system are as follows:

1. To furnish cost value information for making proper and effective management decisions about acquiring, allocating, developing and maintaining human resources in order to achieve cost effective organisational objectives.
2. To monitor effectively the use of human resources by the management.
3. To have an analysis of the human assets i.e. whether such assets are conserved, depleted or appreciated.
4. To aid in the development of management principles. and proper decision making for the future by classifying financial consequences of various practices.
5. In all, it facilitates valuation of human resources recording the valuation in the books of account and disclosure of the information in the financial statement.
6. It helps the organisation in decision making in the following areas:

Direct Recruitment vs. promotion, transfer vs. retention, retrenchment vs. retention, impact on budgetary controls of human relations and organisational behaviour, decision on reallocation of plants closing down existing units and developing overseas subsidiaries etc.

### **Advantages of HR Accounting**

Human Resource Planning anticipates not only the required kind and number of employees but also determines the action plan. The major benefits of HR accounting are:

- It checks the corporate plan of the organisation. The corporate plan aiming for expansion, diversification, changes in technological growth etc. has to be worked out with the availability of human resources for such placements or key positions. If such manpower is not likely to be available, HR accounting suggests modification of the entire corporate plan.

**B.B.A. II Sem.**

**Subject: Human Resource Management**

- It offsets uncertainty and change, as it enables the organisation to have the right person for the right job at the right time and place.
- It provides scope for advancement and development of employees by effective training and development.
- It helps individual employee to aspire for promotion and better benefits.
- It aims to see that the human involvement in the organisation is not wasted and brings high returns to the organisation.
- It helps to take steps to improve employee contribution in the form of increased productivity.
- It provides different methods of testing to be used, interview techniques to be adopted in the selection process based on the level of skill, qualifications and experience of future human resources.
- It can foresee the change in value, aptitude and attitude of human resources and accordingly change the techniques of interpersonal management

**Performance Appraisal:**

The performance appraisal is the process of assessing employee performance by way of comparing present performance with already established standards which have been already communicated to employees, subsequently providing feedback to employees about their performance level for the purpose of improving their performance as needed by the organisation.

As said above the very purpose of performance appraisal is to know performance of employee, subsequently to decide whether training is needed to particular employee or to give promotion with additional pay hike. performance appraisal is the tool for determining whether employee is to be promoted, demoted or sacked ( remove ) in case of very poor performance and no scope for improvement.

Every corporate sector uses performance appraisal as a tool for knowing about the employee and take decisions about particular employee. for the purpose of performance appraisal of employees there are different methods under the category of traditional methods and modern methods which are discussed in following chapters.

**What is Performance?**

What does the term performance actually mean? Employees are performing well when they are productive. Productivity implies both concern for effectiveness and efficiency, effectiveness refers to goal accomplishment. However it does not speak of the costs incurred in reaching the goal. That is where efficiency comes in. Efficiency evaluates the ratio of inputs consumed to outputs achieved. The greater the output for a given input, the greater the efficiency. It is not desirable to have objective measures of productivity such as hard data on effectiveness, number of units produced, or percent of crimes solved etc and hard data on efficiency (average cost per unit or ratio of sales volume to number of calls made etc.).

In addition to productivity as measured in terms of effectiveness and efficiency, performance also includes personnel data such as measures of accidents, turnover, absences, and tardiness. That is a good employee is one who not only performs well in terms of productivity but also minimizes problems for the organisation by being to work on time, by not missing days, and by minimizing the number of work-related accidents.

**What is Appraisal?**

Appraisals are judgments of the characteristics, traits and performance of others. On the basis of these judgments we assess the worth or value of others and identify what is good or bad. In industry performance appraisal is a systematic evaluation of employees by supervisors. Employees also wish to know their position in the organization. Appraisals are essential for making many administrative decisions: selection, training, promotion, transfer, wage and salary administration etc. Besides they aid in personnel research.

Performance Appraisal thus is a systematic and objective way of judging the relative worth of ability of an employee in performing his task. Performance appraisal helps to identify those who are performing their assigned tasks well and those who are not and the reasons for such performance.

**B.B.A. II Sem.**

**Subject: Human Resource Management**

**Definitions:**

Performance appraisal has been defined by different scholars in various ways. Some of the important definitions are as follows:

**Dale S. Beach, "Performance appraisal is systematic evaluation of the individual with respect to his or her performance on the job and his or her potential for development".**

Randall S. Schuler, "Performance appraisal is a formal, structured system of measuring and evaluating an employees job, related behaviour and outcomes to discover how and why the employee is presently performing on the job and how the employee can perform more effectively in the future so that the employee, organisation, and society all benefit."

Heyel, "It is the process of evaluating the performance and qualifications of the employees in terms of the requirements of the job for which he is employed, for purposes of administration including placement, selection for promotions, providing financial rewards and other actions which require differential treatment among the members of a group as distinguished from actions affecting all members equally."

Dale Yoder, "Performance appraisal includes all formal procedures used to evaluate personalities and contributions and potentials of group members in a working organisation. It is a continuous process to secure information necessary for making correct and objective decisions on employees."

Performance appraisal from employee point of view - "A performance appraisal is meant to help employees realise their strengths and shortcomings and receive a compensation accordingly."

**How often should appraisals take place?**

Performance appraisal in any organisation will be done at a specific period, like annually or half yearly or quarterly or maybe regularly. It all depends upon the nature or size of the organisation, and sometimes necessity of the managers decide the period of performance appraisal of their employees. Most of organisations are insisting employee appraisal should be a continuous process and should not be limited to a formal review once a year. The frequency of formal appraisals will depend on the nature of the organization and on the objectives of the system. For example, in a high technology organisation objectives may be changing quickly so that formal appraisals may need to be carried out more than once a year. In an environment which is less subject to change, annual appraisals may be sufficient. Most employees receive a formal appraisal annually, although more frequent appraisals are often needed for new employees, for longer serving staff who have moved to new posts or for those who are below acceptable performance standards.

Adobe Systems, U.S based software company has abolished annual performance appraisal system of its employees. Instead company management has introduced regular feedback method for reviewing regular performance of its employees rather than waiting till year ending for performance review. Company managers feel regular feedback will improve the performance of employees as they come to know their regular performance, further managers are considering these regular feedback in the matter of salary hikes and promotions.

**Performance Appraisal Techniques:**

The techniques of appraisal have been divided into two categories: The modern and the traditional techniques. While the traditional methods base their findings on the personality traits of an individual like creativity, responsibility, and leadership, the modern techniques laid more stress on the evaluation of work results.

**Traditional methods:**

**1. Confidential report:** It is used for promotion and transfer of an employee and is prepared by the immediate superior who describes in detail the strength and weaknesses along with major achievements and failures of the employee. The personality and behavior of the employee also find mention in this report.

**B.B.A. II Sem.**

**Subject: Human Resource Management**

**2. Essay or free form method:** As the name suggests the appraiser write a short essay detailing the performance of the employee. It is a very time consuming method and is prone to bias as specific performance dimensions are not considered. The quality of appraisal also depends on the writing skills of the appraiser. It is also difficult to compare two Essay appraisals as there is no common criterion for the appraiser.

**3. Strayed ranking method:** This is the old and simplest method of performance appraisal. In this method ranks are assigned relatively to all the employees working in the same unit and doing the same job without analyzing their performance. The method is biased as the ranking is not based on the specific performance measures of a job. It can be cumbersome if the number of employees is very large. The other limitations of this method are that it only tells how an employee stands in comparison with other employees.

**4. Forced distribution method:** In this method the evaluator is required to distribute his rating in the form of normal frequency distribution. Employees are shown in categories that range from poor to excellent by the evaluator. This method was evolved by Joseph Tiffin but it also suffers from certain limitations as the performance criteria related to a job are not used and the reasons for assigning a category to particular employee are not clear.

**5. Graphic or linear rating scale:** In this method a numerical scale is used which indicates different degrees to a particular trait. These traits can be initiative dependability creativity attitude loyalty emotional stability and co-ordination. The evaluator gives a particular ranking on each trait to every employee. Two types of rating scales are used: Continuous and discontinues. In first type degree of a trait is measure along a continuum like 0 1 2 3. In discontinues rating scale boxes are used to show the different degrees of the traits like (I) no interest (II) indifferent (III) Interesting (IV) enthusiastic (V) very enthusiastic.

**6. Critical incident method:** This method was developed after a research by the armed forces of United States of the 2nd world war. It is based on a principal that there are some significant acts in the behavior and performance of every employee which can lead to the success or failure on the job. The supervisor keeps a record of these events which can be good or bad and also records the behavior of the employee during such an event. The ratings of the employee depend on the positive or negative behavior during these events. This method also has certain limitations like it is cumbersome and time consuming and a lot of important information is lost while coating the incident after a considerable gap of time. Continuous record keeping is also not possible as such events keep on happening frequently. The bias by the supervisor in reporting these incidents can also not be ruled out completely.

**7. Group appraisal method:** Employees are rated by a group of people comprising the immediate supervisor of the employee and other supervisor who have the knowledge of the employee work along with the concerned head of the department and a personnel expert. This group determines the standards and then measures the actual performance of the employee. It suggests creative measures after analyzing the causes of poor performance. Though it is a time consuming method, it is free from bias.

### **Modern Methods:**

**1. Assessment centre method:** This method was used for the first time in 1930 by the German army and then in 1960's by the British army. This method tests a candidate in different social situations using a number of assessors and procedures. The performance of an employee and also his potential for a new job is evaluated in this method by assessing his performance on job related simulations. Characteristics that the concerned managers feel are important for the success of a particular job are included in these simulations. Techniques like business games role playing and in basket exercises are used in this method. The employees are evaluated individually as well as collectively on job related characteristics. Personal interview and projective tests help in assessing the motivation, career orientation and dependence on others of an employee. To measure the intellectual capacity written tests are used. The evaluators in this method consist of experienced managers working at different levels who prepare a summary report for the management as well as for the employees. This technique usually measures the planning ability interpersonal skills and organizational skills of an employee.

**2. Human Resource Accounting Method:** Human resources are a valuable asset for any organization and it can be valued in monetary terms. This method evaluates the performance of an employee in terms of costs and contributions. HR costs include expenses incurred on HR planning recruitment selection induction and

**B.B.A. II Sem.**

**Subject: Human Resource Management**

training. The difference between this costs and the contribution by an employee reflects the performance of that employee. This method is still developing hence is not very popular at present.

**3. Behaviorally anchored rating scale (BARS):** This method combines the graphic rating scale and the critical incident method. It determines in advance the critical areas of the performance and the most effective behavior to achieve the results. Then the actual job behavior of an employee is evaluated against the predetermined behavior.

The following steps are used for constructing BARS.

1. Supervisor and other persons well acquainted with a job are asked to described specific critical incidence of effective performance behavior
2. Then these persons categorized the incidents into sets of performance dimensions and each set is then defined.
3. These people then reallocate the original critical incidents. They are given the cluster definition and critical incidents and are asked to re-design each incident to the dimensions that describes it the best. A critical incidents is retain only a some percentage that is usually between 50 – 80 percent of this group assigns the incidents to the same cluster as was done by the earlier group.
4. The second group then rates each incident on a 7 – 9 point scale where the rating is done on the basis of how well the behavior described in the incidents represented the performance on the appropriate dimensions.
5. A sub set of incidents is used as behavior anchors for the performance dimensions.

**4 Appraisal through management by objectives (MBO):** This concept was introduced by Peter Drucker in 1954 who named it management by objectives and self control. It is an effective way it is also known as goal setting approach to appraisal .In this process the supervisor and subordinate members jointly identify the common goals of the organization and set the areas of the responsibility of each individual in terms of results expected from that person. These measures are use for operating the unit as well as for appraising the performance of the employees.

**5 The 360 degree appraisal:** The 360 degree method of performance appraisal is used to make the appraisal process more transparent, objective and participative. It introduced the concepts of self appraisal subordinates appraisal, peer appraisal and appraisal by customers. It is called a 360 degree method because it involves the evaluation of an employee by persons above him, below him and alongside him. Structured questionnaires are used to collect information from the seniors, subordinates and peers. The employee to be evaluated thus acquires a central position and everyone around him participates in the appraisal process in the 360 degree method. The following four are the main components of 360 degree appraisal :

**Self appraisal:** It allows an employee complete freedom in accessing his or her strengths objectively and identifying the areas of development. The employees get a chance to share the development areas with their seniors based on their self appraisal and jointly worked out a plan in tune with the organizational realities like the availability of resources and time. It also gives a chance to the employee to express his career plans which is in the interest of the organization as it knows beforehand the aspirations of its employee.

**Appraisal by superiors:** An appraisal by superiors involves providing constructive, feedback about the performance of any employee as well as his development areas during the review period. It helps in setting goals for the employees that help in achieve the organizational goals and improve the performance of the employee. The career aspirations of an employee are also put in proper prospective.

**Appraisal by subordinates:** This is a unique feature of the 360 degree method of appraisal. As the subordinates play an important role in the performance of the employee. The feedback by the subordinates gives firsthand account of how they look at their superior in terms of working style. The capability of a superior in motivating, delegating the work, building a team and communicating with them effectively form the basis of appraisal by the subordinates.

**B.B.A. II Sem.**

**Subject: Human Resource Management**

**Peer appraisal:** It also plays an important role in 360 degree appraisal as the role of peers is quite important in life of an employee. Selecting the right peers is very important and peers from the departments that are directly related with the department of the employee should also be included. It mainly focuses on feedback about the style of functioning of the employee under review and can also include his ability to work as team leader besides his co-operation and collaboration.

**Potential appraisal:** It is different from performance appraisal as it refers to the abilities of the employees that are not being used at the time of appraisal. It searches for the latent abilities of the employee in discharging higher responsibilities in future. The potential of the employees is judged on the basis of his present performance, personality traits, past experience and age and qualification. It also looks at the unused skills and knowledge of an employee. It aims at informing the employee their future prospectus and helps the organization in drawing your suitable successions plan. It also requires updating the training efforts regularly and advised the employees on things which they can do to improve their career prospectus.