

Compulsory Generic Core Course

203 Human Resource Management

Unit 1 – Human Resource Management: Concept and Challenges

Introduction:-

Human resources means the people. In simple words, HRM is a process of making the efficient and effective use of human resources so that the set goals are achieved. HRM can be defined as a process of procuring, developing and maintaining competent human resources in the organisation so that the goals of an organisation are achieved in an effective and efficient manner. In short, HRM is an art of managing people at work in such a manner that they give their best to the organisation for achieving its set goals.

Objectives:

1. To help the organisation to attain its goals effectively and efficiently by providing competent and motivated employees.
2. To utilize the available human resources effectively.
3. To increase to the fullest the employee's job satisfaction and self-actualisation.
4. To help maintain ethical policies and behaviour inside and outside the organisation.
5. To establish and maintain cordial relations between employees and management.

Scope:

The scope of HRM is, indeed, very vast and wide. It includes all activities starting from manpower planning till employee leaves the organisation. Accordingly, the scope of HRM consists of acquisition, development, maintenance/retention, and control of human resources in the organization

- **Human Resources Planning:** Human resource planning is a process by which the company to identify the number of jobs vacant, whether the company has excess staff or shortage of staff and to deal with this excess or shortage.
- **Job Analysis Design:** Job analysis gives a detailed explanation about each and every job in the company.

- Recruitment and Selection: Company prepares advertisements and publishes them in the news papers. A number of applications are received after the advertisement is published, interviews are conducted and the right employee is selected.
- Orientation and Induction: Once the employees have been selected an induction or orientation program is conducted. The employees are informed about the background of the company
- Training and Development: Every employee goes under training program which helps him to put up a better performance on the job.
- Performance Appraisal: HR department checks the performance of the employee. Based on these appraisal future promotions, incentives, increments in salary are decided.
- Compensation Planning and Remuneration: There are various rules regarding compensation and other benefits.
- Motivation, Welfare, Health and Safety: Motivation becomes important to sustain the number of employees in the company.
- Industrial Relations: Another important area of HRM is maintaining co-ordinal relations with the union Members.

Features OF HRM :-

Universal Force - HRM is a function that applies across every type of organization there is. For example, a two-person operation needs some level of HRM, as does a 500-employee operation. Universality is a core feature of HRM.

Decision Oriented: - Data gathering is relatively easy in today's world. However, what gets done with that data is essential. Therefore, a crucial feature of HRM is to crunch data and provide a wealth of accurate, helpful information.

Having the facts greatly facilitates decision-making. In many cases, this means looking into the future and analyzing potential outcomes before they happen.

Focus on Individual needs and Aspirations: - Having a plan as a whole is vital for any team. But, equally important is to keep individual goals in focus. A smart thing to do for smooth HRM is to take the time to meet individual employees and see if they are happy.

Binding Force of an Organisation :-HRM works as a bond between people and organization.

Role of HRM:-

Communication: -Human resources play a critical role in managing the workplace environment. They are the first responders for any workplace-related issues among employees. Effective communication makes it easier for employees to work for a single objective, the company's success. It is the role of the human resource department to promote better communication among individuals in the company.

Creating HR Strategy:- HR strategy is a long-term plan that focuses on workforce planning and development. This goes beyond traditional HR functions that are mainly involved in reviewing candidates, creating a census, and signing up employees for benefits. HR strategy is more forward-looking and involves aligning employee qualifications with the company's workforce needs.

Service Roles:- Personnel function provides personnel services. These services constitute the main activities carried out by personnel department, like payroll, disciplinary actions, etc, and involve the implementation of the policies and procedures described above.

Counselling:- HRM serves as counselling role by knowing people's concerns, issues and grievances. And try to solve them and help them.

Importance of HRM :-

- Productive Recruitment
- Employee Training
- Streamlining the on boarding Process
- Conflict resolving within a system
- Helps an individual to work in a team/group
- Better relations between union and management

Policies and practices of HRM :-

1. Safe, healthy and happy workplace

Creating a safe, healthy and happy workplace ensures that employees feel at home and stay with the organization for a very long time. Capture their thoughts through frequent surveys.

2. Open book management style

Sharing information about contracts, sales, new clients, management objectives, company policies, employee personal data, etc. ensures that the workforce is as enthusiastic about the business as the management. It helps in making people interested in your strategic decisions, thus aligning them to your business objectives. Be as open as you can.

3. Performance linked bonuses

Awarding bonuses or including a variable component in compensation can be both an incentive and a disappointment based on how it is administered and communicated. Bonuses must be designed in such a way that employees understand that there is no payout unless the company hits a certain level of profitability.

4. 360 Degree performance management feedback system

This system, which solicits feedback from seniors (including the boss), peers, and subordinates, has been increasingly embraced as the best available method for collecting performance feedback. Every person in the team is responsible for giving relevant, positive and constructive feedback

5. Fair evaluation system

Develop an evaluation system that clearly links individual performance to corporate business goals and priorities. Each employee should have well-defined reporting relationships. Self-rating should be a part of the evaluation process as it empowers employees. Evaluation becomes fairer if it is based on achievements of the employee, tracked over the year.

6. Knowledge sharing

Adopt a systematic approach to ensure that knowledge management supports strategy. Store knowledge in databases to provide greater access to information posted either by the company or the employees on the knowledge portals of the company. When an employee returns after attending any competencies or skills development program, sharing essential knowledge with others could be made mandatory.

7. Highlight performers

Create profiles of top performers and make these visible through company intranet, display boards, etc. It will encourage others to put in their best, thereby creating a competitive environment within the company.

8. Open house discussions and feedback mechanism

Ideas rule the world. Great organizations recognize, nurture and execute great ideas. Employees are the biggest source of ideas. The only thing that can stop great ideas being implemented in your organization

is the lack of an appropriate mechanism to capture ideas. Open house discussions, employee-management meets, suggestion boxes can help identify and develop talent.

9. Rewards

Merely recognizing talent may not work, you need to couple it with public appreciation. Getting a cash bonus is often less significant than listening to the thunderous applause by colleagues in a public forum.

10. Delight employees with the unexpected

Last but not least, occasionally, delight your employees with unexpected things in the form of a reward, a gift or a certificate. Reward not only the top performers but also a few others who need to be motivated to exhibit their potential.

Functions OF HRM:-

Managerial –

- **Planning:** This function is very vital to set goals and objectives of an organization. The policies and procedures are laid down to achieve these goals. When it comes to planning the first thing is to foresee vacancies, set the job requirements and decide the recruitment sources. For every job group, a demand and supply forecast is to be made, this requires an HR manager to be aware of both job market and strategic goals of the company.
- **Organizing:** The next major managerial function is to develop and design the structure of the organization. It fundamentally includes the following:
 1. Employees are grouped into positions or activities they will be performing.
 2. Allocate different functions to different persons.
 3. Delegate authority as per the tasks and responsibilities that are assigned.
- **Directing:** This function is preordained to inspire and direct the employees to achieve the goals. This can be attained by having in place a proper planning of career of employees, various motivational methods and having friendly relations with the manpower.
- **Controlling:** This is concerned with the apprehension of activities as per plans, which was formulated on the basis of goals of the company. The controlling function ends the cycle and again prompts for planning. Here the HR Manager makes an examination of outcome achieved with the standards that were set in the planning stage to see if there are any deviations from the set standards. Hence any deviation can be corrected on the next cycle.

Operational –

- HR Acquisition - This is the most challenging task for any HR manager. A lot of attention and resources are required to draw, employ and hold the prospective employees. A lot of elements go into this function of recruitment, like developing a job description, publishing the job posting, sourcing the prospective candidates, interviewing, salary negotiations and making the job offer.
- Training and Development :- Training and Development: On the job training is the responsibility of the HR department. Fresher training may also be provided by some companies for both new hires and existing employees. This Fresher training is mainly done to make the employees up to date in their respective areas as required by the company. This function makes the employees understand the process and makes it easy for them to get on their jobs with much ease.
- Performance Appraisal: The employees of any organization will be evaluated by the HR department as per the performance. This function of Human Resource Management is to help the organization in finding out if the employee they have hired is moving towards the goals and objectives of the organization.
- Compensation and Benefits: A company can attain its goals and objectives if it can acclimatize to new ways of providing benefits to the employees. Some of the benefits given by companies are listed below for our understanding:
 1. Working hour flexibility
 2. Extended vacation
 3. Dental/Medical Insurance
 4. Maternal/Paternal Leave
 5. Education Reimbursement for children.
- Occupational Health and Safety:- Employees while on the work location expect safety. HRM 's function is to provide all health-related safety measures to employees.
- Integration and Maintain of Employee Relations: - Relation among employees should be healthy. It 'll be useful for increased productivity and efficiency of employees' is bound to integrate all employees efforts together and maintain the employees relations.

Challenges OF HRM:-

- Challenges due to Globalization - Globalization is a process by which a business firm or organization starts operating on an international scale, creating international influence. Internationalization of firms is obviously a Sign of Success but it is a challenge at the same time because globalization invites issues related to unknown language, laws, work ethics, attitudes, management approach, culture and tradition.

A human resource manager will need to deal with more heterogeneous functions such as scheduling meetings, holiday management, human resource outsourcing, etc to overcome the challenge.

- Skill Shortage - HR professionals need to figure out which skills are needed to achieve business success today (and in the future), and how to acquire and apply them in a timely manner. A skills gap analysis will help with the first part of that, and effective training strategies and tools will make the latter possible.
- Knowledge Management - Now a days, as people are getting diversified and technology acquainted ,their knowledge is increasing day by day.HRM's challenge is to use this knowledge in proper direction so that both individual and organization will be benefited.
- Challenges related to training - A planned execution of training programmes and managerial development programmes is required to be undertaken to sharpen and enhance the skills, and to develop knowledge of employees.
- Changing workforce dynamics - The composition of the workforce is getting diverse at present situation. Here diversity is not only created by age, gender, educational background and religion but also by the nature, personality and background of workers. With more diversification of workforce, issues related to bullying, harassment, discrimination, etc may arise, to control which HRM should formulate and implement strict rules and regulations.
- Changed employee expectations - Providing with wages and salaries to employees is not sufficient in today's world. The human resource manager should maintain proper emotional balance of employees. They should try to understand the attitude, requirements and feelings of employees, and motivate them whenever and wherever required.

- Talent Retention - In the current scenario, a major challenge for an organization is to retain its valuable and talented employees. The management can control the problem of employees quitting the organization within no time to a great extent but can't put a complete full stop to it.

Introduction To SHRM :-

Strategic human resource management (SHRM) is about the formulation of HR strategies in alignment with the overall corporate strategy to achieve the goals of the organization

➤ Definition by Gary Dessler :

“Strategic human resource management means formulating and executing human resource policies and practices that produce the employee competencies and behaviors that the company needs to achieve its strategic aim”

➤ Definition by R. S. Schuler :

“Strategic human resource management is concerned with all those activities that affect the behaviour of individuals in their efforts to formulate and implement the strategic needs of business.”

Importance OF SHRM ;-

- Helps in exploring Emerging Opportunities - It allows in the identification, prioritization and exploration of future opportunities. It assists in the development of core competencies and competitive advantage, that helps in the business survival and growth.
- Develops, manages, sustains skills and knowledge
- Provides Direction and future focus. - Strategic HRM refers to the overall direction the organisation wishes to pursue in achieving its objectives through people. Strategies are business-driven and focus on organisational effectiveness; thus in this perspective people are viewed primarily as resources to be managed toward the achievement of strategic business goals
- Enables firm to meet changing needs – SHRM encourages favorable attitude towards change.
- Enhances coordination – Represents framework for improved co-ordination and control.

Nature of SHRM:

- Long Term Focus
- Organisational Level: Because strategies involve decisions about key goals, major policies and the allocation of resources, they tend to be formulated at the top.
- Focus: Strategies are business-driven and focus on organisational effectiveness; thus in this perspective people are viewed primarily as resources to be managed toward the achievement of Strategic business goals.

HRM Models :-

1. Harvard Model –

Harvard Model- by Michael Beer

It is based on

- Stakeholder interest. These stakeholders include These interests define the HRM policies.
- situational factors influence these interests. Situational factors include workforce characteristics, unions, and all the other factors.
- Situational factors and stakeholder interest influence HRM policies. These include the core HR activities, like recruitment, training, and reward systems.
- When done well, HRM policies lead to positive HRM outcomes. These include the previously mentioned retention, cost-effectiveness, commitment, and competence.
- These positive HRM outcomes lead to long-term consequences. These can be individual, organizational, and societal

It has discussed

1. line managers have to accept more responsibility for ensuring the alignment of competitive strategy and HR policies.
2. The second point is that human resource in the organization should have a mission for fulfilling the objectives of the organization in a more coherent way(How HR policies are developed and implemented to achieve the objectives.
3. This model is composed of elements like mutual respect, mutual commitment, mutual responsibility and it relies with teamwork approach and certain elements in soft view of

HRM.

4. Emphasizing the utility and inter-relationships of those elements are so valid and reliable in achieving the objectives of HRM

2. **Matching Model of SHRM –**

- by Fombrun Devanna et.al – Strategic Human Resource Management “Matching Model”: Michigan model of HRM has originated from the writings of C. Fombrun, Noel Tichy and M./t. Devanna in Michigan school .

The model shows how activities within HRM can be unified and designed in order to support the organisations strategy.

It is divided into two parts: first which shows HR-strategy integration and second which depicts the HR cycle.

Important HR issues to achieve such a match:

- Selection of the most suitable people to meet business needs.
- Performance in the pursuit of business, objectives.
- Rewards for appropriate performance.
- Development of skills and knowledge required to meet business objectives

The main focus was on the four functions of HRM

1. Selection,
2. Appraisal,
3. Development
4. Reward

Matching model ensures way to achieve the organizational objectives is the applying of above five major functions of HRM very effectively.

The work and contribution of properly selected human resource has to be evaluated in using appropriate techniques.

Some kinds of rewards have to be offered on the basis of results of appraisal and the performances of employees.

According to matching model this process is totally dependent on the HRD procedures and programs of the organization.

It is believed that the whole of HRM is a cyclical process which every function is interdependent hence value of each function is very identical for acceding the organizational

objectives. In matching model, it tries to encapsulate all key functions of HRM and to utilize in a more comprehensive manner.

Unit 2 HR Acquisition and Retention

Human Resource Planning : -

Human Resource Planning (HRP) refers to the process of evaluation and identification of HR requirements for meeting organizational goals to ensure competitive advantage in the marketplace.

Definition :-

Bulla and Scott “Human resource planning is the process for ensuring that the human resource requirements of an organisation are identified and plans are made for satisfying those requirements.”

Wendell French “HR planning may be defined as the process of assessing the organization’s human resources needs in the light of organisational goals and making plans to ensure that a component, stable workforce is employed.”

Objectives:-

1. Assess Future Manpower Needs- Human resource planning helps the organization in identifying future manpower requirements for organizations. In view of organizational objectives to be achieved in the future, this process analyses the precise manpower required for the functioning of the organization. This process ensures the right number of peoples at the right time in an organization to derive requisite output.
2. Identify Manpower Gap- Identification of the gap between the manpower supply and manpower demand is a must for every organization. Human resource planning helps in finding out the surplus or deficit of employees in an organization. Accordingly, it makes a plan to overcome these gaps. In case of the deficit its plans for hiring new employees and in case of the surplus it reduces the number of employees by retirement, termination, layoff, etc.
3. Determination Of Training And Development Needs- Human resources planning aims at providing various training to all employees as per the requirement of market needs. These training and development programmes are meant for both new and existing employees. It focuses on updating and improving skills of manpower to derive the requisite productivity from them. This way it aims at the advancement of employees and serves the high skilled employees need of an organization.

4. Ensures Optimum Use Of Manpower- Human resource planning process helps in the full utilization of human resources. The right man at the right place is a must to achieve high productivity and efficiency. This process aims at providing job to individuals according to his knowledge, skills, and experience. Job positions are properly analyzed before deputing persons and it is checked whether a person is capable of delivering roles or not. This way Human resources planning ensures fuller utilization of human resources within the organization.
5. Meet Expansion And Diversification Needs- Expansion and diversification are activities that every organization needs to follow as they achieve progress over time. Human resource planning supports the organization in its various expansion, diversification, and modernization programs. It formulates plans for meeting the employee requirements as per the expansion plan. This ensures that skilled and knowledgeable people are available at the right time that is able to face the challenging job roles.
6. Estimates Human Resource Cost- Human resource planning controls the cost of human resources of an organization. It facilitates the preparation of the budget for meeting these expenses by estimating the cost of each and every human resource working in the organization. Formulation of appropriate budgets will ensure timely payment to employees and also avoids a shortage of funds.
7. Monitors Human Resource Performance- It monitors and controls the performance of employees from time to time. Human resource planning measures the actual performance of manpower with planned performance. If any deviations are found in performance it aims at removing them by taking appropriate corrective measures. It ensures whether human resources are performing as their defined roles and responsibilities. This way it helps in the achievement of organizational goals and objectives timely.

Importance Of HRP :-

1. It helps the organisation to cope with changes in competitive forces, markets, technology, products etc.
2. It anticipates redundancies of labour force and avoids unnecessary dismissals.
3. It is a continuous process concerned with planning and development of human resources.
4. It helps the organisation to function smoothly and successfully not only in the short-period but also in the long period.
5. It enables the organisation to cope with changes in competitive markets, market forces, technology, products etc.
6. Man-power planning is an essential component of strategic planning.

Human Resource Planning Process :-

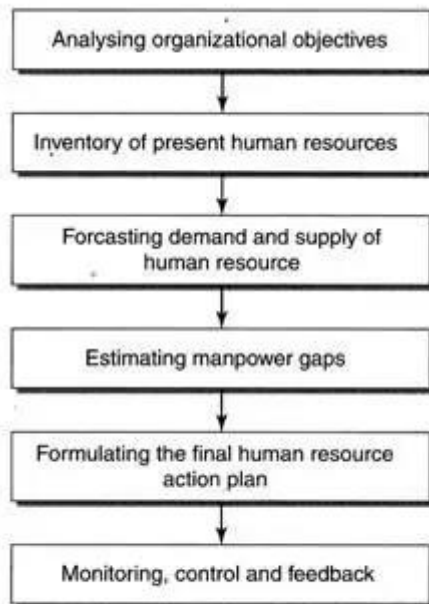


Fig. 5.3 Steps in Human Resource Planning

1. **Analysing Organizational Objectives:** The objective to be achieved in future in various fields such as production, marketing, finance, expansion and sales gives the idea about the work to be done in the organization.
2. **Inventory of Present Human Resources:** From the updated human resource information storage system, the current number of employees, their capacity, performance and potential can be analysed. To fill the various job requirements, the internal sources (i.e., employees from within the organization) and external sources (i.e., candidates from various placement agencies) can be estimated.
3. **Forecasting Demand and Supply of Human Resource:**
 4. The human resources required at different positions according to their job profile are to be
 5. estimated. The available internal and external sources to fulfill those requirements are also
 6. measured. There should be proper matching of job description and job specification of one
 7. particular work, and the profile of the person should be suitable to it.
8. **Estimating Manpower Gaps:**
9. Comparison of human resource demand and human resource supply will provide with the surplus or deficit of human resource. Deficit represents the number of people to be employed, whereas

surplus represents termination. Extensive use of proper training and development programme can be done to upgrade the skills of employees.

Formulating the Human Resource Action Plan:

The human resource plan depends on whether there is deficit or surplus in the organization.

Accordingly, the plan may be finalized either for new recruitment, training, interdepartmental transfer in case of deficit or termination, or voluntary retirement schemes and redeployment in case of surplus.

Monitoring, Control and Feedback:

It mainly involves implementation of the human resource action plan. Comparison between the human resource plan and its actual implementation is done to ensure the appropriate action and the availability of the required number of employees for various jobs.

Barriers to HRP: -

1. Lack of Overall Expertise: HR practitioners are perceived as experts in handling personnel matters, but are not experts in managing business.
2. Incompatible: HR information often is incompatible with other information used in strategy formulation.
3. Ineffective in Some Cases: Non-involvement of operating managers renders HRP ineffective. HRP is not strictly an HR department function.
4. Inaccuracy: HRP involves forecasting the demand and supply of personnel required. Its effectiveness depends upon accurate projection which are not cent per cent accurate.

Job Analysis Process

Job analysis is the systematic study of jobs to identify the observable work activities, tasks, and responsibilities associated with a particular job or group of jobs. It is the process of collecting information relating to the operations and responsibilities pertaining to a specific job.

Purpose of job analysis Job analysis is used in preparation of job descriptions and job specifications which help in the hiring of right personnel for the job. The general purpose of job analysis is to establish and document the requirements of a job. The aim of job analysis is to answer questions such as:-

- What is the purpose of the job?
- What physical and mental task does the job holder undertake?
- When is the job to be performed?
- Where is the job to be performed?
- What are the conditions required for the job to be performed?

Importance of Job Analysis

1. HR Planning : It is the foundation for forecasting demand for and supply of human resources in an organization.
2. Recruitment And Selection : Recruitment generates a pool of candidates who are willing to perform in the organization, whereas selection selects the best suited candidate out of the available candidates who are supposed to perform well in the organization.
3. Training And Development : By comparing knowledge and skill of current employees with the expected level of performance, the need of training and development requirement can be assessed.
4. Performance Appraisal : Job analysis helps in determining performance standards in critical parts of job.

Job Description

Job description is a written list of a job's duties, responsibilities, reporting relationships, working conditions, and supervisory responsibilities involved in a job.

Job description is an important document, which is descriptive in nature and contains the final statement of the job analysis. This description is very important for a successful recruitment process.

Job description provides information about the scope of job roles, responsibilities and the positioning of the job in the organization. And this data gives the employer and the organization a

clear idea of what an employee must do to meet the requirement of his job responsibilities.

Contents: -

- Job Title
- Job Location
- Job Summary
- Job Duties
- Equipments, Machines, Tools
- Relation To other Jobs
- Nature of Supervision
- Working Environment

Job Specification

A job specification defines the knowledge, skills and abilities that are required to perform a job in an organization. Job specification covers aspects like education, work-experience, managerial experience etc. which can help accomplish the goals related to the job. Job specification helps in the recruitment & selection process, evaluating the performance of employees and in their appraisal & promotion.

Job specification, along with job description, is actually derived from job analysis. Collectively, job specification and job description help in giving a overview of the job in terms of its title, position, roles, responsibilities, education, experience, workplace etc.

Contents :-

- Educational Qualification
- Experience
- Skills and Knowledge
- Personality traits and characteristics

Job Design

Job design is the process of establishing employees' roles and responsibilities and the systems and procedures that they should use or follow. The main purpose of job design, or redesign, is to coordinate and optimise work processes to create value and maximise performance.

However, it's also a central element in creating good quality jobs or 'good work' which benefit workers themselves as well as their employers.

Factors Affecting Job Design

- Organizational Factors –Can be work nature or characteristics, work flow, organizational practices.
- Environmental Factors :- These factors include both external as well as internal factors. They include factors like employee skills and abilities, their availability and their socio- economic and cultural projects.
- Behavioral Factors :- These factors are those pertain to the human need and that need to be satisfied for ensuring productivity at workplace. They include autonomy, feedback, diversity etc.

Recruitment

Recruitment process is a process of identifying the jobs vacancy, analyzing the job requirements, reviewing applications, screening, shortlisting and selecting the right candidate.

Edwin Flippo “ Recruitment is the process of searching for potential employees and stimulating them to apply for the jobs.”

Recruitment Process :-

- Recruitment Planning: - It starts with the determination of number of applicants and type of applicants to be contacted.
- Sources of Recruitment: - After the finalization of recruitment plan, applicants must be attracted to offer themselves for consideration to their employment. This necessitates the identification of sources from which these candidates can be attracted either internal or external.
- Contacting Sources :- Recruiter must decide the information which must be shared with the candidates.

- Application Pool :- whatever the method of recruitment is adopted, the ultimate objective is to attract as many candidates as possible so as to have flexibility In selection. An organization having better perceived image is able to attract more no. of applicants.
- Selection Process – Various applications received for a particular job are pooled together which become the basis for selection.
- Evaluation and Control – In any process, it is required to ensure that the process has gone well in the light of its stated objectives and goals.

Selection:-

Dale Yoder :

“Selection is the process in which candidates for employment are divided into two classes- those who are to be offered employment and those who are not.”

Induction:-

Induction is the process of welcoming, introducing and socializing the new entrants to the existing group of people. It is also called orientation programme. It is done to make the new employees feel welcome at the new workplace and with his senior employees. It helps overcome a ‘reality shock’.

Reality shock is experienced by the new employees when there is a gap between his/her expectations and the real situation. It facilitates interaction amongst employees and helps them to get to know each other and develop a better inter personal relationship and rapport with colleagues.

According to R.P. Billimoria, “Induction is a technique by which a new employee is rehabilitated into the changed surroundings and introduced to the practices, policies and purposes of the organization”.

Career planning:-

Career planning is a step-wise process which enables an individual to focus on where to want to be in life professionally. With the short-term goal and the long-term goals in place, career planning can help to plan their journey in their professional life. Career planning is the process of enhancing an employee’s future value. A career plan is an individual’s choice of occupation, organization and career path.

Career Planning Process :-

1. Individual Needs and Aspirations – When an individual joins an organization as an employee, he does it to satisfy his own needs and fulfill his aspirations. Career planning meant for an individual should aim at providing such satisfaction.
2. Organizational Needs and Opportunities: - While going through career planning process, the organization is concerned with own needs and opportunities that it can provide to individual employees. If organization prepares its long-term human resource plan, it will come to know what kind of opportunities it can provide to employees.
3. Assessment of Individual strengths and weaknesses: - There is a need for objective assessment of individual strengths and weaknesses in light of organizational needs and opportunities. Strengths should be assessed both in terms of present and potential in terms of learnability and motivation to learn.
4. Placement on Career Path :- Placing an individual on a career path indicates how the individual will progress to those positions. This placing is essentially determined by the alignment of individual needs, his strengths, weaknesses and organizational opportunities.
5. Review of Career Plans :- A periodic review of career plans is necessary to know whether the career plans are contributing to the effective utilization of human resources by matching employee needs and job needs.

Succession Planning: -

Definition: Succession Planning is defined as the systematic process of recognizing and creating future leaders who are able to take the position of the old ones when they leave the organization due to retirement, resignation, termination, transfer, promotion or death.

Importance of Succession Planning :-

- Availability of Employees for Key Roles - Effective business succession planning increases the number of skilled people who are prepared to take up key positions according to their availability. As senior executives retire or senior management positions become vacant owing to the departure of important officers, leadership positions are readily replaced.
- Retention of Experienced Employees - It reduces the risk of experienced employees leaving. They have been in the system for many years and have adapted to the organisation's culture. Hence, they are valuable assets to the company. With effective succession planning, organisations can reduce the need for an external search for competent successors for specific positions.

- Reduction in Expenditure - It also reduces the amount of time and money spent seeking new employees to fill top management roles in the firm. Since suitable internal candidates have already been identified and trained, there will not be a need of recruiting from outside the organisation, inducting them and providing them with the needed training and development.
- Boosts Morale -Individuals feel motivated and increase their productivity if they see a career path that has some growth for them.

Succession Planning Process: -

1. Identifying Key Business Areas and Positions: First and foremost, the key business areas are identified, i.e. the areas which are significant with respect to the operational activities and strategic objectives. After that, those positions are identified which if vacant can cause difficulty in achieving business objectives.
2. Ascertaining Competencies for Key areas and positions: Next, you need to determine the required competencies for key business areas and position, in order to create the selection criteria, establish performance standards and fill the difference between what the viable successors know and what they need to know, through the training and development process. It determines the knowledge, skills, ability and experience required to achieve business goals.
3. Find out the interested and potential candidates and assess them as per the competencies: After competency is analysed, the next step is to identify among various employees working in the organization, who are interested as well as they have the capability to fill key business areas and positions. The Human Resource Manager discusses future career plans and interests with the candidates and identifies the potential successors who are ready to replace the old ones and can be trained and developed for future contingencies.
4. Develop and Implement Succession Strategies: Strategies for learning, training, development, knowledge transfer, experience sharing is developed and implemented for potential successors.
5. Evaluate Effectiveness: The last step to the succession planning process is to evaluate the succession planning and management, to ensure that all the key business areas and positions are covered under the succession planning. Further, it also ensures that in case of any sudden vacancies in future, key positions can be filled as soon as possible and the successors perform effectively when they hold the position.

Transfer: -

Transfer implies movement of an employee from one job to another without /with any increase in pay, status or responsibilities.

Definition According to Dale Yoder “A transfer involves the shifting of an employee from one job to another without special reference to change in responsibilities or compensation”.

Promotion means advancement in terms of job designation, salary and benefits.

According to Prof. Khanka,

Promotion is vertical movement of an employee within the organization.

In other words, promotion refers to the upward movement of an employee from one job to another higher one, with increase in salary, status and responsibilities.

Retention Of Employees: -

Employee retention refers to the ability of an organization to retain its employees.

Retention is defined as the process by which a company ensures that its employees don't quit their jobs. Every company and industry has a varying retention rate, which indicates the percentage of employees who remained with the organization during a fixed period.

Unit 3 Managing Employee Performance and Training

Performance Appraisal -

Meaning: Performance appraisal is a process of evaluation and employees' performance of a job in the terms of requirements. Performance means the degree of accomplishment of the task which is assigned to the individual. In other words, performance appraisal gives us an idea about the completion of job. In every field, the technique of performance appraisal is applied e.g. bankers evaluate the performance of their creditors or loan holders, teachers evaluate the performance of students or parents evaluate the behavior of their children.

Objectives:-

- To effect promotions based on competence and performance.
- To Assess the training and development needs of employees.
- To decide upon a pay raise.
- To improve communication.
- To determine whether HR programmes have been effective or not.

Importance Of Performance Appraisal :-

1. Improving Performance - An effective appraisal system can contribute to competitive advantage by improving employee job performance in two ways - by directing employee behavior towards organisational goals and by monitoring that behavior to ensure that the goals are met .
2. Marking Correct Decisions- Appraisal is a critical input in making decisions on such issues as pay raise , promotion , transfer , training , discharges and completion of probationary periods . Right decision on each of these can contribute to competitive strength of a firm . If promotion , for example made on performance , the promotee feels motivated to enhance his or her performance .
3. Ensuring Legal Compliance :- Promotions made on factors other than performance might land up a firm in legal battle , thus diverting its focus on non - productive areas .Companies can minimize costly performance - related litigation by using appraisal systems that give fair and accurate ratings.
4. Minimizing Job Dissatisfaction and Turnover: - Fair and accurate appraisal results in high motivation and increased job satisfaction. An organization having satisfied and motivated employees will have an edge over its competitors.

5. Values and behavior: - An organization needs a strategy consistent with the behaviour of its employees if it were to realize its goals. People engage themselves in behaviors that they perceive will be rewarded. They tend to occupy themselves more with those activities on which organization emphasizes. For example, if the focus is on service, employees will behave in ways that rewards associated with service delivery. If the focus is on rewarding productivity, employees will strive for productivity. The performance appraisal becomes not only a means of knowing if the employees behaviour is consistent with the overall strategic focus, but also a way of bringing to the fore any negative consequence of the strategy - behaviour fit .
6. Organisational Strategy and Performance Appraisal :- The performance appraisal system serves many organisational objectives and goals . Besides encouraging high level performance , the evaluation system is useful in identifying employees with potential , rewarding performance equitably , and determining employees needs for development . These are all the activities that should support the organization's strategic orientation.

Performance Appraisal Process : -

1. Objectives Of Performance Appraisal:- Promotions, transfer, training needs, awarding pay increases.
2. Establish Job expectations: - It includes informing the employee what is expected from him or her on job. Normally ,a discussion is held with the superior to review the major duties contained in the job description. Individuals should not be expected to begin the job until they understand what is expected from them.
3. Design an appraisal Programme :- Includes many factors such as 1) Formal vs informal appraisal 2) Whose performance is to be assessed 3) Who are the raters 4) What problems are encountered 5) How to solve the problems 6) What should be evaluated 7) When to evaluate 8) What methods of appraisal are to be used ?
4. Appraise the Performance: - We need to measure the perform not mere activities. What then is performance? Performance is essentially what an employee does or does not do. Employee performance common to most jobs include the following elements:
5. Quantity of output :- Quality of output, Timeliness of output, Presence at work, Cooperativeness_

6. In addition to these, other elements that deserve assessment, are job knowledge, leadership abilities, judgement, supervision , versatility and health . Assessment should also include one's potential to perform and not just actual performance.
7. Performance Interview :- Performance interview is another step in the appraisal process .Once appraisal has been made of employees , the raters should discuss and review the performance with the ratees so that they will receive feedback about where they stand in the eyes of superiors .Feedback is necessary to bring improvement in performance, specially when it is inadequate.
8. Archive Appraisal Data: - Organisations need to archive or store the appraisal data so that at any point in future , the information can be retrieved and used . For example, if an employee has been told that he or she was not promoted because of below average performance and he or she would be considered favorably for a jump in status and remuneration provided the performance improves . The HR manager should have those details to convince the employee concerned when he or she joins issue with the management on matters relating to promotion. Other issues such as pay hike, confirmation of probationary services , affirmative actions and the like deserve reference to the past information . Archiving appraisal data is not just desirable but essential too.
9. Use of Appraisal Data:- The final step in the evaluation process is the use of evaluation data . The data and information generated through performance evaluation must be used by the HR department . It may be recollected that the most significant rewards employers offer to employees are :-
 1. Money to purchase goods and services required not only for current and future survival but also for the luxuries modern life has to offer .
 2. The opportunity to use innate and learned skills and talents in a productive manner that the individual and his or her managers and co - workers recognise as valuable .
 3. Opportunities to interact with other people in a favourable working environment
 4. Opportunities to learn , grow , and make full use of their potential .

Appraisal Methods: -

1. **Rating Scale**: - It's the most popular technique for appraising employee performance. The typical rating scale system consists of several numerical scales, each representing a job related performance criterion such as dependability, initiative, output, attendance ,attitude-operation and the like. Each scale ranges from excellent to poor.

Advantages – Adaptability, relatively easy use and low cost. A large no. of employees can be evaluated in a short time and the rater does not need any training to use the scale.

- 2. Checklists:** - In this system, a large number of statements that describe a specific job are given. Each statement has a weight or scale value attached to it. While rating an employee the supervisor checks all those statements that most closely describe the behavior of the individual under assessment. The rating sheet is then scored by averaging the weights of all the statements checked by the rater. A checklist is constructed for each job by having persons who are quite familiar with the jobs. These statements are then categorized by the judges and weights are assigned to the statements in accordance with the value attached by the judges.

Advantages of Checklists

- i. Most frequently used method in evaluation of the employee's performance.

Limitations of Checklists:-

- i This method is very expensive and time consuming .
- ii Rater may be biased in distinguishing the positive and negative questions.
- iii It becomes difficult for the manager to assemble, analyze and weigh a number of statements about the employees characteristics, contributions and behavior.

- 3. Forced Choice/Distribution Appraisal:** - This is a ranking technique where raters are required to allocate a certain percentage of rates to certain categories (eg: superior, above average, average) or percentiles (eg: top 10 percent, bottom 20 percent etc). Both the number of categories and percentage of employees to be allotted to each category are a function of performance appraisal design and format. The workers of outstanding merit may be placed at top 10 percent of the scale, the rest may be placed as 20 % good, 40 % outstanding, 20 % fair and 10 % fair.

Advantages of Forced Distribution: -

- i. This method tends to eliminate rater's bias
- ii. By forcing the distribution according to pre-determined percentages, the problem of making use of different raters with different scales is avoided.

Limitations of Forced Distribution: -

- i. The limitation of using this method in salary administration, however, is that it may lead low morale, low productivity and high absenteeism.
- ii. Employees who feel that they are productive, but find themselves in lower grade(than expected) feel frustrated and exhibit over a period of time reluctance to work.

4. **Critical Incident techniques** :- Under this method, the manager prepares lists of statements of very effective and ineffective behaviour of an employee. These critical incidents or events represent the outstanding or poor behaviour of employees or the job. The manager maintains logs of each employee, whereby he periodically records critical incidents of the workers behaviour. At the end of the rating period, these recorded critical incidents are used in the evaluation of the worker's performance. Example of a good critical incident of a Customer Relations Officer is : March 12 - The Officer patiently attended to a customer's complaint. He was very polite and prompt in attending the customers problem.

Advantages of Critical Incident techniques

- i. This method provides an objective basis for conducting a thorough discussion of an employee's performance.
- ii. This method avoids recency bias (most recent incidents are too much emphasized)

Limitations of Critical Incident techniques

- i. Negative incidents may be more noticeable than positive incidents.
- ii. The supervisors have a tendency to unload a series of complaints about the incidents during an annual performance review session.
- iii. It results in very close supervision which may not be liked by an employee.
- iv. The recording of incidents may be a chore for the manager concerned, who may be too busy or may forget to do it.

5. **BARS** : A BARS can be developed in following steps.

- Collecting samples of effective and ineffective job behavior from the experts by analyzing the critical incident method
- Converting these samples into performance dimension
- Relocating the performance dimension (from unacceptable to outstanding)
- Rating the performance dimension accordingly, starting from 1.
- Finally, using the scale anchor to evaluate employee's performance.

6. **Field Review Method**: - This is an appraisal done by someone outside employee's own department ,usually from corporate or HR department.

Advantages of Field Review Method

- i. Useful for managerial level promotions, when comparable information is needed.

Disadvantages of Field Review Method

- i. Outsider is generally not familiar with employees work environment.
 - ii. Observation of actual behaviors' not possible.
7. **Tests and Observations:** - Employee assessment may be based upon a test of knowledge or skills. The test may be of the paper and pencil variety or an actual demonstration of skills. The test must be reliable and validated to be useful. In order for the test to be job related, observations should be made under circumstances likely to be encountered.
 8. **ACRS:** – Confidential records are maintained mostly in government departments, though its application in the industry is not ruled out. A typical Confidential Report (ACR) shall have items like attendance, leadership, ability to work with others, initiative, integrity etc.
 9. **Essay:** - Here, rater must describe the employee within a number of broad categories such as raters overall impression of the employee's performance, the promotability of employee, the strengths and weaknesses of employees etc. It is extremely useful in filling information gaps about the employees that often occur in the better structured checklist method.
 10. **Cost Accounting:** - This method evaluates performance from the monetary returns the employee yields to his company. A relationship is established between the cost included in keeping the employee and the benefit the firm derives from him or her.
 11. **MBO:** - It is a strategic management model that aims to improve the performance of an organization by clearly defining objectives that are agreed to by both management and employees. As per this method, more attention is given towards responsibility, accountability and achievement of goals.
 12. **360 Degree:** - 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.
 13. **Psychological Appraisal:** - It focuses on individual's future potential and not actual performance. Industrial psychologists are employed for conducting the appraisal.
 14. **Assessment Centers:-** Mainly used for executive hiring, assessment centers are now being used for evaluating purpose. It's a central location where managers may come together to have their participation in job related exercises evaluated by trained observers.

Performance Management :-

Performance management is the process of continuous feedback and communication between managers and their employees to ensure the achievement of the strategic objectives of the organization.

Purpose :-

- 1) To provide meaningful, ongoing feedback
- 2) To encourage teamwork, collaboration and communication.

A performance management system looks at the present and the future of an employee's position with the organization and provides ways for employees to do better in their role with the future in mind. Performance management can be defined as "all activities which enable staff to perform to the best of their abilities." Performance management can mean everything from HR's activities in choosing the right candidates, to giving staff access to training and courses to build core competencies, to assigning a mentor that will give feedback, and more.

In contrast to performance appraisals, performance management is an ongoing process of evaluating employee performance and providing constructive criticism to encourage and support the progress of staff toward organizational goals.

Training and Development: -

Training - Refers to the process of imparting specific skills, abilities and knowledge to an employee.

Development - Refers to learning opportunities designed to help employees grow.

Dale S. Beach. : "Training is the organized procedure by which people learn knowledge and / or skill for a definite purpose."

▪ Michael J. Jucius. : "Training is a process by which the aptitudes, skills and abilities of employees to perform specific jobs are increased."

Scope

- 1) In problem solving skill
- 2) Human Relations skill
- 3) Managerial and supervisory Skill
- 4) Particular skill

Objectives: -

- 1) Enhancing Employee Performance
- 2) Updating Employee skill
- 3) Gaining Organizational skills
- 4) Preparing for Promotion and Managerial Successions

Role of Training in Organizations

- 1) Increased Productivity
- 2) Performing Better Leaders
- 3) Reduced Cost
- 4) Reduction in Supervision
- 5) Improved Quality of Service and Products

Training Process:-

1) Training Need Assessment –

A systematic approach to TNA is required for training to be effective.

Organization – The organizational analysis consists of considering how training can help to attain organizational goals and where in the organization training is needed.

Task :- The task analysis focuses on what the employee must learn in order to perform well in the job and thus what the training should cover.

Person – Person analysis identifies who, in the organization, will need training and for what purpose.

2) Training Content -

Objectives Of Training: - Objectives of the training should be clear for both employees and employer.

Training Methods: - Training methods means by which we intend to communicate information, ideas, skills, attitudes and feelings to learners. It depends on the organization which training method does an organization adopts.

Designing Training Content - Designing training content includes ADDIE (Analysis, Design, Develop, Implement and Evaluate)

- Analyse – It includes evaluating learner characteristics and the tasks to be learned.
- Design - A training plan has to be designed.
- Develop - The develop phase basically fleshes out all the previous content built in the prior two phases (analysis and design) into a complete learning solution. The final output is the training courseware – the content as well as the media to be used for loading the content.
- Implement – All steps in training should be designed in such a way that not much is left to imagination.’ Train the trainers ‘should be designed and conducted and an invigorating learning environment should be engendered. Training should then be conducted the way it was planned to be.
- Evaluate - Evaluation can be defined to be a systematic determination of the attainment of objectives set out for each sub process of the training design process. Evaluation will be checking whether learners have achieved the learning objective or not.

3) Training Delivery: -

Who will be the trainer: As per the skill and knowledge required for effective training; it should be decided upon who will conduct the training program. It can be a supervisor, university faculty, Industrialist, HR staff,

consultants, etc.

Who needs to be trained: It is to be decided who all needs to be trained to fill the learning gap. It can be on the basis of self-motivation, recommendation by supervisors or HR department itself.

Training Methods: Trainer should have complete information about the participants and their profile so that he can choose the learning methods that best suits their requirements. The training content is prepared based on the specific areas that need development.

Training Evaluation:-

- Reaction - Reaction refers to the attitude of employees about the training, whether the employee considers training to be a positive or negative one. If the reaction is positive, then people have accepted the program, and changes will be possible.
- Learning- Another method of judging effectiveness is to identify levels of learning, i.e., how much the people have learned during the training. This can be found out by trainers mark sheet, the report submitted by the employee, and actual performance.
- Behavior- The HR department needs to understand the behavior of the employees, to understand the effectiveness of training. The behavioral change can be seen in how the person interacts with juniors, peer groups, and seniors. They mark the behavior change and inform the HR department of the success of the training program.
- Result- Results provided by the employee in monetary terms also determine the effectiveness of the training program, i.e., employee success in handling the project, the group performance before and after training, etc

Types Of Training: -

- **On the Job Training** :- On the job training is concerned with developing employees in the present job. It involves assignment of the new employee to a specific job at a machine or workplace in the shop, office, or laboratory. The worker is trained while he is engaged in the work by utilizing the actual work situation for the purpose
- **Apprenticeship**: - On the job training is concerned with developing employees in the present job. It involves assignment of the new employee to a specific job at a machine or workplace in the shop, office, or laboratory. The worker is trained while he is engaged in the work by utilizing the actual work situation for the purpose.

It combines classroom instructions, demonstrations and on-the-job training. A trainee has to work in

direct association and under the direct supervision of his masters. Learning is by imitation and experience.

- **Coaching Training by Supervisors:** The fresh employee is trained by the supervisor, who familiarizes him with the input and outputs of the work and techniques of operation of equipment etc. The supervisor guides and instructs or supervise the employee, whenever needed. The employee has also opportunity of remaining doubts. The method develops good relationship between worker and supervisor. The method proves to be ineffective, if the supervisor is incompetent and does not take interest in the training.
- **Job Rotation Method :** It is broad-based training, wherein the employee has to rotate from one job to other, from one department to other department, from are work to other work, or from one section to other section, so that he may learn the working of various departments.

It is the movement of the trainee from one job to another. The trainee receives job knowledge and gains experience from his supervisor or trainer in each of the different job assignments.

- **Off – the Job Training:** Vestibule Training: New workers are trained for specific jobs and special machines or equipment are provided in a separate location, near the actual place of work under practical work situation. Here more emphasis is on teaching the best method than on production. Trainees have an opportunity to get accustomed to work routine and recover from their initial nervousness before going on to the actual job
- **Simulation:-** Its an attempt to create a realistic decision making environment for the trainee. Simulation present likely problem situations and decision alternatives to the trainee. For eg. Activities of an organization may be simulated an d the trainee may be asked to take decision in support of these activities.
- **Role Playing:** Under this method of training practical Knowledge of the work is imparted through assigning notes of manager, supervisor, worker, customer etc. The employee learns how to deal with the complexities of interdependence and interaction involved in different roles.

The trainees act out a given role as they would in a stage play. Role players are informed of a situation about the respective roles that they have to play

- **Conference and Seminar:** The seminars and conference may be arranged to achieve the training purpose. Under this method, a particular topic is followed by discussion and exchange of view under a chairman, who sums up the discussion by his fruitful advices and comments.
- **Brain Storming:** Through collective analysis process we can solve all the business problem. A group



of people from various fields are invited to put forward their ideas, Knowledge, and experience. In other words, the training is imported by pooling of collective Knowledge and experience of trainees.

Evaluation of Training Program

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

Kirkpatrick Training Evaluation Model :-The Kirkpatrick Four-Level Training Evaluation Model is designed to objectively measure the effectiveness of training. The model was created by Donald Kirkpatrick in 1959, with several revisions.

Level 1 Reaction measures how participants react to the training (e.g., satisfaction?).

Level 2 Learning analyzes if they truly understood the training (e.g., increase in knowledge, skills or experience?)

Level 3 Behavior looks at if they are utilizing what they learned at work (e.g., change in behaviors?), and

Level 4 Results determines if the material had a positive impact on the business / organization.

Unit 4 Compensation Management

Concept: -

The term compensation means money and other benefits received by employee for providing services to his employer. It is the result of agreement between the employer and employee, whereby for a specified work or service, rendered by the employee, the employer agrees to pay a specified sum of money.

Terry Leap : “Compensation is a board term pertaining to financial rewards received by persons through their employment relationship with an organisation.”

R. Wayne Mondy : “Compensation is the total of all rewards provided to employees in return for their services. The overall purposes of providing compensation are to attract, retain and motive employees.”

Objectives: -

1. To attract competent and qualified persons towards organization by offering fair wage and incentive.
2. To retain present employees by paying competitive remuneration.
3. To establish fair and equitable remuneration so as to avoid pay disparities.
4. To improve production, productivity and profitability of the organization.
5. To minimise un-necessary expenditure and to control cost through a device of internal check and establishment of standard.
6. To improve and maintain good human relation between employer and employee through a process of payment of bonus, profit sharing and other fringes benefit.
7. To enhance the name and fame of the company through a proper system of wage payment.
8. To ensure prompt and regular payment of wage and salary to all the employees.

Importance Of Compensation Management: -

- To increase job efficiency
- To increase job satisfaction.
- To create talent pool.
- It is essential for integrating employee efforts with organizational goals and objectives.

COMPENSATION MANAGEMENT PROCESS

1. **Organizations Strategy** - Companies operating in different types of market/product having varying level of maturity, adopt different strategies and matching compensation strategy and blend of different compensation methods.
2. **Compensation Policy** - Compensation policy is derived from organizational strategy and its policy on overall human resource management. In order to make compensation management to work effectively, the organization should clearly specify its compensation policy, which must include the basis for determining base compensation, incentives and benefits and various types of perquisites to various levels of employees. The policy should be linked with the organizational philosophy on human resources and strategy. Besides, many external factors which impinge on the policy must also be taken care of. 13
3. **Job Analysis and Evaluation** - Job analysis provides basis for defining job description and job specification with the former dealing with various characteristics and responsibilities involved in a job and the latter dealing with qualities and skills required in job performer. Job analysis also provides base for job evaluation which determines the relative worth of various jobs in the organization. The relative worth of various jobs determines the compensation package attached with each job. 14
4. **Analysis of Contingent Factors** - Compensation plan is always formulated in the light of various factors, both external and internal, which affect the operation of human resource management system. Various external factors are conditions of human resource market, cost of living, level of economic development, social factors, pressure of trade unions and various labour laws dealing with compensation management. □ Various internal factors are organization's ability to pay and employees' related factors such as work performance, seniority, skills, etc. These factors may be analyzed through wage/salary survey.
5. **Design and Implementation of Compensation Plan**- After going through the above steps, the organization may be able to design its compensation plan incorporating base compensation with provision of wage/salary increase over the period of time, various incentive plans, benefits and perquisites. Sometimes, these are determined by external party, for example, pay commissions for Government employees as well as for public sector enterprises. After designing the compensation plan, it is implemented. Implementation of compensation plan requires its communication to employees and putting this into practice.

6. **Evaluation and Review** -A compensation plan is not a rigid and fixed one but is dynamic since it is affected by a variety of factors which are dynamic. Therefore, compensation management should have provision for evaluating and reviewing the compensation plan. After implementation of the plan, it will generate results either in terms of intervening variables like employee satisfaction and morale or in terms of end-result variable like increase of productivity. However, this latter variable is more important. The evaluation of compensation plan must be done in this light.

Factors in Compensation Plan: -

1. **Internal factors** - The internal factors exist within the organization and influence the pay structure of the company. These are as follows:
 - (i) **Ability to Pay**- The prosperous or big companies can pay higher compensation as compared to the competing firms whereas the smaller companies can afford to maintain their pay scale up to the level of competing firm or sometimes even below the industry standards.
 - (ii) **Business Strategy**- The organization's strategy also influences the employee compensation. In case the company wants the skilled workers, so as to outshine the competitor, will offer more pay as compared to the others. Whereas, if the company wants to go smooth and is managing with the available workers, will give relatively less pay or equivalent to what others are paying.
 - (iii) **Job Evaluation and Performance Appraisal**- The job evaluation helps to have a satisfactory differential pays for the different jobs. The performance Appraisal helps an employee to earn extra on the basis of his performance.
 - (iv) **Employee**- The employee or a worker himself influences the compensation in one of the following ways.
 - **Performance**- The better performance fetches more pay to the employee, and thus with the increased compensation, they get motivated and perform their job more efficiently.
 - **Experience**- As the employee devotes his years in the organization, expects to get an increased pay for his experience.
 - **Potential**- The potential is worthless if it gets unnoticed. Therefore, companies do pay extra to the employees having better potential as compared to others.
2. **External Factors** - The factors that exist out of the organization but do affect the employee compensation in one or the other way. These factors are as follows:
 - (i) **Labor Market**- The demand for and supply of labor also influences the employee compensation. The low wage is given, in case, the demand is less than the supply of labor. On the other hand, high pay is fixed, in case, the demand is more than the supply of labor.
 - (ii) **Going Rate**- The compensation is decided on the basis of the rate that is prevailing in the industry, i.e. the amount the other firms are paying for the same kind of work.

(iii) Productivity- The compensation increases with the increase in the production. Thus, to earn more, the workers need to work on their efficiencies, that can be improved by way of factors which are beyond their control. The introduction of new technology, new methods, better management techniques are some of the factors that may result in the better employee performance, thereby resulting in the enhanced productivity.

(iv) Cost of Living- The cost of living index also influences the employee compensation, in a way, that with the increase or fall in the general price level and the consumer price index, the wage or salary is to be varied accordingly.

(v) Labor Unions- The powerful labor unions influence the compensation plan of the company. The labor unions are generally formed in the case, where the demand is more, and the labor supply is less or is involved in the dangerous work and, therefore, demands more money for endangering their lives. The non-unionized companies or factories enjoy more freedom with respect to the fixation of the compensation plan.

(vi) Labor laws- There are several laws passed by the Government to safeguard the workers from the exploitation of employers. The payment of wages Act 1936, The Minimum wages act 1948, The payment of Bonus Act 1965, Equal Remuneration Act 1976, Payment of Gratuity Act 1972 are some of the acts passed in the welfare of the labor, and all the employers must abide by these.

Thus, there are several internal and external factors that decide the amount of compensation to be given to the workers for the amount of work done by them.

Wage and Salary Differentials: -

WAGE: The dictionary meaning of the term ‘wage’ is the pay of artisans or labourers receiving a fixed sum by hour, day, week or month, or for a certain amount of work. In a narrow sense ‘wage’ is the remuneration paid to blue-collar workers for their services, usually on hourly rate or daily rate. Thus we find that –

- i. Wage is remuneration
- ii. It is paid to workers, especially maintenance and production workers
- iii. It is payment in exchange for service / labour
- iv. It is paid generally on fixed hourly / daily rate.

SALARY: Salary is a periodic, fixed payment for services, especially for official or professional services. It usually refers payment to weekly or monthly rated employees like clerical, technical, supervisory and managerial employees. From the above it is observed –

- i. Salary is economic compensation
 - ii. It is a periodic fixed payment
 - iii. It is paid to white-collar employees like office staff, technical staff, managerial staff, professional staff
 - iv. It is paid by employer in exchange for services rendered by above categories of employees
- Thus, ‘Salary’ is defined as economic compensation paid by employer to his monthly / weekly rated white-collar employees for their services, under any contract / agreement.

Components of Salary: -

1. **Basic Salary** – Basic Salary is the minimum salary given by the employer to employee keeping in mind his qualifications, experience and technical skills. Basic salary is always given under grade system. This is a fixed component in your salary portion or CTC package (cost to company).
2. **House Rent Allowance (HRA)** – It is a component of the salary portion, which is provided by the employer to his/her employee. Employed or Salaried Individuals who live in a rented house property can claim full or partial HRA exemption under section 10(13A). However, HRA is fully taxable in the hands of employees if they don’t live in a rented accommodation.
3. **Conveyance Allowance** – Conveyance Allowance is to be given to the salaried individuals for meeting travel expenses from their residence to work/office. From FY 2015-16, the conveyance allowance has been exempted up to Rs.1600 per month or Rs.19,200 per annum u/s 10 of Income Tax Act’1961. You can claim this exemption only if it is provided by your Employer and not at the time of filing Income Tax Return.
4. **Leave Travel Allowance (LTA)** – It is an allowance given to an employee from his employer for his travel expenses. LTA is also known as Leave Travel Concession (LTC). Salaried Individuals can claim exemption of LTA u/s 10(5) of Income Tax Act, 1961. Salaried employees are required to submit the proof of travel bills to their employer to claim the exemption. The exemption on LTA cannot be claimed in your Income Tax return. LTA can only be claimed from your employer.
5. **Medical Reimbursement** – A Salaried Individual can claim medical expenses up to Rs.15,000 for which you must submit bills to your employer. Under this Employers reimburse the portion of the

medical expenses incurred by the employee. Deductions can be claimed for the medical expenses incurred on your dependents. Out of Rs.15000, unclaimed amount of Medical Reimbursement will be added to your taxable salary. 6. **Special Allowance** – The amount of special allowance is fully taxable in your salary.

6. **Special Allowance** – The amount of special allowance is fully taxable in your salary.
7. **Bonus** – Any bonus paid to employees as performance incentive is fully taxable. This is all based on company policies. Bonus received by the employee is fully taxable in the hands of the employee on receipt basis and will be included in the gross salary of employee.
8. **Fringe Benefits:** - Fringe benefits are the additional benefits offered to an employee, above the stated salary for the performance of a specific service. Some fringe benefits such as social security and health insurance are required by law, while others are voluntarily provided by the employer.

Examples of optional fringe benefits include free breakfast and lunch, gym membership, employee stock options, transportation benefits, retirement planning services, childcare, education assistance, etc.

Employees Separation: -

An employee who works for an organization has to leave the organization one day or the other. Separation is the act of an employee leaving his organization because of any of the reasons viz., superannuation, turnover, transfer, dismissal, retrenchment, etc.

According to Yoder, separation is a negative recruitment. It may be In the form of resignation, dismissal or discharge, suspension, retrenchment or lay-off

Retirement: Retirement is the major cause of separation of employees from the organisation. It can be defined as the termination of service of an employee on reaching the age of superannuation.

For example, at present the superannuation age for the teachers working in the Central Universities is 62 years and in case of some state government employees, it is 58 years. Some people characterize retirement as ‘role less role’.

Resignation : Resignation is termination of service by an employee by serving a notice, called ‘resignation’ on the employer. Resignation may be voluntary or involuntary. A voluntary resignation is when an employee himself/herself decides to resign on the grounds of ill health, marriage, better job prospects in other organisations, etc.

Voluntary Retirement Scheme (VRS) : VRS means the nicest possible way to tell your employees to terminate employment. The voluntary retirement scheme(VRS) is the most humane technique to provide overall reduction in the existing strength of the employees. It is a technique used by companies for trimming the workforce employed in the industrial unit.



A golden handshake: - is a clause in employment contracts that provides a severance package if an employee loses their job. It is usually offered only to top executives who may lose their job through retirement, layoff, or even firing.

Suspension: A suspension is when you remain employed but are asked to not attend your place of work, or engage in any work at all (such as working from home). Employee may be suspended on full pay if allegations of misconduct have been made against you and are being investigated. Suspension on full pay is not a punishment, but part of the investigation process in a disciplinary procedure for many employers. Employer should give a clear reason for the suspension and explain what other options have been explored instead of suspension. If an employee is suspended because of allegations against him, he is entitled to know what the allegations are.

Grievance: - A grievance is any dissatisfaction or feeling of injustice having connection with one's employment situation which is brought to the attention of management.

Grievance is any dissatisfaction that adversely affects organizational relations and productivity According to Michael Jucious, 'grievance is any discontent or dissatisfaction whether expressed or not, 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'.

GRIEVANCE PROCEDURE IN INDIAN INDUSTRY

STEP 1: In the first step the grievance is to be submitted to departmental representative, who is a representative of management. He has to give his answer within 48 hours

STEP 2: If the departmental representative fails to provide a solution, the aggrieved employee can take his grievance to head of the department, who has to give his decision within 3 days.

STEP 3: If the aggrieved employee is not satisfied with the decision of departmental head, he can take the grievance to Grievance Committee. The Grievance Committee makes its recommendations to the manager within 7 days in the form of a report. The final decision of the management on the report of Grievance Committee must be communicated to the aggrieved employee within 3 days of the receipt of report. An appeal for revision of final decision can be made by the worker if he is not satisfied with it. The management must communicate its decision to the worker within 7 days.

STEP 4: If the grievance still remains unsettled, the case may be referred to voluntary arbitration.