

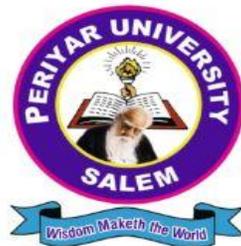
PERIYAR UNIVERSITY

NAAC 'A++' Grade - NIRF Rank 56 – State Public University Rank 25

SALEM - 636 011, Tamil Nadu, India.

CENTRE FOR DISTANCE AND ONLINE EDUCATION (CDOE)

MASTER OF BUSINESS ADMINISTRATION SEMESTER - II



**CORE: HUMAN RESOURCE MANAGEMENT
(Candidates admitted from 2024 onwards)**

PERIYAR UNIVERSITY

CENTRE FOR DISTANCE AND ONLINE EDUCATION (CDOE)

M.B.A 2024 admission onwards

CORE – II

Human Resource Management

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SYLLABUS

HUMAN RESOURCE MANAGEMENT

Unit I: Introduction: Introduction of Human Resource Management: Importance of Human Resources, Definition and Objectives of Human Resources Management, Qualities of a good HR manager – Evolution and growth of Human Resource Management in India. Functions of Human Resource Management. Strategic Human Resource Management(SHRM).Human Resource Policies: Need, type and scope, Human Resource Accounting and Audit- Gig Economy.

Unit – II: Human Resource Planning (HRP): Human Resources Planning: Long and Short term planning, Job Analysis, Skills inventory, Job Description, Job Specification and Succession Planning, Strategic Human Resource Planning. Recruitment and selection: Purposes, types and methods of recruitment and selection, Relative merits and demerits of the different methods, Recruitment and Social Media. Placement, Induction, Transfers, Promotions, Dismissal, Resignation, Exit Interviews, Reduction of attrition rate- Attrition and retention management

Unit III: Training, Development & Career Management: Importance and benefits of Training and Development, Types of Training Methods, Executive Development Programs, Concept and process of Career Management; Competency mapping, Knowledge Management & Talent Management.

Unit IV: Performance Management: Importance, process and Methods: Ranking, rating scales, critical incident method, Removing subjectivity from evaluation, MBO as a method of appraisal, Performance Feedback, Online PMS. Human Resource Information

System; International Human Resource Management; Cross cultural diversity management; Hybrid work culture; work- Life balance; Quality of work-life; HR Analytics.

Unit V: Compensation Management: Wage and Salary Administration: Job Evaluation, Calculation of Wage, Salary, Prerequisites, Compensation Packages, Cost of Living Index and Calculation of Dearness Allowance, Rewards and Incentives; ESOP- Financial and non-financial incentives, Productivity–linked Bonus, Compensation Criteria, Rewards and Recognition.

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UNIT - I**INTRODUCTION OF HUMAN
RESOURCE MANAGEMENT****Introduction of Human Resource Management**

Introduction of Human Resource Management: Importance of Human Resources, Definition and Objectives of Human Resources Management, Qualities of a good HR manager – Evolution and growth of Human Resource Management in India. Functions of Human Resource Management. Strategic Human Resource Management (SHRM). Human Resource Policies: Need, type and scope, Human Resource Accounting and Audit- Gig Economy.

Unit Model Structuring

1. Introduction of Human Resource Management
2. Human Resource Policies
3. Gig Economy

Self-Learning Material Development – STAGE 1

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Unit Objectives

- To understand the meaning & objectives of Human Resource Management
- To learn the importance and functions of HRM in the organisation
- To enhance the role and qualities of HR Manager.
- To know the evolution and growth of Human Resource Management in India.
- To reveal the Strategic Human Resource Management.
- To interpret the need Scope/Importance and types of Human Resource Policies
- To show the process and importance of Human Resource Accounting and Audit.
- To exhibit the example, benefits and criticism of Gig Economy.

Module 1- (Introduction of Human Resource Management)

1.1 Introduction

Human resource management is a process of bringing people and 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. It tries to secure best from the people by winning their whole hearted 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.

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”. He highlighted that human resources in an organization play a crucial role. The human resource refers to the knowledge, skills, abilities, values, aptitude and beliefs possessed by the workforce in organization.

1.2 Importance of Human Resources

A scrappy, growing business might want to put all of its limited resources into marketing and development. Human resources isn't directly related to the work of the business, the argument might go—it doesn't create products, develop software, or serve customers.

While this is true, hr is still key to the productivity of any business, including those that are small or growing. Why is human resources so important? Here are four key reasons:

- **Management**

Human resources professionals are expert managers. They work well with people and understand what motivates them to put in their best work. Entrepreneurs, CEOs, and VPs are experts in building a business and leading in strategy, but they may not have experience or expertise in managing people. The hr team takes the responsibilities of training, development, compliance, and employee productivity off the hands of the leadership team, allowing them to focus on what they do best.

- **Talent**

a company is only as good as its talent, or the employees who make it run. A key role of hr is talent recruitment, training, and retention. The human resources team can help a small business fill a crucial role with the right person. They can spend the time to craft the right incentive and benefits packages to make the company appealing and competitive. And they can work to create a workplace culture that encourages employees to do their best and to stay around for years to come.

- **Productivity and motivation**

even after your business has hired great talent, the employees need to stay engaged and motivated. Hr makes sure employees feel supported, satisfied, and motivated, so they put in their best work every day and become productive. Productive

employees can help your business meet its quarterly goals and continue to grow and produce great products.

- **Safety and compliance**

Federal and state laws governing employment and employee safety can be complex. Hr managers understand these laws and make sure to keep the company in compliance, both to avoid fees and penalties and to create a workplace environment where everyone can feel safe and valued. Suppose there is some physical danger to the work, including operating machinery or working with hazardous chemicals. In that case, the hr department makes sure employees have a safe working environment and takes steps to reduce injuries and other problems.

1.3 Human Resource Management Definitions

In general human resource management is a management function concerned with hiring, training, motivating, developing and maintaining workforce in an organisation. Human resource management ensures satisfaction of employees so as to get maximum contribution of employees for the achievement of organisational objectives.

Many great scholars had defined human resource management in different ways and with different words, but the core meaning of the human resource management deals with how to manage people or employees in the organisation.

According to EDWIN FLIPPO, human resource management as “planning, organizing, directing, controlling of procurement, development, compensation, integration, maintenance and separation of human resources to the end that individual, organizational and social objectives are achieved.”

The National Institute of Personal Management (NIPM) of India has defined human resources – personal management as “that part of management which is concerned with people at work and with their relationship within an enterprise. Its aim is to bring

together and develop into an effective organization of the men and women who make up enterprise and having regard for the well – being of the individuals and of working groups, to enable them to make their best contribution to its success”.

According to DECENZO and ROBBINS, “human resource management is concerned with the people dimension” in management. Since every organization is made up of people, acquiring their services, developing their skills, motivating them to higher levels of performance and ensuring that they continue to maintain their commitment to the organization is essential to achieve organisational objectives. This is true, regardless of the type of organization – government, business, education, health or social action.

According to ARMSTRONG (1997), human resource management can be defined as —a strategic approach to acquiring, developing, managing, motivating and gaining the commitment of the organization’s key resource – the people who work in and for it.

According to DALE YODER — the management of human resource is viewed as a system in which participants seeks to attain both individual and group goals.

1.4 Objectives of HRM

The main objective of HRM is to ensure that there are right people for right jobs so that the organizational goals are achieved effectively. Beside that:-

- To help the organization to attain its goals effectively and efficiently by providing competent and motivated employees.
- To utilize the available human resources effectively.
- To increase to the fullest the employee’s job satisfaction and self-actualization.
- To develop and maintain the quality of work life (QWL) which makes employment in the organization a desirable personal and social situation.
- To help maintain ethical policies and behavior inside and outside the organization.

- To establish and maintain cordial relations between employees and management.
- To reconcile individual/group goals with organizational goals.

1.5 Qualities of a Good HR Manager

Human resources management has been a growing professional field for years, and the trend will continue as hr demands on businesses of all sizes are increasing. Here, we outline four essential qualities of a good hr manager that one can develop in order to advance up the career ladder.



- **Be a great communicator**

a core function of every hr professional is to act as an organization's facilitator of effective communication between employees and management/ownership. This role

requires quality written and oral communication skills. An hr manager's audience includes all current employees, prospective employees, managers, and ownership, and the full spectrum of modern written communication methods (including social media) should be properly put to use. Above all, communications from hr must be open, transparent, caring, and trustworthy.

In order to build strong communication within their organization, a good hr manager should be as personal as possible. Focusing on employee needs and their personal lives when possible builds trust and believability. Always ask for feedback when possible and be sure to actually listen and respond as needed. Keep a positive attitude in all communications and build trust within your organization by using transparent language and always following through on communicated commitments.

- **Be aware of ethical responsibilities**

Successful hr managers understand and embrace their role as the conscience of their organizations. Hr professionals are entrusted with many different types of confidential information and nothing less than the absolute security and protection of that information from unauthorized disclosure is acceptable. Hr professionals must exhibit complete honesty and discretion when working with every member of their organization.

While HR managers do work directly for the managers and owners of their company, they have a duty to faithfully ensure that all actions towards employees and staff are above board, legal, and fair. Understanding the organizational chart and chain of command is essential to a good hr manager when potential ethical issues must be addressed to the appropriate person or group in the event that any situation requires disclosure to a responsible person. While this duty is often difficult, any organization worth being part of will appreciate candor, honesty, and the highest ethical standards from their hr professionals.

- **Develop outstanding leadership and conflict management skills**

one of the other top qualities of a good hr manager is full confidence in their leadership abilities. Employees often look first to hr for answers and clarity on many company issues. Hr is typically considered the expert, and quality leadership on delivering information and promoting employee satisfaction can and should be handled at the hr level whenever possible. Leadership for hr professionals means promoting friendly and helpful relations in all cases while maintaining company objectives and policies.

Successful leadership for an HR professional means, managing the dynamic of being the enforcer of the rules while also being helpful and caring. This means also being adept at conflict management. Whether that involves working out disagreements among co-workers or explaining why particular company policies are important, hr managers should always be prepared to handle interpersonal relationships. Mediation and conflict resolution training can help develop the skills needed to help people get along at work.

- **Become an expert in organization and multitasking**

Every hr department requires strong organization, and hr professionals need personally strong work habits and time-management abilities to be successful. Hr offices should set an example for an entire organization, so sloppy filing or office management should be avoided. Both employees and management expect timely and proper handling of routine tasks, and effective organizational skills can help keep things running smoothly.

An ordinary day for an hr professional includes a wide variety of tasks and duties, including hiring, firing, recruiting, conflict resolution, and management meetings. Self-discipline and multitasking are an essential part of the job. The needs of management and employees shift moment to moment, and prioritization on the fly is essential to success. Effective training with technology and delegation can help hr managers develop the power to multitask on the move.

1.6 Role of HR Manager

- **The conscience role:-** the conscience role is that of humanitarian who reminds the management of its morals & obligations to its employees.
- **The counsellor :-** employees who are dissatisfied with the present job approach the personnel manager for counselling. In addition employees facing various problems like marital, health, children's education/marriage, mental, physical & career problems.
- **The mediator:-** as a mediator, the personnel manager plays the role of peace maker. He settles the disputes between employees & the management. He acts as a liaison & communication link between both of them.
- **The spokesman:-** he is a frequent spokesman for or representative of the company.
- **The problem solver:-** he acts as a problem solver with respect to the issues that involve human resources management & overall long range organisational planning.
- **The change agent:-** he acts as a change agent & introduces changes in various existing programmes.

For the convenience of study, the function performed by the resource management can broadly be classified into two categories, ie managerial functions and operative functions

1.7 Evolution and Growth of Human Resource Management in India

India is the largest democracy in the world & one of the oldest human civilizations. The country has a rich history and diverse culture. It is a birthplace of four of the world's major



EVOLUTION OF INDIAN HR INDUSTRY
DRIVING CHANGES TO ADD BUSINESS VALUE

religions and is characterized by a diversity of religious beliefs & practices. India is one of the exciting emerging economies which add 10+ million people to its working force every year. A very efficient HRM system and labour policies are required to handle a huge & diverse country like ours. Let's look at the evolution of human resources management (HRM) in India.

India has a deep-rooted value system which influenced the societies & working institutes. Collective culture has always prioritized values of duty towards family & society. Even the world's first management book "Arthashastra" was written in India around 300 bc which has two major ideologies related to present human resources, 1) public policy & 2) administration & utilization of people. Long back we were aware that the greatest asset of any organization is its people. We can see from the Mauryan period (320 bc to 181 bc) that there were a variety of craftsmen, artists, labourers, etc. Who were employed in various activities including mining, metallurgy, forces etc., owned by the state. There used to be appointed officers who used to look after the welfare of the workers. We also see traces of formed unions of craftsmen in the history and few instances mentioning fixed pay for the workers to strengthen job stability.

British Era

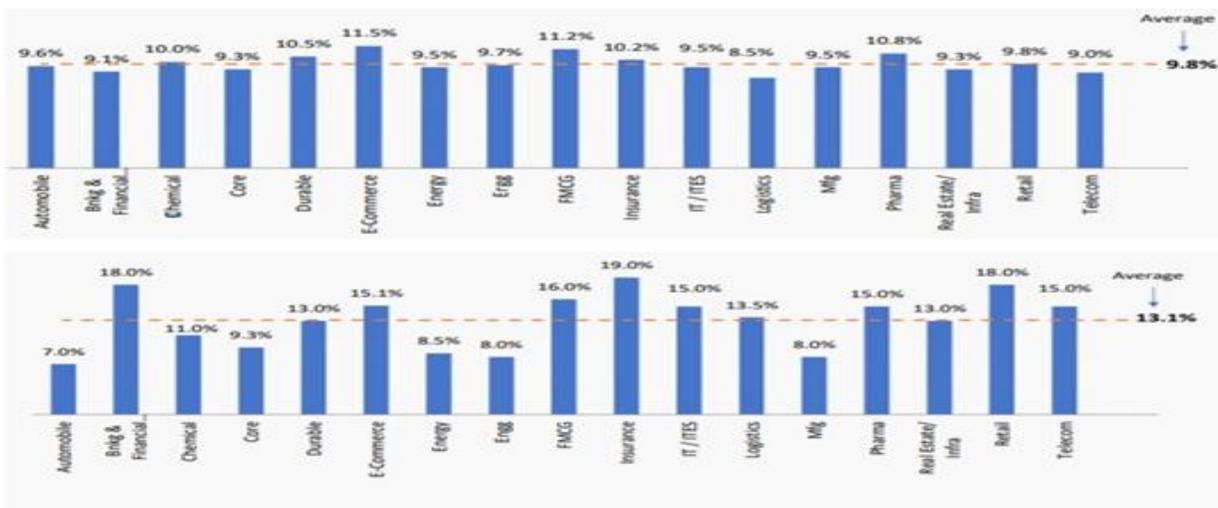
During the British era, industrialization took place in India and various labour laws such as "factories act", "workmen's compensation act", "mines act", "truck act" and "trade union act" were enacted. There were few discriminatory policies, however, Indian employers continued to grow on British policies. Initially, line managers used to handle the labour, however with the growing size of the workforce and increasing complexity at work, a separate department which deals with labour matters came into existence, especially in large scale industrial establishments. Few main features of this labour/personnel management department were authoritarian control, strict supervision, provision of some incentives to increase production & emphasis on discipline and general indifference towards human aspects. The progress in the HRM field was continuous before independence and many of our freedom fighters also pressurized employers to improvise their approach towards workers and give due attention to human aspects in their enterprise.

Post Independence

Post-independence, there was thrust on HRM. Adoption of the Indian constitution, which contains significant clauses related to labour welfare and various human resources angle came into force. Apart from the constitution, there were a series of labour laws and enactments which brought several labour/human resource matters under the domain of state intervention. These labour laws have resulted in the enlargement of the functional areas of personnel management by covering a variety of aspects concerning workers and setting up minimum standards in many of these areas. The requirement of appointing welfare officers in factories and mines of prescribed size reflects the desire of the government to recognize the need for and importance of giving due consideration to human aspects in the industry.

Present Times

In present times, the Indian industry has emerged stronger and companies across all industries have seen good results. The Indian industrial sector, HRM is regulated mainly by the government where multiple laws & policies for workers have to be followed by organizations. In the private sector especially for the global linked organizations, the expectations of the employees are very dynamic & retention of the employees is a challenge. As per the survey results of 2019 (also shown in the graphs as under), average salary increases stands at 9.8% and average annual attrition at 13.1%



The role of hr is very dynamic in the present Indian scenario. The role has evolved from earlier supporting role of managing payrolls and manpower to a strategic partner in the growth of the business. It's now an integral part of the corporate and now innovative hr practices have also been usp of many companies. Presently hr does the following role in the Indian context –

- Investing in talent (i.e., employee experience, happiness at work & employee wellness)
- Bracing for diversity
- Greater emphasis on employee development.
- Use of technology in hr.
- Motivating the workforce
- Managing people
- Competency development
- Trust factor
- Work-life balance
- Bridging the demand-supply gap

1.8 Functions of Human Resource Management



For the convenience of study, the function performed by the resource management can broadly be classified into two categories, ie managerial functions and operative functions.

Managerial functions

It includes planning, organising, staffing, directing and controlling.

- **Planning:** planning is to plan for future or predetermine the course of actions to be taken in future. It is a process of identifying the organisational goals and formulation of policies and programmes for achieving those goals.
- **Organising:** organising is a process by which the structure and allocation of jobs are determined. Thus organising involves giving each employee a specific task establishing departments, delegating authority to subordinates, establishing channels of authority and communication, coordinating the work of subordinates, and so on.
- **Staffing:** this is a process by which managers select, train, promote and remove their employees this involves deciding what type of people should be hired, recruiting, selecting employees, setting the performance standard, compensation of employees, evaluation of performance of employees, counseling employees, training and developing employees.
- **Directing/leading:** directing is the process of initiating or activating group efforts to achieve the desired organizational goals, which includes activities like getting subordinates to get the job done, maintaining their morale, motivating subordinates etc, for achieving the organizational goals.
- **Controlling:** it is the process of setting the standards for performance, measuring the actual performance of the employees and then comparing the actual performance with the standards and there by taking corrective actions as needed.

Operative functions

The management functions as suggested were common to all the managers where as the operative, also called as service functions are relevant to specific department only. These functions differ from department to department depending upon the nature of the department. Viewed from this standpoint, the operative functions of HRM relate to ensuring right people for right jobs at right times. These functions include procurement, development, compensation, and maintenance functions of HRM. A brief description of these follows:

- **Procurement:** it involves procuring the right kind of people in the right or rather appropriate number to be placed in the organisation. It consists of activities such as manpower planning, recruitment, selection placement and induction or orientation of new employees.
- **Development:** it includes activities meant to improve the knowledge, skills aptitudes and values of employees so as to enable them to perform their jobs in a better manner in future. It comprises of training to employees, executive training to develop managers, organisation development to strike a better fit between organisational climate/culture and employees.
- **Compensation:** compensation function involves determination of wages and salaries which should match with the contribution made by employees towards achieving organisational goals. In other words, this function ensures equitable and fair remuneration for employees in the organisation. It consists of activities such as job evaluation, wage and salary administration, bonus, incentives, etc.
- **Maintenance:** it is concerned with retaining or protecting and promoting employees while at work. For this purpose several benefits such as housing, medical, educational, transport facilities, etc. Are provided to the employees. Several other social security measures such as provident fund, pension, gratuity, group insurance, etc. Are also being given to the employees.

1.9 Strategic Human Resource Management

Strategic human resource management (SHRM) is a process that organizations use to manage their employees. It is a way to ensure that the organization's human resources are used in a way that supports the organization's goals. Think of it as a bridge connecting human resources and the goals of the company. With sHRM, businesses can more effectively manage employee performance and development, as well as create programs and policies that support the company's overall strategy.

The goal of SHRM is to create policies and programs that align with the company's business strategy. The main difference between human resources and strategic human resources is that human resources focus on the day-to-day management of employees, while strategic human resources focus on how employees can achieve the company's overall goals. This means that SHRM must first understand the company's business goals and then create programs and policies that support those goals.

Some common examples of SHRM programs and policies include:

- Performance management: creating systems to track and improve employee performance
- Training and development: identifying employees' development needs and providing training and resources to help them improve
- Compensation and benefits: designing compensation and benefits programs that attract and retain employees
- Employee relations: managing employee relations to create a positive work environment

These are just a few examples of the types of programs and policies that can be part of SHRM. The specific programs and policies will vary depending on the company's goals and the needs of its employees.

Why Strategic Human Resources is important

SHRM is important because it helps businesses achieve their goals. By aligning hr programs and policies with the company's business strategy, SHRM can help businesses improve employee performance, develop the workforce and create a positive work environment. SHRM can also help businesses save money by reducing turnover and improving productivity.

- Improve employee performance: SHRM can help businesses improve employee performance by creating systems to track and improve performance.
- Develop the workforce: SHRM can help businesses develop the workforce by identifying employees' development needs and providing training and resources to help them improve.
- Create a positive work environment: SHRM can help businesses create a positive work environment by managing employee relations.
- Reduce turnover: SHRM can help businesses reduce turnover by designing compensation and benefits programs that attract and retain employees.
- Improve productivity: SHRM can help businesses improve productivity by improving employee performance and creating a positive work environment.

Let's Sum-Up:

Dear Learners, in this Module we learn Introduction of Human Resource Management. in the detailed explanation of Importance of Human Resources, Definition and Objectives of Human Resources Management, Qualities of a good HR manager, Evolution and growth of Human Resource Management in India, Functions of Human Resource Management and Strategic Human Resource Management.



Check Your Progress

- 1) HRM is the process of making efficient and effective use of _____resources.
- company
 - human**
 - material
 - future

- 2) Planning, organizing and controlling of procurement, development, compensation, integration of human resources to the end that objectives of individual, organisation and society are achieved given by-

- Storey
- Flippo**
- Vetter
- F.W. Taylor



Self Assessment

- 3) Operative functions of HRM includes-

- Procurement, development, compensation & maintenance**
- Maintenance
- Integration and emerging trends
- All of these

- 4) Which of the following statement is/are correct?

- HRM is a strategic management functions
- Under HRM employee is treated as resource
- HRM is the management of skills, talent and abilities**
- HRM lacks the organisation to achieve its goals

- 5) What is the need for Human Resource Planning?

- For undergoing an effective employee development program
- To represent a base for recruitment
- To represent a base for selection policy
- All of the above**

Module - 2 (Human Resource Policies)

HR policies are guidelines that companies set for employee relations in the workplace. They're a standardized set of rules that ensure consistency by outlining acceptable behavioural standards, employee expectations, disciplinary procedures, and organizational obligations. Companies set these policies to show commitment to regulatory requirements, minimum employment standards, training, diversity, and ethics.

2.1 Need of HR Policies

The formulation of hr policies can help an organization demonstrate, both internally and externally, that it meets requirements for diversity, ethics and training as well as its commitments in relation to regulation and corporate governance of its employees.

For example, in order to dismiss an employee in accordance with employment law requirements, amongst other considerations, it will normally be necessary to meet provisions within employment contracts and collective bargaining agreements. The establishment of an hr policy which sets out obligations, standards of behavior and document disciplinary procedures, is now the standard approach to meeting these obligations.

They provide frameworks within which consistent decisions are made and promote equity in the way in which people are treated. Hr policies can also be very effective at supporting and building the desired organizational culture.

2.2 Importance of Human Resource Policies

Human resource policies are essential for hr departments and professionals in the workplace to reflect workplace culture and values. It details the rights and obligations of employers and employees. It also serves as a point of recourse to evaluate employee actions and performance objectively while holding the company accountable and compliant with standing regulations. Some reasons human resource policies are essential insofar as they:

- Help ensure employees get fair compensation
- Outline acceptable standards of behaviour in the workplace
- Protect the needs and interests of employees
- Help address complaints and provide methods to solve them

2.3 Types of HR Policies

Some human resource policies that a company can adopt for employees in the workplace are:

Telecommuting policy

Telecommuting policies are increasingly important as more employees work remotely. These policies outline the conditions for working remotely while still meeting work obligations. For example, it may include limitations for remote roles, positions open for remote work, pay and time policies, and the company's right to end telecommuting.

Health and safety policy

The Canada labour code makes provisions for health and safety measures in the workplace. It provides information on health and wellness in the workplace, workplace hazards, safety, compensation, mental health, and labour code prosecutions. It's also crucial for companies to develop unique hazard prevention programs specific to their industry and any roles that are more prone to injuries. This policy may contain compulsory safety measures, workplace hazardous materials information system (WHMIS) training, expectations from employees, policies regarding impairment, and instructions on what to do when injuries occur.

Meal and break policy

Federal legislation on meal and break policy applies to all workplaces. The Canada labour code sets out a compulsory 30-minute break for every five consecutive hours of work and an eight-hour rest period between shifts. It also outlines the different break

periods that apply to specific professionals and exceptions. A company may establish additional workplace policies for employees working remotely.

Pay and time-keeping policy

Employers set time-keeping policies to define required work hours and provide systems for tracking and recording them. It may also include payday policies that outline details concerning employee compensation based on their employment status or work hours. The compensation system may differ in terms of payment frequency and methods.

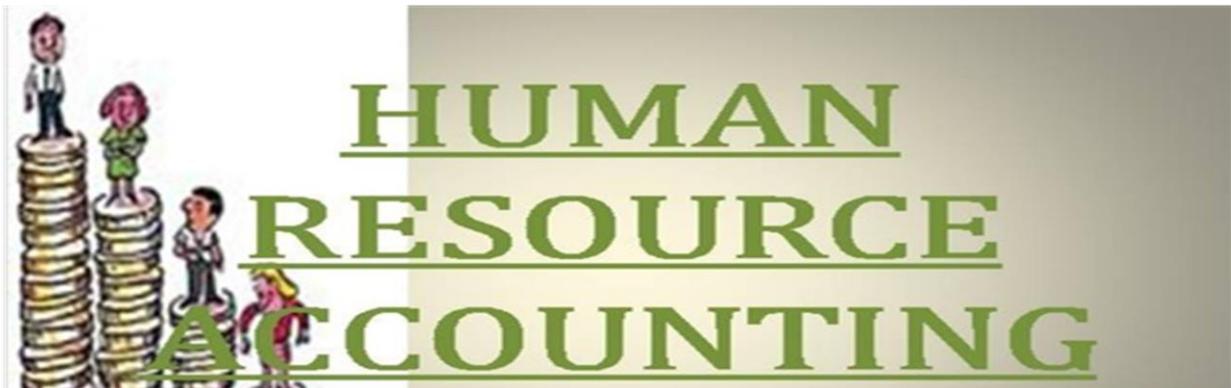
Leave and time off work policy

The leave and time off work policy outline the company's rules regarding vacation entitlement, statutory holidays, and other leave permits. It also discusses the conditions for employees to ask for time off or work leave. In addition, it outlines the duration and process for granting leave according to federal and provincial or territorial legislation.

2.4 Human Resource Accounting and Audit

Human resource accounting is a process of measuring the costs incurring by organizations to recruit, select, train and develop human resource as a assets. It also involves measuring the economic value of people to the organization.

It is the process of identifying and reporting the investments made in the human resources of an organization so that equilibrium can be achieved in between the required resources and provided human resources.



Concepts of Human Resource Accounting

Provide cost value data for managerial decision and regarding acquiring, developing, allocating and maintaining human resource in effective and efficient manner.

- Full human resource utilization.
- Provide information for determining the status of human assets.
- Throws light on the strengths and weaknesses of the existing workforce in an organization.
- Offers valuable feedback to managers regarding the effectiveness of hr policies and practices.
- Helps potential investors judge a company better on the strength of the human assets utilized.
- Helps management in taking proper decisions regarding the use of human assets in an organization.
- Helping hr managers focus on and manage their strategic responsibilities.
- Encouraging hr flexibility and change.

Methods of Human Resource Accounting

- **Historical cost method:** this method is based on actual cost incurred on human resource. The cost of recruitment training and over cost involved in developing an employee are capitalized. It evaluates the company's return based on its investment in human resources.
- **Replacement cost method:** this method measures the cost to replace an organization's existing human resource. It indicates what it would cost the concern to recruit, hire and develop human resource to match the present level of efficiency.
- **Standard cost method:** in this method employees are categorized into different groups based on their hierarchical position. After that actual cost and assumed cost are compared after that remedial actions are to be taken.

- **Present value of future earning method:** under this method the future earnings of various groups of employees are estimated up to the age of their retirement. This method is adopted BHEL, MMTC, ONGC, ACC etc.
- **Acquisition cost method:** under this method the real cost are taken into account. The cost has to be written off over a period of time. If employee leaves the organization prematurely, the unamortized cost has to be written off against the p/l account of the particular year.
- **Opportunity cost method:** in this method the value of human resource is determined by the value of the individual in alternative use.
- **Economic value method:** this method gives value to the contribution of employee in their continuation in the organization. The payment made to the person employed by the organization in the form of pay, allowances, benefits etc are estimated and discounted appropriately to arrive at the present economic value of the individual.

Human Resource Audit

Human resource audit refers to an examination and evaluation of policies, procedures and practices to determine the effectiveness of personnel management.

It is a systematic and comprehensive analysis of all activities and result of the HRM department of an organization.

Basically it covers three things:

- measurement and evaluation of personnel programmes, policies and practices
- identification of gap between objectives and results
- determination of what should or should not be done in future

Benefits of a HR Audit

- Helps align hr goals
- Finds better ways for hr to contribute
- Inclusive review of the department's information system
- Reduction in hr costs
- Light on personnel problems

- Clarification of the hr department's duties and responsibilities
- Assessing the quality of hr practices, policies and delivery
- Understanding the capacity of HRM to contribute to organizational effectiveness
- Helping employee in achieving coaching and guided experience that are required for organizational success
- Allowing more control
- Providing successful role model
- Giving social reinforcement giving encourage and feedback
- Giving emotional support
- Give authority equal to their responsibility
- Tell people what are their responsibility
- Set standards of excellence
- Provide them training that enable them to maintain standard
- Feedback on their performance

Methods of HR Audit

- **Interviews:** hr auditor conducts interview of top management, line managers and staff. Interview with the top management indicates their opinion of future plans and prospects and interview with line managers and staff are conducted to get information about hr system, culture and strategies.
- **Group discussion and workshops:** group discussion and workshops are conducted for diagnosis and evaluation of various aspects of hr.
- **Observation:** auditor may observe various aspects of organization in terms of physical facilities, meetings and other events.
- **Analysis of records and documents:** an auditor scrutinizes and analysis various records and documents such as annual reports, employee records, training documents, performance appraisal forms and periodicals etc.
- **Questionnaires:** auditor can prepare questionnaires and use to extract the information about hr systems, process, styles and competencies.

Role of HR Audit in Business Improvements

- Getting the top management to think in terms of strategic and long term business plans
- Clarifying the role of the hr department and line managers inhrd
- Better recruitment policies and more professional staff
- Improvements in hrd system
- More planning and more cost effective training
- Increased focus on human resource and competencies
- Strengthening accountabilities through appraisal system and other mechanisms

Let's Sum-Up:

Dear Learners, in this Module we learn about Human resource policies. in the detailed explanation of need of hr policies, scope/importance of hr policies, types of hr policies and human resource accounting and audit.



Check Your Progress

1. _____ is the framework defined by the HR department to manage the hr activities systematically.

- a. HR Goals
- b. HR Objectives
- c. HR strategies
- d. **HR Policies**

2. _____ are the set of procedures which is developed to make the things happen in a systematic way.

- a. Standing Order
- b. **Policies**

- c. Rules
- d. Strategies

3. Human Resource Management Policies are developed by the

- a. Top Management
- b. Line Managers
- c. **HR Department**
- d. HR Manager

4. _____ is not a policy included in HR Policy

- a. Compensation Policy
- b. **Strategic Policy**
- c. T&D Policy
- d. Performance appraisal Policy

5. Allowances and bonus of the employees are discussed in _____ Policy

- a. Revenue
- b. **Compensation**
- c. Employee engagement
- d. payment

Module - 3 (Gig Economy)

A gig economy is a labor market that relies heavily on temporary and part-time positions filled by independent contractors and freelancers rather than full-time permanent employees.

Gig workers gain flexibility and independence but little or no job security. Many employers save money by avoiding paying benefits such as health coverage and paid vacation time. Others pay for some



benefits to gig workers but outsource the benefits programs and other management tasks to external agencies.

The term is borrowed from the music world, where performers book "gigs" that are single or short-term engagements at various venues.

- The gig economy is based on flexible, temporary, or freelance jobs, often involving connecting with clients or customers through an online platform.
- The gig economy can benefit workers, businesses, and consumers by making work more adaptable to the needs of the moment and the demand for flexible lifestyles.
- At the same time, the gig economy can have downsides due to the erosion of traditional economic relationships between workers, businesses, and clients.

6.1 Example of a Gig Economy

Examples of a gig economy are those jobs that individuals discover and access through online platforms that list such jobs. These jobs are often one-time or short-term contract jobs. These include driving for a ride-sharing service, painting someone's house, freelance work, coaching, fitness training, and tutoring. The job is exchanged for cash and there are no other benefits, such as health insurance.

6.2 Benefits of the Gig Economy

The gig economy has many benefits for both the employee and employer. An employer has access to a wide range of talent that they can hire. If the talent proves to be less than acceptable, there is no contract to keep the employee on or issues of letting them go. In addition, in a time when it has become difficult to attract full-time workers, employers can hire from the gig economy.

In addition, hiring gig workers can be more affordable as companies don't have to pay for health insurance or other benefits. For employees, the gig economy's benefits

include having the option to do multiple jobs, work from anywhere depending on the specific job, freedom, and flexibility in their daily routine.

6.3 Criticisms of the Gig Economy

Despite its benefits, there are some downsides to the gig economy. While not all employers are inclined to hire contracted employees, the gig economy trend can make it harder for full-time employees to develop in their careers since temporary employees are often cheaper to hire and more flexible in their availability. Workers who prefer a traditional career path and the stability and security that come with it are being crowded out in some industries.

For some workers, the flexibility of working gigs can actually disrupt the work-life balance, sleep patterns, and activities of daily life. Flexibility in a gig economy often means that workers have to make themselves available any time gigs come up, regardless of their other needs, and must always be on the hunt for the next gig. Competition for gigs has increased, too. And unemployment insurance usually doesn't cover gig workers who can't find employment.

Let's Sum-Up:

Dear Learners, in this Module we learn about Gig economy. in the detailed explanation of examples of gig economy, benefits of gig economy and criticisms of gig economy.



Check Your Progress

1)_____ is a labor market that relies heavily on temporary and part-time positions filled by independent contractors and freelancers rather than full-time permanent employees.

- a. Labour rate
- b. Gig economy**
- c. Labour turn
- d. Gig labour

2) Hiring gig workers can be more affordable as companies don't have to pay for health insurance or other benefits.

- a) **True** b) False

3) Gig economy jobs are often _____ contract jobs.

- a. One - time
b. Short – term
c. **Both a and b**
d. None

Unit Summary

Human Resource Management is concerned with the people or employee dimension of management in the organisation. HRM is the function performed in organizations that helps in most effective use of employees in the organization to achieve the organisation and individual goals. The biggest challenge of HR managers today is to recognize talent and nurture them carefully to achieve organisation and individual goals. HRM also tries to manage his employees or talent reservoir by adopting different methods and offering different challenges to judge the potentials of employees and to keep them ready to meet the current competitions.

Glossary

KEYWORDS	MEANING
HRM	A process of aligning people and organisation so that the goals of each are achieved effectively and efficiently.
Management	the process by which objectives of organizations are achieved by the organisation with and through people.
planning	planning is to plan for future or predetermine the course of actions to be taken in future
organising	organising is a process by which the structure and allocation of jobs are determined
Procurement	it involves procuring the right kind of people in the right or

	rather appropriate number to be placed in the organisation
SHRM	Strategic human resource management
HR policies	HR policies are guidelines that companies set for employee relations in the workplace
Human resource accounting	Human resource accounting is a process of measuring the costs incurring by organizations to recruit, select, train and develop human resource as a assets.
Human resource audit	Human resource audit refers to an examination and evaluation of policies, procedures and practices to determine the effectiveness of personnel management.
gig economy	A gig economy is a labor market that relies heavily on temporary and part-time positions filled by independent contractors and freelancers rather than full-time permanent employees.

Self-Assessment Questions

1. Define HRM?
2. Discuss the objectives of HRM?
3. Explain the importance of Human Resources?
4. What are the functions of HRM in the organization?
5. Discuss the role HR Manger in the organisation?
6. Give an account of human resource accounting.
7. Write brief about evolution and growth of HRM in India.
8. Define strategic human resource management.
9. Discuss the Benefits of HR Audit.

10. Explain the benefits of Gig economy.

References and suggested readings

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UNIT - II**HUMAN RESOURCE PLANNING****Human Resource Planning:**

Human Resources Planning: Long- and Short-term planning, Job Analysis, Skills inventory, Job Description, Job Specification and Succession Planning, Strategic Human Resource Planning. Recruitment and selection: Purposes, types and methods of recruitment and selection, Relative merits and demerits of the different methods, Recruitment and Social Media. Placement, Induction, Transfers, Promotions, Dismissal, Resignation, Exit Interviews, Reduction of attrition rate- Attrition and retention management.

Unit Model Structuring

1. Human Resources Planning
2. Recruitment and Selection
3. Reduction of Attrition Rate

Self-Learning Material Development – STAGE 1

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Unit Objectives

- To understand the meaning, definition & objectives Human resource planning
- To learn about the Long- and Short-term planning.
- To observe the techniques of Job Analysis and Skills inventory.
- To enhance the Job Description, Job Specification and Succession Planning.
- To reveal Strategic Human Resource Planning.
- To confine the Purposes, types and methods of recruitment and selection.
- To study the Recruitment and Social Media.
- To perceive Placement, Induction, Transfers, Promotions, Dismissal, Resignation and Exit Interviews in the organization
- To analyse the Reduction of attrition rate and retention management.

Module 1- (Human Resource Planning)



1.1 Human Resource Planning

Meaning

Human resource planning or HRP means deciding the number & type of the human resources required for each job, unit & the total company for a particular future date in order to carry out organisational activities.

HRP or manpower planning is essentially the process of getting the right number of qualified people into the right job at the right time. It is a system matching the supply of people (existing employees & those to be hired or searched for) with openings the organisation expects over a time frame.

Definition

EDWIN B. GEISLER “manpower planning is the process (including forecasting, developing, implementing & controlling) by which a firm ensures that it has the right number of people & the right kind of people, at the right places, at the right time, doing things for which they are economically useful.

According to **BRUCE P. COLEMAN** “manpower planning is the process of determining manpower requirements in order to carry out the integrated plan of the organisation”.

Objectives of HRP

- **Forecasting human requirements:**

HRP human resource planning is essential to determine the future human resource needs in an organization. In the absence of such a plan, it would be difficult to have the services of the right kind of people at the right time.

- **Effective management of change:**

Proper planning is required to cope with changes in market conditions, technology products, and government regulations in an effective way. These changes call for continuous allocation or reallocation of skills and in the absence of planning there might be under-utilization of human resource.

- **Realizing organizational goals:**

In order to meet the needs of expansion programmes and growth strategies of the organizations planning is essential.

- **Promoting employees:**

The database available provides a comprehensive skill repertoire, which facilitates for decision making as to the promotional opportunities to be made available for the organization.

- **Effective utilisation of human resource:**

This database is also useful for identifying surplus and unutilized human resource and resources. In times of downsizing or in estimating the cost-benefit analysis of human resources would add value to the process.

The objective of human resource planning is to maintain and improve the organization's ability to achieve its goals by developing strategies that will result in optimum contribution of human resources.

Purposes of HRP

- To forecast the future needs of human resources.
- To ensure fuller and effective utilisation of existing human resources.
- To ensure that necessary manpower is available as and when required.
- To relate human resource planning with the organisational planning.
- To estimate the surplus or shortage of human resource in the organisation at any given time.
- To get information about the manner in which the existing personnel are deployed, the kind of skills needed for various jobs, and manpower requirements over a specified period of time in relation to the organisational goals.
- To anticipate the impact of technology on jobs and human resources.
- To determine the levels of recruitment and training.
- To estimate the cost of labour force and its housing requirements.
- To provide a basis for management development programme.
- To meet the needs of expansion and diversification programmes.
- To increase the labour productivity and thereby reduce the labour costs.

Factors affecting / influencing HRP

The factors can be classified into internal & external factors

A. External factors

- **Government policies:-** policies of the government like labour policy, industrial relations policy, policy towards reserving certain job for different communities & sons of the soil etc affect the HRP.
- **Level of economic development:-** level of economic development determines the level of hrd in the country & thereby the supply of human resources in the future in the country.
- **Business environment:-** external business environmental factors influence the volume & mix of production & thereby the future demand for human resources.
- **Level of technology:-** level of technology determine the kind of human resources required.
- **International factors:-** international factors like the demand for the resources & supply of hr in various counties.

B. Internal factors

- **Company policies & strategies:-** company's policies & strategies relating to expansion, diversification, alliances etc. Determines the human resource demand in terms of quantity & quality.
- **Human resource policies:-** hr policies of the company regarding quantity of hr compensation level, quality of work life etc. Influences human resources 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 whereas the firms with unstable competitive environment can plan for only short term range .
- **Type & quality of information:-** any planning process need qualitative & accurate information. This is more so with human resource plan, strategic, organisational & specific information affect HRP.

- **Company's production operation 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 per week, recruitment sources etc affect the HRP.

Process of HRP

- i. **Environmental scanning:-** environmental scanning refers to the systematic monitoring of the external forces influencing the organisation. Managers monitor several forces but the following are pertinent for HRP.
 - Economic factors, including general & regional conditions.
 - Technological changes, including robotics & automation
 - Demographic changes, including age, composition & literacy.
 - Political & legislative child care & educational facilities & priorities.
 - Social concerns, including child care & educational facilities & priorities.
- ii. **Organisational objectives & policies:-** hr plans need to be based on organisational objectives. In practice, this implies that objectives of the hr plans must be derived from organisational objectives. Specific requirements in terms of number & characteristics of employees should be derived from the organisational objectives.
- iii. **Hr demand forecast:-** it is the process of estimating the future quantity & quality of people required. The basis of the forecast must be the annual budget & long term corporate plan translated into activity levels for each function & department.
- iv. **Hr supply forecast:-** personnel demand analysis provides the manager with the means of estimating the number & kind of employees that will be required. The next logical step for the management is to determine whether it will be able to procure the required number of personnel & the sources for such procurement. This information is provided by supply forecasting. Supply forecasting measures

the number of people likely to be available from within & outside an organisation after making allowance for absenteeism, internal movements & promotions, wastage & changes in hours & other conditions of work.

- v. **Hr programming:-** once an organization's personnel & supply are forecast the two must be reconciled or balance in order that vacancies can be filled by the right employees at the right time. Hr programming the third step in the planning process, therefore assumes greater importance.
- vi. **Hr plan implementation:-** implementation requires converting an hr plan into action. A series of action programmes are initiated as a part of hr plan implementation. Some such programmes are recruitment, selection & placement, training & development, retaining & redeployment the retention plan the succession plan & redundancy plan.
- vii. **Control & evaluation:-** this represents the fifth & final phase in the HRP process. The hr plan should include budgets, targets & standards. It should also clarify responsibilities for implementation & control & establish reporting procedures, which will enable achievements to be monitored against plan.

1.2 Long - Term and Short-Term Hr Planning

Short-Term Hr Planning

Short-term hr planning help hr departments stay on top of all existing hr duties while focusing on solving more pressing hr issues. An issue in hr that is currently occurring and cannot be predicted is referred to as an immediate problem. Planning for short-term human resources goals can reduce some of the long-term issues that these short-term challenges could otherwise create.

Planning for the near future is a quantifiable activity performed to carry out the strategy that management and the rest of the business have decided upon. The smart formula

(specific, measurable, actionable, relevant, and time-based) can apply to short-term human resource planning. Some examples of short-term hr goals include:

- employee relations
- staffing strategy
- workforce management
- employee retention program
- on boarding procedures
- compensation structure
- labor law compliance

Long-term hr planning

A long-term hr planning entails preparing for potential issues that may or may not actually occur in the future. Regardless of how likely or unlikely an hr issue is to arise, it's often a good idea to have a long-term hr strategy in place to address each potential problem.

Long-term planning shows how your company can be successful over an extended period of time. Because a management team requires agreement when setting long-term planning objectives, those objectives are less likely to be changed once established.

Addressing the problem of voluntary workforce turnover is one example of a long-term hr strategy. It is vital to have a plan in place to ensure that a suitable successor immediately fills the vacuum they leave because employees frequently depart a firm at some time. Setting up a successful staff hiring program would be part of a long-term hr planning in this situation, whether or not the business is currently employing. Other examples of long-term hr goals include:

- Organizational culture
- Employee engagement
- Succession planning
- Hr technology

1.3 Job Analysis

Definition:- job analysis is the process of studying & collecting information relating to the operation & responsibilities of a specific job. The immediate products of this analysis are job descriptions & job specification.

Uses of job analysis

- **Human resource planning:-** HRP determines as to how many & what type of personnel will be needed in the coming period. The number & the type of personnel are determined by the jobs which need to be satisfied. Job related information is therefore, necessary for human resource planning.
- **Recruitment & selection:-** recruitment needs to be preceded by job analysis. Job analysis helps human resource manager to locate places to obtain employees for openings anticipated in the future. An understanding of the types of the skills needed & types of jobs that may open in the future. Selection a qualified person to fill a job requires knowing clearly the work to be done & the qualifications needed for someone to perform the work satisfactorily, without a clear & precise understanding of what a job entails.
- **Training & development:-** job analysis is useful for human resource development manager is as much as it helps him/her know what a given job demands from the incumbent in terms of knowledge & skill. Training & development programmes can be designed depending on the job requirements. Selection of trainees is also facilitated by job analysis.
- **Job evaluation:-** it involves determination of relative worth of each job for the purpose of establishing wage & salary differentials, relative worth is determined mainly on the basis of job description & job specification.

- **Remuneration:-** job evaluation helps determine wage & salary grades for all the jobs. Employees need to be compensated depending on the grades of jobs, which they occupy. Remuneration involves fringe benefits, bonus & other benefits.
- **Performance appraisal:-** it involves assessment of the actual performance of an employee against what is expected to him/her. Such assessment is the basis for awarding promotion, effecting transfers, or assessing training needs.
- **Safety & health:-** the process of conducting a detailed job analysis provides an excellent opportunity to uncover & identify hazardous conditions & unhealthy environmental factors (such as heat, noise fumes & dust) so that corrective measures can be taken to minimise & avoid the possibility of human injury.

Job Analysis - Process

Job analysis is a process of collecting information about a job.

- **Identification of job analysis purpose:** well any process is futile until its purpose is not identified and defined. Therefore, the first step in the process is to determine its need and desired output. Spending human efforts, energy as well as money is useless until hr managers don't know why data is to be collected and what is to be done with it.
- **Who will conduct job analysis:** the second most important step in the process of job analysis is to decide who will conduct it. Some companies prefer getting it done by their own hr department while some hire job analysis consultants. Job analysis consultants may prove to be extremely helpful as they offer unbiased advice, guidelines and methods. They don't have any personal likes and dislikes when it comes to analyze a job.

- **How to conduct the process:** deciding the way in which job analysis process needs to be conducted is surely the next step. A planned approach about how to carry the whole process is required in order to investigate a specific job.
- **Strategic decision making:** now is the time to make strategic decision. It's about deciding the extent of employee involvement in the process, the level of details to be collected and recorded, sources from where data is to be collected, data collection methods, the processing of information and segregation of collected data.
- **Training of job analyst:** next is to train the job analyst about how to conduct the process and use the selected methods for collection and recoding of job data.
- **Preparation of job analysis process:** communicating it within the organization is the next step. Hr managers need to communicate the whole thing properly so that employees offer their full support to the job analyst. The stage also involves preparation of documents, questionnaires, interviews and feedback forms.
- **Data collection:** next is to collect job-related data including educational qualifications of employees, skills and abilities required to perform the job, working conditions, job activities, reporting hierarchy, required human traits, job activities, duties and responsibilities involved and employee behaviour.
- **Documentation, verification and review:** proper documentation is done to verify the authenticity of collected data and then review it. This is the final information that is used to describe a specific job.
- **Developing job description and job specification:** now is the time to segregate the collected data in to useful information. Job description describes the roles, activities, duties and responsibilities of the job while job specification is a statement of educational qualification, experience, personal traits and skills required to perform the job.

Thus, the process of job analysis helps in identifying the worth of specific job, utilizing the human talent in the best possible manner, eliminating unneeded jobs and setting realistic performance measurement standards.

1.4 Skills Inventory

A skills inventory is a dynamic and comprehensive database that contains a list of employees with their professional skills, experiences and educational qualifications. Organisations develop it through assessments that help them identify skill gaps and use the data to strategy their investments in human capital. Companies may use this data to plan learning and development activities, recruitment and strategic workforce planning. Companies update this database regularly to take timely measures that improve team competency to help the business grow.

A skills inventory includes information such as: employee name, role, and department. The skills, knowledge, and competencies of the employee. Qualifications, training, certifications, and education background.

Succession planning

Another use of skills inventories within human resources is for succession planning. Succession planning is an hr strategy that considers what employees may be ready for a promotion, should a position open. Using a skills inventory for this purpose prepares the hr department to fill roles internally when necessary, with the confidence and data to support their decision. For example, imagine a sales lead performs exceptionally well and has developed the skills necessary to move into a sales manager position. The hr department might make a note of this employee for when a sales management position becomes available.

1.5 Job Description

A job description is a detailed information about the vacant position that states the job title, job location, duties, responsibilities, job role, etc. in a written format. The HR manager creates this document to invite applications from prospective candidates for the open role.

Components of Job Description

- **Job Title**– the name of the open role
- **Job Location**– the location where the selected candidate will be working.
- **Job Role**– refers to the scope of work defined by the company.
- **Responsibilities and Duties**– refers to various job-related activities that the candidate has to perform and is accountable for.
- **Salary**– the monetary compensation the company is offering to the candidate to do a particular job. The salary may or may not be negotiable.
- **Incentives**– the commission and remuneration the company offers the employees upon completion of their targets.
- **Allowances**– the benefits and expenses that the company pays on behalf of the candidate.

Advantages of Job Description

- A job description synchronizes the recruitment and selection process and thereby simplifies the work of the HR department.
- It makes it easy for companies to search for suitable candidates.
- It provides a framework to build the job specification.
- A job description gives a clarification of what the company is about and what it has to offer to the candidates.
- It provides an overview of the open position and also specifies the company's expectations.
- It helps the candidate to get instantly familiar with the workplace environment.

Disadvantages of Job Description

- A job description does not stay constant; it changes with time and the growth of the company.
- It outlines only the positive points of a job. The negative aspects are completely ignored.

1.6 Job Specification

A job specification states the attributes, skills, knowledge, educational qualification, and experience needed in a candidate to perform a particular job.

The manager drafts the job specification after preparing the job description. While drafting the job specification, the manager identifies the necessary abilities and attributes needed for accomplishing the task.

Components of Job Specification

- **Educational Background**– the academic knowledge required, including school education, graduate, post-graduation, and other such qualifications.
- **Skills**– the particular skills that are required to accomplish the tasks.
- **Experience**– the employment details of past and present employers that includes, company's name, designation, salary, job profile, duration, etc.

Advantages of Job Specification

- A job specification defines candidate selection criteria. It makes it easy for recruiters to screen resumes of prospective candidates.
- It serves as a benchmark for conducting orientation and training of the employees.
- It helps candidates to find a job that is the best fit for their skills and qualification.
- It helps in performance analysis and appraisal of the candidates.

Disadvantages of Job Specification

- The job specifications of the company for a particular job may change with changes in technology.
- Drafting a job specification is a lengthy process; it requires a complete understanding and knowledge of the job position.

Job Description VS Job Specification

	JOB DESCRIPTION	JOB SPECIFICATION
What does it mean?	A job description is a detailed information about the vacant position that states the job title, job location, duties, responsibilities, job role, etc. in a written format.	A job specification is the set of specific qualities, knowledge, and experience the candidate must possess to perform a particular job.
Origin	Based on Job Analysis	Based on the Job Description
Elements	Includes job title, job location, job role, salary, responsibilities, duties, allowances, and incentives	Includes attributes, knowledge, skills, experience, and educational qualification
Purpose	Describes the job profile	Specifies the eligibility criteria
What is it?	Company's offerings to the candidate	Company's expectations from the candidate
Use	Used to provide relevant and sufficient information about the job	Used to match the right candidate with the job

Job Description and Job Specification Example

XYZ Ltd. is looking for a Tele Marketing Executive. It posts the job description and job specification regarding the open position on a job portal, and it looks something like this:

Job Description – Tele Marketing Executive

XYZ Ltd. is an established sales and marketing company with branches across the country. The company has 800 employees and is into B2B sales with clients who are big business firms and corporate leaders.

Job Title: Tele Marketing Executive

Role: We are looking for a Tele Marketing Executive for the company. The job requires the candidate to make outbound calls to convert prospective customers into clients. It is an office job, but may require the candidate to travel to different cities.

Duties and Responsibilities:

- Call prospective customers
- Influence customers to buy
- Prepare sales report
- Handle direct customer inquiries
- Achieve sales targets
- Identify prospects and grab new business opportunities
- Maintain sales record on CRM software

Job Specification – Tele Marketing Executive

Educational Qualification: Any graduate/MBA in Marketing or Sales

Skills and Competencies:

- Excellent communication skills
- Good time management skills
- Result-driven
- Ability to work under pressure
- Persistent
- Positive attitude
- Excellent negotiation skills
- Proactive

Experience: 0-1 year of experience in sales or marketing

The job description and job specification are equally important during the recruitment process. The differences mentioned above make it quite evident that they are very different from each other.

1.7 Strategic Human Resource Planning

Strategic hr planning is an essential component of hr management. Almost every sized organization has a strategic plan that guides the organization in successfully meeting its mission. Organizations regularly complete financial plans to ensure they achieve organizational goals, and while workforce plans are not as common. Strategic hr management is defined as “integrating human resource management strategies and systems to achieve the overall mission, strategies, and success of the firm while meeting the needs of employees and other stakeholders.”

Strategic hr planning is a process that helps an organization to identify current and future human resources needs to achieve the end goals. It links human resource management to the overall strategic plan of an organization.

Importance of strategic human resource planning

1. Clarifies the current scenario and indicates the loopholes
2. Helps in future anticipation
3. Helps to incline with market trends
4. Assess the workflows and the delays
5. Unleashing the power of automation in hr planning

Strategic human resource planning process

The strategic hr planning process has four steps:

- Assessing the current hr capacity
- Forecasting hr requirements
- Gap analysis
- Developing hr strategies to support organizational strategies

a) **Assessing current HR capacity**

Based on the organization’s strategic plan, the primary step within the strategic hr planning process is to assess the present hr capacity of the organization. The knowledge and skills of your current staff got to be identified. This can be done by

developing a skills inventory for every employee. An employee's performance assessment forms are often reviewed to work out if the person is prepared and willing to require more responsibility and to seem at the employee's current development plans.

b) Forecasting HR requirements

The next step is to forecast hr needs for the longer-term supported the strategic goals of the organization. Realistic forecasting of human resources involves estimating both to and fro. Questions to be answered include:

How many staff are going to be required to realize the strategic goals of the organization?

What skill sets will people need?

c) Gap analysis

The next step is to determine the gap between where the organization wants to be in the future and where it is now. The gap analysis includes identifying the amount of staff and therefore, the skills required within the future as compared to the present situation. Gap analysis must encompass these below questions to be answered:

What new skills will be required?

Do our present employees have the required skills?

Are employees currently in positions that use their strengths?

Do we have enough managers/supervisors?

d) Developing hr strategies to support organizational strategies

There are mainly three hr strategies for meeting organization's needs in the future: training and development strategies, recruitment strategies and outsourcing strategies

Let's Sum-Up:

Dear Learners, in this Module we learn about Human Resources Planning. In the detailed explanation of long - term and short-term planning, job analysis, skills inventory, job description, job specification and succession planning, and strategic human resource planning.

Check Your Progress

1. _____ is the process of forecasting an organisations future demand for, and supply of, the right type of people in the right number.

- a. **Human Resource Planning**
- b. Recruitments
- c. Human Resource Management
- d. Human Capital Management

2. Which of the following factors state the importance of the Human Resource Planning?

- a. Creating highly talented personnel
- b. International strategies
- c. Resistance to change and move
- d. **All of the above**

3. A process that is used for identifying and developing internal people with the potential to fill key business leadership positions in the company is called _____.

- a. Highly talented personnel creation
- b. Investing in human resources
- c. **Succession planning**
- d. None of the above

4. State true or false

i. Human Resource Planning facilitates international expansion strategies.

- a. **True**
- b. False

5. Which of the following option is not the factor that hinders with the human resource planning process?

- a. Type and quality of forecasting information
- b. Time horizons
- c. Environmental uncertainties
- d. **Unite the perspectives of line and staff managers**

Module 2 - Recruitment and Selection

2.1 Recruitment

Meaning:- recruitment is the process of searching for prospective employees & stimulating them to apply for jobs in the organisation.

Definition:- acc. To yoder “ recruitment is a process to discover the sources of manpower to meet the requirements of the staffing schedule & to employ effective measures for attracting the manpower in adequate number to facilitate effective selection of an efficient working force”.

Need for recruitment

Every company in the world knows the important of recruitment step in increasing the performance of the company and increasing the productivity of the products. In this part of the project we will mention some important point about the importance of recruitment step in any organization:

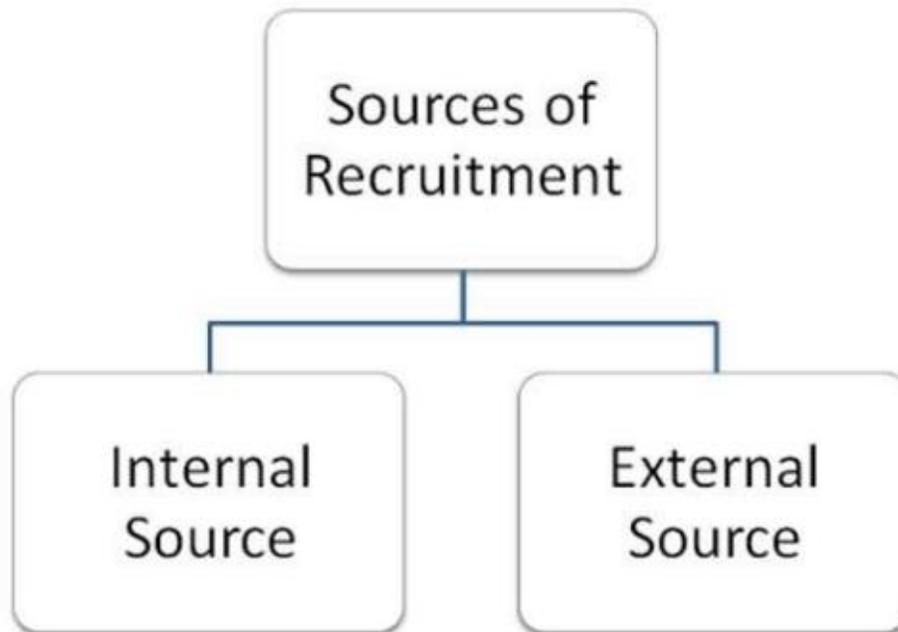
- It helps organization by found of the need of requirements by job analysis activities and personnel planning.
- To collect many of job candidates with less cost.
- It helps to organize application by divided them by under qualified or overqualified, to increase the possibility of increasing and choosing the success person to the right place.
- Employing new and better qualified staff often the only effective long-term strategy for improving operational performance.
- Capabilities and commitment of employees ensure an organisation’s success.
- Raise organizational and individual value in the short term and long term.

2.2 Purpose and importance of recruitment

- Determine the present and future requirements of the organization on conjunction with its personnel planning and job analysis activities.
- Increase the pool of job candidates at minimum cost.

- Help increase the success rate of the selection process by reducing the number of visibly under qualified or overqualified job applicants.
- Help reduce the probability that job applicants, once recruited and selected, will leave the organization only after a short period of time.
- Meet the organization's legal and social obligations regarding the composition of its work force.
- Begin identifying and preparing potential job applicants who will be appropriate candidates.
- Increase organizational and individual effectiveness in the short term and long term.
- Evaluate the effectiveness of various recruiting techniques and sources for all types of job applicants.

2.3 Sources of Recruitment (Methods/Techniques)



Internal Methods

Internal methods seeks applicants for positions from those who are currently employed . It included

- **Promotion & Transfers**

Promotion, movement of employee from a lower level position to a higher level position accompanied by (usually) changes in duties, responsibilities, status & values.

Transfer, is an internal movement within the same grade, from one job to another. It may lead to changes in duties & responsibilities, working condition etc, but not necessarily salary.

- **Job posting**

Job posting is another way of hiring people from within. In this method, the organisation publicizes job openings on bulletin boards, electronic media & similar outlets.

- **Employee referrals**

Employee referral means using personal contacts to locate job opportunities. It is a recommendation from a current employee regarding a job applicant. The logic behind employee referral is that “it takes on to know one”.

External methods

Every enterprise has to use external sources for recruitment to higher positions when existing employee are not suitable. More persons are needed when expansions are undertaken. External methods includes

- **Advertisement**

Advertisement is the best method of recruiting person for higher & experienced jobs. The advertisements are given in local or national press trade or professional journals. The requirements of jobs are given in the advertisements. The prospective candidates evaluate themselves against their requirements of jobs before sending their applications. Management gets a wider range of candidates for selection. The flood of application may create difficulties in the process.

- **Direct recruitment**

Direct recruitment refers to the external source of recruitment where the recruitment of qualified candidates are done by placing a notice of vacancy on the notice board in the organization. This method of sourcing is also called as **factory gate recruitment**, as the blue-collar and technical workers are hired through this process.

- **Employment exchanges**

As per the law, for certain job vacancies, it is mandatory that the organization provides details to the employment exchange. Employment exchange is a government entity, where the details of the job seekers are stored and given to the employers for filling the vacant positions. This external recruitment is helpful in hiring for unskilled, semi-skilled, and skilled workers.

- **Employment agencies**

Employment agencies are a good external source of recruitment. Employment agencies are run by various sectors like private, public, or government. It provides unskilled, semi-skilled and skilled resources as per the requirements of the organization. These agencies hold a database of qualified candidates and organizations can use their services at a cost.

- **Professional associations**

Professional associations can help an organization in hiring professional, technical, and managerial personnel, however they specialize in sourcing mid-level and top-level resources. There are many professional associations that act as a bridge between the organizations and the job-seekers.

- **Campus recruitment:**

Campus recruitment is an external source of recruitment, where the educational institutions such as colleges and universities offers opportunities for hiring students. In this process, the organizations visit technical, management, and professional institutions for recruiting students directly for the new positions.

- **Word of mouth advertising**

Word of mouth is an intangible way of sourcing the candidates for filling up the vacant positions. There are many reputed organizations with good image in the market. Such organizations only need a word-of-mouth advertising regarding a job vacancy to attract a large number of candidates.

2.4 Selection

Meaning:- selection is the process of examining the applicants with regard to their suitability for the given job or jobs, & choosing the best from the suitable candidates & rejecting the others.

Definition:- acc. To **DALE YODER**, “selection is the process in which candidates for employment are divided into two classes those who are to be offered employment & those who are not. Selection means a process by which qualified personnel may be chosen from the applicants offering their services to the organization for employment”.

Purpose

Selection is the process of assessing candidates' qualities, expertise and experience to narrow down the pool of applicants until you're left with the best person for the role. This process usually involves conducting interviews and using various tests and assessments to evaluate each candidate.

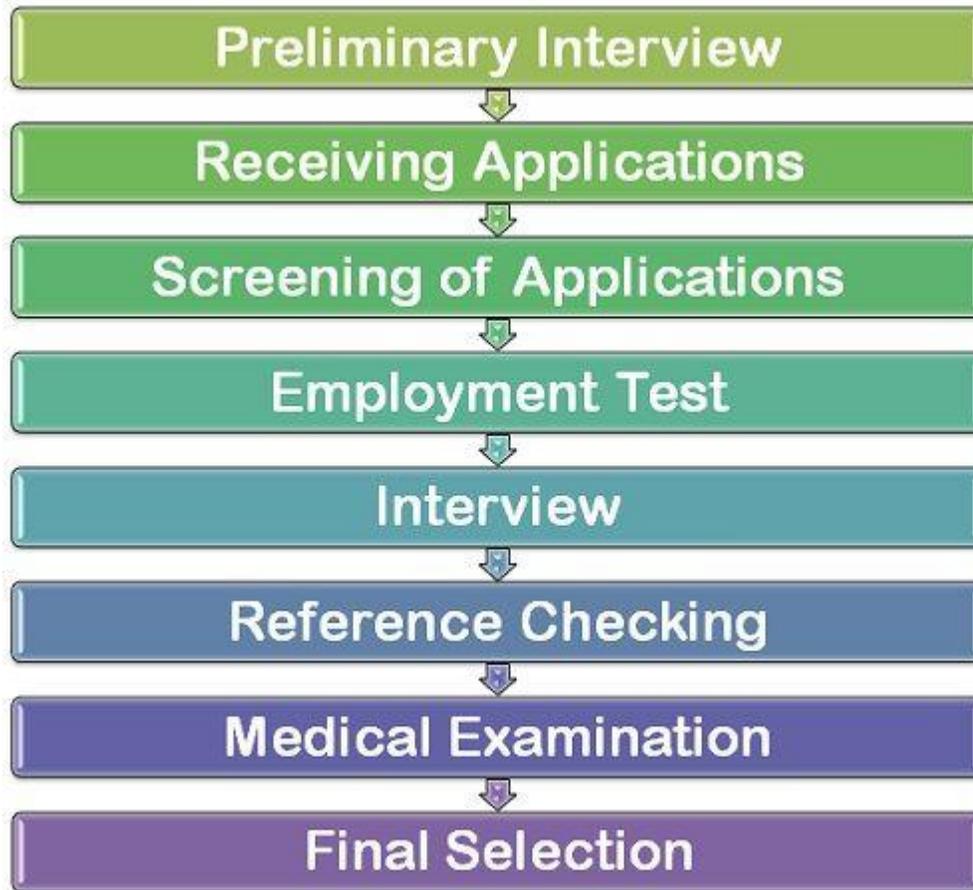
Selection process/Steps in selection

The selection procedure comprises of following systematic steps:

- **Preliminary interview**

The preliminary interview is also called as a screening interview wherein those candidates are eliminated from the further selection process who do not meet the minimum eligibility criteria as required by the organization.

Here, the individuals are checked for their academic qualifications, skill sets, family backgrounds and their interest in working with the firm. The preliminary interview is less formal and is basically done to weed out the unsuitable candidates very much before proceeding with a full-fledged selection process.



- **Receiving applications**

Once the individual qualifies the preliminary interview he is required to fill in the application form in the prescribed format. This application contains the candidate data such as age, qualification, experience, etc. This information helps the interviewer to get the fair idea about the candidate and formulate questions to get more information about him.

- **Screening applications:**

Once the applications are received, these are screened by the screening committee, who then prepare a list of those applicants whom they find suitable for the interviews. The short listing criteria could be the age, sex, qualification, experience of an individual.

Once the list is prepared, the qualified candidates are called for the interview either through a registered mail or e-mails.

- **Employment tests**

In order to check the mental ability and skill set of an individual, several tests are conducted. Such as intelligence tests, aptitude tests, interest tests, psychological tests, personality tests, etc. These tests are conducted to judge the suitability of the candidate for the job.

- **Employment interview**

The one on one session with the candidate is conducted to gain more insights about him. Here, the interviewer asks questions from the applicant to discover more about him and to give him the accurate picture of the kind of a job he is required to perform.

Also, the briefing of certain organizational policies is done, which is crucial in the performance of the job. Through an interview, it is easier for the employer to understand the candidate's expectations from the job and also his communication skills along with the confidence level can be checked at this stage.

- **Checking references**

the firms usually ask for the references from the candidate to cross check the authenticity of the information provided by him. These references could be from the education institute from where the candidate has completed his studies or from his previous employment where he was formerly engaged. These references are checked to know the conduct and behavior of an individual and also his potential of learning new jobs.

- **Medical examination**

Here the physical and mental fitness of the candidate are checked to ensure that he is capable of performing the job. In some organizations, the medical examination is done

at the very beginning of the selection process while in some cases it is done after the final selection.

Thus, this stage is not rigid and can take place anywhere in the process. The medical examination is an important step in the selection process as it helps in ascertaining the applicant's physical ability to fulfill the job requirements.

- **Final selection**

Finally, the candidate who qualifies all the rounds of a selection process is given the appointment letter to join the firm.

Types of tests

1. **Aptitude test:-** these tests measure whether an individual has the capacity or latent ability to learn a given job, if given adequate training. Aptitudes can be divided into general & mental ability or intelligence & specific aptitudes such as mechanical, clerical, manipulative capacity etc.
2. **Psycho motor test :-** these tests measure abilities like manual dexterity, motor ability & eye hand coordination of candidates. These tests can be useful to select semi-skilled workers & workers for repetitive operations like packing & watch assembly.
3. **Job knowledge test:-** under this test, a candidate is tested in the knowledge of particular job. For example. If a junior lecturer applies for the job of a senior lecturer in commerce he may be tested in job knowledge where he is asked questions about accountancy principles, banking law, business management etc.
4. **Vocational / interest test:-** these tests are inventories of the likes & dislikes of candidates in relation to work, job, occupations, hobbies & recreational activities. The purpose of this test is to find out whether a candidate is interested or disinterested in the job for which he is a candidate & to find out there is high correlation between the interest of a candidate in a job & job success.
5. **Personality test:-** these tests probe deeply to discover clues to an individual's value system, his emotional reactions & maturity & characteristic mood. They are expressed in such traits like tact, emotional control, optimism, decisiveness, sociability,

conformity, objectivity, patience, fear, distrust, initiative, judgement dominance or submission, impulsiveness, sympathy, integrity, stability & self confidence.

6. Group discussion:- this test administered through the group discussion approach to solve a problem under which candidate are observed in the areas of initiating, leading, proposing valuable ideas, conciliating skills, oral communicating skills, coordinating & concluding skills.

Interview

Meaning:- interview means a conversation between interviewer & interviewee aimed at assessing the potentialities for a job.

In other words “ an interview is an attempt to secure maximum amount of information from the candidate concerning his suitability for the job under consideration”.

Types of interview

- **Informal interview**

This may take place anywhere. The employer or a manager in the personnel department may ask a few questions, like name, place of birth, previous experience, etc. It is not planned and is used widely when the labour market is tight and you need workers very badly. A friend or a relative of the employer may take a candidate to the house of the employer or manager where this type of interview may be conducted. **Formal interview:** this held in a more formal atmosphere in the employment office by the employment officer with the help of well-structured questions. The time and place of the interview are stipulated by the employment office.

- **Planned interview**

This is a formal interview carefully planned. The interviewer has a plan of action worked out in relation to time to be devoted to each candidate, type of information to be sought, information to be given, the modality of interview and so on. He may use the plan with some amount of flexibility.

- **Patterned interview**

This is also a planned interview but planned to a higher degree of accuracy, precision and exactitude. A list of questions and areas are carefully prepared. The interviewer goes down the list of questions, asking them one after another.

- **Non-directive interview**

This is designed to let the interviewee speak his mind freely. The interviewer is a careful and patient listener, prodding whenever the candidate is silent. The idea is to give the candidate complete freedom to 'sell' himself without encumbrances of the interviewer's questions.

- **Depth interview**

This is designed to intensively examine the candidate's background and thinking and to go into considerable detail on a particular subject of special interest to the candidate. The theory behind it is that if the candidate is found good in his area of special interest, the chances are high that if given a job he would take serious interest in it.

- **Stress interview**

This is designed to test the candidate and his conduct and behaviour by putting him under conditions of stress and strain. This is very useful to test the behaviour of individuals under disagreeable and trying situations.

- **Group interview**

This is designed to see how the candidates react to and against each other. All the candidates may be brought together in the office and they may be interviewed. The candidates may, alternatively, be given a topic for discussion and be observed as to who will lead the discussion, how they will participate in the discussion, how each will make his presentation and how they will react to each other's views and presentation.

- **Panel interview**

This is done by members of the interview board or a selection committee. This is done usually for supervisory and managerial positions. It pools the collective judgement and wisdom of members of the panel. The candidate may be asked to meet the panel individually for a fairly lengthy interview.

2.5 Recruitment and Social Media



Social media recruitment refers to using social media channels and platforms, such as linkedin, facebook, instagram and twitter, to promote job advertisements, build a strong network with skilled professionals and search for potential job candidates.

It is also known as social hiring or social recruiting. It is an integral part of recruitment marketing. Hiring professionals and recruiters implement social media recruitment strategies to advertise the brand message across various social media channels and share content that showcases a positive work culture to entice more candidates into their hiring pipeline. Nowadays, social media is an effective tool for job searching and recruitment purposes.

2.6 Placement and Induction

Placement

Meaning:- placement is the actual posting of the candidate for the specific job. It involves the assigning of specific rank & responsibility to that candidate.

In other words, induction is the task of introducing the new employee to the policies, procedures, rules & regulations of the organisation.

According to **PIGORS & MYERS** “placement is the determination of the job to which an accepted candidate is to be assigned & the work of that job. It is the match of what the supervisor has reason to think he can do with what the job demands”.

Significance of placement

- It improves employee morale.
- It helps in reducing employee turnover.
- It helps in reducing absenteeism
- It helps in reducing accident rates.
- It avoids misfit between the candidate & the job.
- It helps the candidate to work as per the predetermined objectives of the organisation.

Induction

Meaning :- induction is the process of receiving welcoming an employee when he first joins the company & giving his basic information he needs to settle down quickly & happily & starts work.

Objectives of induction

- to help the new comer to overcome his shyness & overcome his nervousness in meeting new people in a new environment.
- to give new comer necessary information such as location of café, rest period etc.
- to build new employee confidence in the organisation

- it helps in reducing labour turnover & absenteeism.
- it reduces confusion & develops healthy relations in the organisation.
- to ensure that the new comer do not form false impression & negative attitude towards the organisation.
- to develop among the new comer a sense of belonging & loyalty to the organisation.
- to provide basic skills, terms & ideas of the business world & help the new employee in human relations.

2.7 Transfer

Transfer is a process of placing employees in positions where they are likely to be more effective or where they are to get more job satisfaction. In **transfers**, there is no change in the responsibility, designation, status or salary. It is a process of employee's adjustment with the work, time and place.

Types of transfer

Five major types:

- **Production transfers**

Such transfers are made when labour requirements in one division or branch is declining. The surplus employees from such division are transferred to those divisions or branches where there is shortage of employees. Such transfers help avoid lay off and stabilize employment.

- **Replacement transfers**

Such transfers are affected to correct the wrong selection and placement of employees. A wrongly placed employee is transferred to more suitable job. Such transfers protect the interest of the employee.

- **Shift transfers**

These transfers are affected in the organisations where work progresses for 24 hours or in shifts. Employees are transferred from one shift to another usually on the basis of mutual understanding and convenience.

- **Remedial transfers**

Replacement transfers are similar to production transfers in their inherent, i.e. To avoid layoffs. Replacement transfers are affected when labour requirements are declining and are designed to replace a new employee by an employee who has been in the organisation for a sufficiently long time. The purpose of these transfers is to retain long service employees in the organisation and also give them some relief from the heavy pressure of work.

- **Versatility transfer**

These transfers are also known as 'job rotation', in such transfers, employees are made move from one job to another to gain varied and broader experience of work. It benefits both the employee and organisation. It reduces boredom and monotony and gives job enrichment to the employee. Also, employees' versatility can be utilized by the organisation as and when needed.

Separation

Employee separation is a sensitive issue for any organization. Usually, an employee leaves the organization after several years of service. Thus, the permanent separation of employees from an organization requires discretion, empathy and a great deal of planning. An employee may be separated as consequence of resignation, removal, death, permanent incapacity, discharge or retirement. The employee may also be separated due to the expiration of an employment contractor as part of downsizing of the workforce.

Organizations should never harass the employees, especially in the case of resignation, just because they are quitting the organization. In fact, a quitting employee of the organization must be seen as a potential candidate of the future for the organization and also the brand ambassador of its hr policies and practices. However, many organizations are still treating their employees as "expendable resources" and discharging them in an unplanned manner whenever they choose to do so.

2.8 Promotions

Promotion is vertical movement of an employee within the organisation. 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. Promotion may be temporary or permanent, depending upon the needs of the organisation.

Promotion refers to the upward movement of an employee from one job to another higher one, with increase in salary, status and responsibilities. **Promotion** may be temporary or permanent, depending upon the needs of the organization.

Three basic types of promotion are;

- **seniority-based promotion**

- Seniority denotes to the relative duration of service or length of service in the same post and in the same company. In some situations, the most senior employee gets the promotion. The reason is, there is a positive connection between service, talent and the knowledge obtained by the employees. It is based on the convention that the first should be given the first opportunity in all rights.
- Unions demand seniority as a basis of promotion because layoff and discharges are frequently based on seniority. Seniority refers to the relative length of service of employees. The seniority promotion plan is as old as civilization.

- **Merit-based promotion**

- Merit refers to knowledge, skill, talent, competence, and capability as different from education, training, and past service record. Merit-based promotions occur when an employee is promoted because of superior performance in the current job.
- in principle, it is agreed by all that, promotion should be based on merit. Merit-based promotion occurs when an employee is promoted because of superior performance in the present job.
- the use of merit as a basis for promotion causes difficulties because what

- management regards as merit union may consider as favoritism and can distrust the sincerity of management when it claims the right to promote solely on merit
- When management adopts merit as a basis for promotion, it must evolve controls to recognize merit objectively, which will refute the allegations of favoritism.
 - as far as possible, merit rating or employee evaluation should be based on operating facts. The plan of employee evaluation should include an arrangement for consultation and perhaps vocational guidance.
- **Seniority and merit-based promotion**
 - Seniority-merit should be the basis of promotions where merit can be objectively tested. Merit is a term which includes efficiency, skill, aptitude, etc.
 - When a combination of merit and seniority is desirable, the play of discretion in the matter of selection cannot be overlooked.
 - Sound management will pursue a policy of properly balancing these factors. The policy can derive strength if worked in consultation with the workers.

2.9 Dismissal

Dismissal is the act of removing or terminating the job or employment of an employee. Dismissal is when a person working in a company is dismissed from his or her duties. Dismissal is sometimes also termed as firing or sacking of the employee.

Importance of dismissal

Job termination or dismissal is an important part of human resources management. People are employed with a company and have to abide by company policies, responsibilities and work culture. Sometimes people neglect the rules and regulations in an organization and have to be removed or dismissed. It is to sack or fire employees who cause a risk to the business or set a bad example for the other employees.

Dismissal of employees are done if the are caught doing a fraud, neglect duty, leak confidential information behave inappropriately etc. Dismissal of wrong or bad employees is essential to maintain a good, safe, trustworthy and positive environment at workplace.



2.10 Resignation

Resignation refers to the act of voluntarily leaving a job or position. It is a formal and official way of ending an employment relationship with an organization or employer. An employee can initiate resignation for various reasons, such as personal reasons, career growth, or dissatisfaction with the job.

A resignation letter is a formal letter submitted by an employee to their employer informing them of their intention to leave their current position. The letter typically includes the employee's last day of work and can briefly explain their departure. Providing a resignation letter to the employer is considered a professional courtesy as it allows for a smoother transition and maintains a positive relationship between the

employer and employee. A resignation letter can be delivered in person, via email, or postal mail and should be polite and professional in tone.

2.11 Exit interview

The exit interview is considered to be a one of the most important hr process and it is the most practical way to get the valuable feedback from the employee about your organization culture, policies and procedures. The employee, who is leaving could be the best person to tell the insights on the company's strengths and weaknesses, as perceived by the employee during his/her stay within the organization.

It is important that all the firms should make adequate use of an exit interview and analyze the issues addressed by the workers. It further can be very helpful in enhancing the satisfaction level of existing employees and also helps hrm of an organization to understand its uses and its effectiveness.

Exit interview (ei) can be in the form of face to face interview, surveys, and questionnaire and so on. It is important that data from employees who are leaving should be valid and reliable. Sometimes, the collected data from an exit interview may lack quality. It can be due to lack of forthrightness by the former employees who may not criticize their seniors.

Let's Sum-Up:

Dear Learners, in this Module we learn about Recruitment and selection. In the detailed explanation of the purposes, types and methods of recruitment and selection, relative merits and demerits of the different methods, recruitment and social media, placement, induction, transfers, promotions, dismissal, resignation and exit interviews.

Check Your Progress

1. Which of these is the purpose of recruitment?
 - a. Make sure that there is match between cost and benefit
 - b. **Help increase the success rate of the selection process by reducing the number of visibly under qualified or over qualified job applicants.**

- c. Help the firm create more culturally diverse work – force
 - d. None of the above
2. The poor quality of selection will mean extra cost on _____ and supervision.
- a. Training**
 - b. Recruitment
 - c. Work quality
 - d. None of the above
3. A major internal factor that can determine the success of the recruiting programme is whether or not the company engages in _____.
- a. HRP**
 - b. Selection
 - c. Induction
 - d. None of the above
4. What is the main objective of the recruitment and selection process?
- a. Recruit the right candidates
 - b. Meet the high labour turnover**
 - c. To reduce the costs of recruiting
 - d. None of the above
5. The various activities involved in the process of recruitment include _____.
- a. Identification and assessment of the different sources of recruitment
 - b. Selecting the most suitable source or sources
 - c. Inviting applications from the prospective candidates
 - d. All of the above**

Module 3- (Reduction of Attrition Rate)

3.1 Attrition - Definition

Attrition is the departure of employees from the organization for any reason (voluntary or involuntary), including resignation, termination, death or retirement. Attrition rate is the rate at which employees leave an organization divided by the average number of employees at the organization over a given period of time.

Employee attrition is the naturally occurring, voluntary departure of employees from a company. Employee attrition involves leaving a job for:

- Personal reasons
- Professional motivation
- Job mismatch
- Issues in the workplace
- Unsatisfactory pay and/or benefits
- Lack of opportunity
- Poor workplace conditions
- Poor work-life balance
- Illness and death
- Retirement
- Relocation

3.2 Types of Employee Attrition

Voluntary: employee decides to leave the company, then such attrition is voluntary attrition. In this case, the employee resigns due to personal reasons. This may include resigning or quitting the job due to health issues, accepting a new job offer etc.



Involuntary: if the company decides to end employment, it is involuntary attrition. This takes place due to poor performance of the employee. Companies also do this to reduce staffing costs or to eliminate positions. This may include termination and layoff.

External: an employee leaving the company to join another company is called external attrition. Generally, it happens when the employee gets the opportunity to take a position which is similar to or better than his current position, with better pay.

Internal: when an employee accepts another position in the same company, either to work in another department or receive a promotion.

3.3 Retention Management

Employee retention refers to an organization's ability to prevent employee turnover. It includes policies, best practices, and critical strategies designed to prevent top talents from quitting their jobs voluntarily or involuntarily. In fact, it is one of the key focus areas of the hr department.

Every organization wants to retain its top employees for the business to thrive, and that's the main objective behind designing any employee retention strategies. They help mitigate the risks of employee turnover, keeping critical talent for longer.

Employee retention is one of the key focus areas of the hr department, and it's this team that comes up with innovative strategies, practices, and policies to scale down the number of people quitting an organization by improving the overall conditions and critical processes.

the opposite of retention is turnover, where employees leave the company for a variety of reasons.

Why is employee retention important?

Employee retention is important because it helps:

- Ensure productivity flow
- Lower turnover rates
- Save on hiring costs
- Reduce training time
- Improve morale and engagement
- Build a positive company culture
- Increase business revenue

Definition of employee retention

Employee retention refers to an organization's ability to retain quality employees. The retention rate is often expressed as a percentage and the goal is for it to be high.

For example, a retention rate of 85% means that the business was able to keep 85% of its employees over a specified period of time. Retention rates vary widely based on the type of business and the strategies it uses.

Why employee retention important

There are several reasons why employee retention is important to a business. Here are a few benefits to consider:

Business efficiency: Retaining employees helps maintain the business's efficiency and productivity. While it takes time to train a new employee and for that employee to

acclimate to the company environment, employees who have been at the company for a few years understand the vision and culture and have the skills needed to do the job.

Recruitment cost efficiency: The recruitment process can cost businesses a lot of money, including the resources it takes to recruit, screen, interview and train new team members. By retaining employees for long periods of time, it's possible to reduce the amount of money needed for recruitment.

Employee morale and loyalty: When employees leave the company, it can affect morale and loyalty. Creating a work environment that encourages employees to stay can help them feel good about the company and want to continue working there.

Lower costs: Aside from all the time and money invested into employees, replacing an employee incurs further costs. Among those costs are advertising the position, interviewing and selecting a quality candidate, onboarding the new employee and training them.

Improved customer experience: Experienced employees may be more likely to have the knowledge and skill to provide exceptional customer service. This includes responding to customer questions and concerns with quick and confident solutions.

Causes of low employee retention

Understanding what causes low employee retention can help improve your understanding of employee retention strategy. There are a variety of causes for low employee retention, some of which relate to the team member's experience and attitude. These include:

Low morale: The way employees feel about working at the company can affect their desire to stay. If there were many recent layoffs, a change in upper management or if the company has a negative public image, employees might consider working elsewhere.

Disengagement: Feeling disconnected from coworkers and the company is another reason someone may want to find a different job. In larger companies, employees can feel distant from the decision-making process, and might also find it hard to share their

thoughts and concerns when there are so many other employees and many layers of management above them.

Boredom: Employees like to know why they are performing their jobs and that the work they do is fulfilling and has meaning. If they feel that they are doing work without any sense of purpose, they might want to find a job where they can better use their skills.

Feeling overworked: When there is too much work to do and not enough time, stress levels increase and motivation to work can drop. Feeling stressed for a long period can cause burnout, which is a large factor in low employee retention.

Lack of clear advancement opportunities: If employees have been working at their jobs for a few years, excelling within their roles and perhaps even receiving praise for their work, they may expect management to consider them for promotions. If, however, management doesn't discuss career advancement with them or show them how to move forward in their careers, they might consider leaving.

Inadequate salary: If employee salaries are not increasing to meet their current needs, and management is not offering adequate pay raises, those employees might look for work that pays better. It could be that the current management hasn't offered them a raise in a long time, despite their good work and increased skill level. That, too, would be a reason for them to consider a new job.

Lack of development opportunities: Many businesses offer their employees classes and mentoring to help them develop both personally and professionally. If management is not offering their employees this kind of training or career guidance, employees might feel the only way to progress in their careers and skills is by changing jobs.

Inadequate benefits: Most businesses offer their full-time employees benefits such as paid time off, health insurance and company stock. Where such benefits are missing or inadequate, they may decide to find work with an employer who can offer a benefit package better aligned to their needs.

How to improve employee retention

Numerous retention strategies exist to help businesses improve their employee retention. Here are some steps you can follow to incorporate retention strategies into the workplace:

Create an involved on boarding process

A good time for a business to consider employee retention is at the start of the employee's tenure. Managers can hire employees who understand the vision of the company and are enthusiastic to start work. By immediately immersing new hires in the company culture and environment, they may be more likely to feel like a part of the team, increasing retention long term.

Provide in-depth training

A business that offers valuable training linked to advancement is more likely to keep quality employees. Career-focused training provides a clear way for employees to progress in the company and encourages them to stay. It also shows the company is invested in their development and wants them to be successful.

Be transparent

When a company is transparent with its employees, it provides clear communication so they understand and share the company's vision and goals. Transparency can also include having an "open door" policy that allows employees to share concerns with their management without fear of being disciplined. Not only do they feel as if the company has nothing to hide, but they also know their voices will be heard if they offer a suggestion for improvement or want to share a concern.

Recognize and reward employees

While most people will do a good job regardless of recognition, the fact management shows appreciation for good work can help build loyalty. When employees are recognized or rewarded for their achievements, they feel that their peers and management consider their work to be important and that they are valued.

Offer competitive salaries

A good salary is one where the employee believes the amount they are paid is reasonable for their job level, experience and skills. An employee is more likely to stay

with a company that pays a good salary offers regular, competitive raises and opportunities for bonuses and promotions.

Provide a good benefits package

Employees who work for companies that provide them with attractive benefits are more likely to stay. Benefits like employer-subsidized health insurance, paid sick leave, paid vacation time and corporate discounts can be good incentives to attract and retain quality employees.

Have flexible time-off policies

Overwork and burnout can be reasons someone may feel the need to change jobs. By providing flexible time-off policies, the company encourages its employees to take time away from work.

A good work-life balance is important for mental health. By allowing employees to take time off when they need it, the business shows it cares about them as people, not just as employees.

Offer flexible hours

There are times when employees need to be able to manage situations at home that happen during the workday. If the company can provide its employees the flexibility to work around home responsibilities, they are less likely to look for a job somewhere that has a more accommodating schedule.

Provide convenience and comfort amenities

Amenities like ergonomic desks, subsidized cafeterias, free refreshments and break areas are ways a business can show it cares for its employees. By promoting a healthy work environment and giving employees opportunities to step away from their desks and relax, the company demonstrates concern for their mental and physical health.

Let's Sum-Up:

Dear Learners, in this Module we learn about Reduction of attrition rate. In the detailed explanation of the definition of attrition, types of employee attrition, employee retention and why employee retention is important.

Check Your Progress

1. What is the term for the process of keeping employees engaged and satisfied with their work to prevent them from leaving the organization?
 - a) Employee recruitment
 - b) Employee retention**
 - c) Employee on boarding
 - d) Employee separation
2. True or False:
Employee retention strategies should focus solely on financial incentives and benefits.
 - a) True
 - b) False**
3. Which factor plays a significant role in employee retention by offering opportunities for skill development and advancement?
 - a) Job security
 - b) Competitive compensation
 - c) Work-life balance
 - d) Career development**
4. What is meant by employee attrition?
 - a) When an employee leaves a role and the job is not filled.
 - b) When an employee leaves a role and someone is hired for the position.
 - c) When job positions are left vacant for a certain period of time.
 - d) The departure of employees from the organization for any reason voluntary or involuntary.**

5. What is employee turnover?

- a) The number of jobs left vacant after company layoffs or employee resignations.
- b) The percentage of employees who leave employment to relocate out of town.
- c) **The total number of workers who leave a company over a certain time period.**
- d) The number of employees who leave a job and are subsequently replaced.

Unit Summary

To find out the right man for the right job and develop him into an effective team member is itself a challenging job for any manager. To fully utilize the human resources so as to achieve organizational goal, it is essential to have a proper manpower plan, as HR planning is a forward looking function which as per its process tries to assess manpower requirements in advance keeping in view production schedules, market fluctuations, demand forecasts etc in the background. The focus of the plan is to get the right number of employees at the right time and in right number. One of the important and significant functions of HR Department is Recruitment. Recruitment is a process of searching for prospective employees and stimulating and encouraging them to apply for the job in an organisation. Basically there are two sources of recruitment they are – internal source and external sources. Each source has their own methods of recruiting the employee with their merits and demerits. While recruiting the candidates the organisation should be clear with their policies, budget, requirements so as to avoid unnecessary burden on the organisation.

Glossary

KEYWORDS	MEANING
Human resource planning	Human resource planning deciding the number & type of the human resources required for each job, unit & the total company for a particular future date in order to carry out organisational activities.
environmental scanning	environmental scanning refers to the systematic monitoring of the external forces influencing the organisation.

Long-term planning	Long-term planning shows how your company can be successful over an extended period of time
job analysis	job analysis is the process of studying & collecting information relating to the operation & responsibilities of a specific job
skills inventory	A skills inventory is a dynamic and comprehensive database that contains a list of employees with their professional skills, experiences and educational qualifications
job description	job description is a detailed information about the vacant position that states the job title, job location, duties, responsibilities, job role, etc. in a written format.
job specification	A job specification states the attributes, skills, knowledge, educational qualification, and experience needed in a candidate to perform a particular job.
recruitment	recruitment is the process of searching for prospective employees & stimulating them to apply for jobs in the organisation
selection	selection is the process of examining the applicants with regard to their suitability for the given job or jobs, & choosing the best from the suitable candidates & rejecting the others.
interview	interview means a conversation between interviewer & interviewee aimed at assessing the potentialities for a job.

Self-Assessment Questions

1. Enumerate the objectives of HRP.
2. What is the need or purpose of HRP in the organisation?
3. Explain the process of HR planning?
4. What are the factors influence the Human Resource Planning?
5. What are the uses of Job Analysis?
6. list out the Components of Job Description

7. Bring out the Purpose and importance of recruitment.
8. What are the various sources of recruitment?
9. Enumerate the Steps in selection process.
10. Discuss the various types of tests.
11. Explain the following terms:
 - a) Placement
 - b) Induction
 - c) Transfer & Promotion
 - d) Separation
12. What are the causes of low employee retention?

Reference and suggested reading

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UNIT - III**TRAINING, DEVELOPMENT AND
CAREER MANAGEMENT****Training, Development and Career Management**

Importance and benefits of Training and Development, Types of Training Methods, Executive Development Programs, Concept and process of Career Management; Competency mapping, Knowledge Management & Talent Management.

Unit Model Structuring

- 1. Training and Development**
- 2. Career Management**

Self-Learning Material Development – STAGE 1

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Unit Objectives

- To learn about the Importance and benefits of Training and Development
- To analyze different types of Training Methods in organization.
- To multiply the knowledge on Executive Development Programs.
- To understand Concept and process of Career Management.
- To enhance Competency mapping.
- To improve the Knowledge Management & Talent Management.

Module 1- (Training and Development)

1.1 Training and development

Training and development is one of the main function of the human resource management. Training refers to a systematic setup where employees are instructed and taught matters of technical knowledge related to their jobs. It focuses on teaching employees how to use particular machines or how to do specific tasks to increase efficiency.

Whereas, development refers to the overall holistic and educational growth and maturity of people in managerial positions. The process of development is in relation to insights, attitudes, and adaptability, leadership and human relations. Thus, training and development is any attempt to improve current or future performance of employee by increasing an employee's ability to perform through learning, usually by changing the employee's attitude or increasing his or her skills and knowledge.

Nature of Training and Development

Training is the most important component of human resource development (hrd). An organization which aspires to grow must be in tune with the changing needs of the society. Training becomes relevant in the context since it is only through training that the gap between performance of the organization and the felt need of a changing society can be neutralized. Training reduces the gap by increasing employees' knowledge, skill, ability and attitude. Training makes a very important contribution to the development of the organization's human resources and hence to the achievement of its.

Aim and purpose of Training and Development

To achieve its purpose, training needs to be effectively managed so that the right training is given to the right people, in the right form, at the right time and at the right costs. The term training indicates the process involved in improving the aptitudes, skills and abilities of the employees to perform specific jobs. Training helps in updating old

talents and developing new ones. Training is a vital phase of management control. It helps in reducing accidents, eliminating wastages and increasing, the quality of work. Training and development are terms which are sometimes used interchangeably. Development was seen as an activity associated with managers. In contrast training has a more immediate concern and has been associated with improving the knowledge and skill of non-managerial employees in the present job. Training and development may be regarded interactive, each complementing the other. The logical step for the organization is to produce a plan for human resource development (i.e. Training and development) which will connect into the employee resourcing plan (i.e. Selection) and the organization"s overall strategic plan.

Training and Its Objectives

Training is an organized activity for increasing the knowledge and skills of people for a definite purpose. It involves systematic procedures for transferring technical know-how to the employees doing specific jobs with proficiency .in other words, the trainees acquire technical knowledge, skills and problem solving ability by undergoing the training programme.

According to edwin b.flippo, " training is the act of increasing the knowledge and skills of an employee for doing a particular job". Training involves the development of skills that are usually necessary perform a specific job. Its purpose is to achieve a change in the behavior of those trained and to enable them to do their jobs better. Training makes newly appointed workers fully productive in the minimum of time. Training is equally necessary for the old employees whenever new machines and equipment are introduced and/or there is change in the techniques of doing the work.

The objectives of training are as follows:

- To increase the knowledge of workers in doing specific jobs.
- To impart new skills among the workers systematically so that they learn quickly.
- To bring about change in the attitudes of the workers towards fellow workers, supervisor, and the organization.
- To improve the overall performance of the organization.
- To make the workers handle materials, machines and equipment efficiently and

thus to check wastage of time and resources.

- To reduce the number of accidents by providing safety training to workers.
- To prepare workers for the higher jobs.

1.2 Importance of Training

Modern organizations arrange for the training of their human resources to achieve the following benefits:

(i) **Quick learning:**

Training helps to reduce the learning time to reach the acceptable level of performance. The employees need not learn by observing others and waste time if the formal training programme exists in the organization. The qualified instructors will help the new employees to acquire the skills and knowledge to do particular jobs quickly.

(ii) **Higher productivity:**

Training increases the skill of the new employees in the performance of a particular job. An increase in skill usually helps in increase in both quantity and quality of output .training is also of great help to the existing employees.it helps them to increase their level of performance on their present job assignment and prepares them for future assignment.

(iii) **Standardization of procedures:**

With the help of training, the best available methods of performing the work can be standardized and taught to all employees. Standardization will make high level of performance rule rather than exception.

(iv) **Less supervision:**

If the employees are given adequate training, the need of supervision will be lessened. Training does not eliminate the need of supervision but it reduces the need of detailed and constant supervision.

(v) **Economical operations:**

Trained personnel will be able to make better and economical use of materials and equipment wastage will be also low .in addition, the rate of accidents and damage to machinery and equipment will be kept to the minimum by the trained employees .these will lead to lower cost of production per unit.

(vi) **Higher morale:**

The morale of employees is increased if they are given proper training. A good training programme will mould employee's attitudes towards organizational activities and generate better cooperation and greater loyalty.

(vii) **Preparation of future managers**

When totally new skills are required by an organization, it has to face great difficulties in the selection process. Training can be used in spotting out promised men and preparing them for promotion.

1.3 Benefits of Training

Employers derive many benefits from organizing training programs for their employees, especially when they dedicatedly and consistently carry out these programs. Here are some likely advantages:

- **Increased productivity and performance**

When employees undergo training, it improves their skills and knowledge of the job and builds their confidence in their abilities. This will improve their performance and make them work more efficiently and effectively.

- **Uniformity of work processes**

When employees in a workplace are exposed to training, it helps to standardize the work process among the staff. Workers will apply and follow similar procedures as a result of their exposure to similar training.

- **Reduced wastage**

When employees are trained, they will learn to make good, safe and economical use of the company's materials, tools and equipment. Accidents and equipment damage will be minimized, and this will keep waste low.

- **Reduced supervision**

Though training employees should not totally eliminate the need for supervision, it can significantly reduce the need for excessive supervision in the workplace.

- **Promoting from within**

When an organization needs professionals with new or specific skills, they don't have to go into the labor market to employ new professionals from outside sources. They can look inward and select promising staff members who can be promoted after they are trained in this set of new skills needed by the organization.

- **Improved organizational structure**

When a company has an organized system of training for employees, it helps them learn in a consistent and systematic way. It also prevents the employees from learning by trial and error.

- **Boosted morale**

Employees of organizations who go through training programs will feel like they are a part of a supportive work environment where they are appreciated, which will boost their morale and make them approach their job duties with more self-confidence.

- **Improved knowledge of policies and goals**

A good training program will always help employees get acquainted with their organization's ethics, values, policies, visions and missions.

- **Improved customer valuation**

When employees of an organization are exposed to consistent training, it improves their skills on the job and makes them work more professionally and productively. Customers will feel the impact of this elevated service, and it will improve their opinion of the organization.

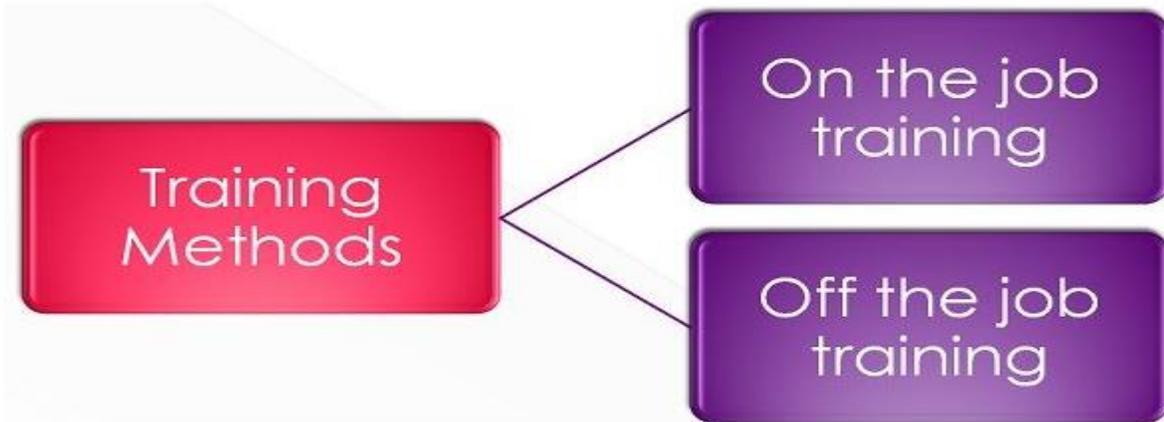
- **Better workplace environment**

Consistent training will help employees work more effectively in the workplace environment. This brings about an atmosphere in the organization that encourages every employee to feel valued and welcomed.

- **Improved and updated technology**

With the ever-increasing change in technology across all industries, exposing employees to new techniques in advanced technology will help to increase efficiency and productivity in the organization.

1.4 Types of Training Methods



the organisation makes a lot of investment every year in various training and development programmes for their employees. The main purpose of the organisation for doing so is to augment the productivity of the company by enhancing the skills and knowledge of the employees. At one point or another, the need for training arises, as the possibility of getting the most eligible and trained person every time is very low.

Thus, to make the employees skilful, training is provided to them by using various training methods. These training methods not only motivate the employees to develop their skills but also prepare them to meet the upcoming organisational demands. Thus, companies adopt various methods to train their employees. Some of them are as follows:



On the job training methods

On the job training methods are based on the concept of learning by doing. In this method, trainees are provided with real job settings to do their jobs. In some situations, they are given sole responsibility to handle the issues on their own and this is how they learn by doing their task. Also, the new employees gain knowledge of what is to be done from the existing employees and improve their skills under the guidance of experienced ones. This type of training method has become very popular and is used by most corporations.

Some of the crucial ON THE JOB training methods are discussed below:

- **Job Instruction Training (JIT)**

Under this training process, trainees are given instructions systematically one by one. These instructions are given by experienced trainers who are well-known for the techniques and procedures to be used and the functions to be performed during the job. In this training method, the learners first observe their instructors while performing the task and then follow them by performing the task on their own. This helps the trainers to

easily point out the faults committed by the trainees and rectify them as soon as possible.

- **Apprenticeship**

It follows the principle of “earning while learning”. In this method, an expert and an experienced person give his knowledge and skills to the trainee who desires to learn that skill. Once the trainee has completed an apprenticeship programme, the trainee can apply for a permanent job if there is any.

- **Job Rotation**

It is that process in which the employees are allowed to perform the functions of other departments in the organisation. When the employees are rotated from one department to another department or from one division to another division, they gain new knowledge and experience about the different jobs performed by different people in the organisation.

Job rotation takes place either in the form of promotions in which the employees are promoted from a lower level to a higher level or in the form of lateral transfers, in which only the job responsibility changes, but not the position of the employee. Thus, this training method is the best way to transform an employee into an expert.

- **Coaching**

The guidance given by the superiors of the organisation to their subordinates is called coaching. Besides being an unofficial and unplanned training method, it improves the bonding between the employees and their superiors.

The senior manager acts as a coach or instructor and guides the employees on how to perform the task and how the mistakes can be rectified. Later, they also evaluate the performance of these employees.

- **Understudy**

It is the method of preparing the trainees to perform the responsibilities of their trainer or to occupy the position of their senior in future. In this method, when the superior or manager is about to get separated from the organisation due to the reasons of transfers, resignation, retirement etc., his position is allotted to that employee who has received training under him. This method is different from coaching in the sense that the manager can select employees from his department for understudy.

- **Mentoring**

In this method, training is given by a specialised and experienced person. In organisations, mentoring is usually done by senior employees who try to enhance the skills of junior employees. Many organisations use mentoring as a nurturing tool that fosters the understanding and proficiency of their employees.

Off the job training methods

Unlike on the job training methods, off the job training methods are not based on the concept of learning by doing but follow the rule of learning by gaining knowledge. Under this method, the trainees are called upon in a classroom which may be situated inside the company or some outside place such as institutes or centres to provide the training. Because of the outside location, trainees can learn freely without the stress of job work. The main focus of this guidance is to improve the knowledge of the new employees. Some of the well-known off the job training methods are as follows:

- **Lectures**

When there is a requirement of imparting technical knowledge to new employees; the lecture method proves to be the best way to clear the notion, ideas, and hypothesis to the trainee. It is a one-way communication method in which the mentor collects the entire relevant data for the trainees and conveys a lecture using various teaching aids such as models, chart papers, visual aids, audio aids, etc. Thus, it is the simplest method of providing knowledge to the trainees.

- **Simulations**

This training method depicts a real-life situation of the job that may have happened in the organisation in the past such as damage to any valuable thing, any serious enquiry that may have adversely affected the company, or any mistake that had cost the company a lot, etc. Several realistic examples can be shown to the trainees to prepare them to handle the situations accordingly.

By this, the organisation prepares the trainees well in advance about what may happen on the job and how they have to deal with these types of situations. This method is used in those industries where on the job training can be expensive or destructive such as the aeronautical industry.

- **Case Study**

Under this method, the real business cases are framed and they are provided to trainees. Trainees have to discuss it and give their ideas of how they would have tackled that situation. This method is called the case study method and is one of the very common ways of imparting knowledge based on actual business situations.

- **Role-Play**

In this method, trainees are provided with an imaginary or real problem that is generally concerned with the organisation. They are asked to assume the identity of a particular person and behave as if they are in that particular situation. To enhance their managerial skills, employees can make use of various visual aids and tips given by their mentors while executing their performance.

- **In-Basket Exercise**

In this method, the trainee is given all the relevant things like letters, reports, records, etc. that are needed by managers. The trainee is given a specific situation that managers confront regularly. He is asked to assess the situation, prioritise things, justify his reasons and give the final decision on the issues raised during the exercise.

The exercise gives the manager a snapshot of the learner's ability to perform executive functions and roles in the job. The whole exercise is video-recorded and the concerned candidates are tested on the grounds of the proposed set of skills and abilities such as problem-solving ability, time management, etc.

- **Conferences**

A structured method of communicating thoughts to a large number of audiences who are attending the event is called a conference. Experts from specific fields come together to share their views on a common topic and also obtain answers to their questions if they have any.

- **Seminar**

Another word for 'Seminar' is "Seed Plot" which means it is a base ground for gaining knowledge. These are conducted by experienced and expert people who not only prepare the topic of discussion and deliver it in front of learners but also help them to share their ideas and explore their views on the topic of discussion. Since it is focused

on any particular topic, learners can understand things more clearly and respond effectively.

- **Group Discussion**

It is one of the very common training methods adopted by numerous organisations. Under this method, a topic is given to the group of trainees and they are asked to actively participate in it and give their outlook on the issue. The discussion topic is given on the spot and thus, no time is given to the trainees to prepare the topic.

This method not only helps in solving the problem related to an organisation but also creates a higher rate of interest and enthusiasm among the trainees as they can share good experiences and gain new ideas and knowledge about the subject.

- **Sensitivity Training**

Sensitivity training, as by name is very clear that this training is related to emotions and sentiments. It is also called T-group training or laboratory training. The assessment is based on the behaviour of one for the other. This training is carried out to make employees aware of and respect the feelings and emotions of other co-trainees.

- **Syndicates**

The syndicate training method has proved to be very useful for training higher management. In this training method, the employees form a group and get united to execute any particular function. This method includes numerous groups who work together to achieve the organisational training goals

1.5 Executive Development Programs

Importance of executive development

Let us study the importance, methods, and challenges of executive development in HRM.



Organizational success

Executive development plays an essential role in the success of an organization. Executives who are well-equipped with the necessary skills and knowledge drive the company toward its goals.

For example, when executives undergo leadership training programs, they learn how to inspire their teams, resolve conflicts, and adapt to changing market conditions.

Moreover, executive development directly impacts the overall performance of the organization. By investing in the growth and development of their leaders, companies create a culture of continuous improvement and innovation.

This leads to improved productivity, better employee engagement, and, ultimately, higher profitability for the organization.

HRM promotion

Human resource management (hrm) promotes executive development. This serves as a catalyst for organizational growth by identifying potential leaders within the company.

The hr team can design tailored developmental programs to nurture their talents.

These programs may include mentorship opportunities, specialized workshops on strategic planning or financial management, or even access to advanced education such as executive mba programs.

Furthermore, hr professionals play a pivotal role in assessing current skill gaps among executives and creating customized training initiatives that address these gaps effectively.

By focusing on areas such as emotional intelligence or change management skills through targeted workshops or coaching sessions, hr ensures that executives are well-prepared to tackle challenges in a dynamic business environment.

Employee retention

Another significant impact of executive development is seen in employee retention rates within an organization. When employees witness their superiors actively engaging in professional growth activities, it fosters a culture where learning is valued at all levels.

This creates an environment where top talent feels supported by leadership's commitment to ongoing improvement. This results in employees staying loyal to the company since they see clear paths for advancement through similar developmental opportunities themselves.

Methods of executive development

Let us study the Executive development methods :

Coaching & mentoring

One method commonly used in executive development is coaching and mentoring. Through this approach, experienced executives provide guidance, advice, and support to emerging leaders within the organization. Creating a structured mentorship program pairs experienced leaders with promising talents within the organization. This fosters a culture of continuous learning while passing on valuable insights from seasoned professionals to those aspiring to take on leadership roles.

Workshops & training session

Offering workshops or training sessions focused on leadership essentials equips employees with the necessary tools to excel in supervisory roles. These workshops can

cover topics such as conflict resolution, decision-making, and effective communication – all essential components of successful leadership within the workplace.



- **On-the-job experience**

Developing good leadership skills through on-the-job experiences is essential for the growth of any organization. One practical method involves assigning a junior employee to shadow a senior leader, allowing them to observe and learn from their mentor's decision-making process. This provides valuable insight into handling real-life challenges and enhances the mentee's soft skills.

- **Hands-on experience**

Another effective technique is providing opportunities for employees to lead small projects or teams within their current roles. This hands-on experience allows them to practice making decisions, resolving conflicts, and communicating effectively with team members. By gradually increasing their responsibilities, individuals can develop confidence in their leadership abilities.

- **Experiential learning**

Another effective method is experiential learning through challenging assignments or projects. By exposing executives to real-world business scenarios that require critical thinking and decision-making skills, they can develop practical expertise that directly translates into their day-to-day responsibilities.

- **Alternative learning opportunities**

Apart from traditional classroom-based learning, there are alternative off-the-job training methods that cater specifically to executive development. One such approach involves providing access to online resources like webinars, podcasts, or virtual lectures delivered by industry thought leaders.

Executive Development Program

The Executive Development Program (EDP) is designed to increase the business skills and leadership capabilities of managers who aspire to be among top leadership in their organizations.

Executive development programs are designed for business professionals. Through the executive development program, business executives can learn to become better leaders and gain skills that can help them develop a global business.

Definition of EDP

Executive Development Programme (EDP) is a planned and organised process of learning and growth designed to improve managerial behaviour and performance of executives by cultivating their mental abilities and inherent qualities through the acquisition and application of advanced knowledge insights and skills.

In the words of Michael Armstrong, “Executive development is eventually something that the executive has to attain himself. But he will do this much better if he is given encouragement, guidance and opportunity by his company”.

An executive development program focuses on many aspects of leadership, business and management, including new technological developments. Programs vary in length,

but typically range between one and three weeks. The program helps professionals develop new and enhance old skills in many areas of business, including strategy, finance and negotiations. The program also provides theory-based concepts and several courses that give students hands-on learning opportunities to practice their leadership and management skills. Specific skills or abilities that business professionals can acquire through an executive development program include:

Ability to function more adeptly in management roles by gaining additional confidence and knowledge:

- Ability to apply new concepts
- Increase in leadership skills
- Stronger communication skills
- Ability to work with others, while assessing their skills and strengths
- Ability to formulate more competitive business strategies
- Skills in team building

Benefits of executive development programme

The program helps professionals develop new and enhance old skills in many areas of business, including strategy, finance and negotiations. The program also provides theory-based concepts and several courses that give students hands-on learning opportunities to practice their leadership and management skills.

Let's Sum-Up:

Dear Learners, in this Module we learn about training and development. In the detailed explanation of nature, aim, objectives, importance and benefits of training and development, types of training methods(on the job and off the job), executive development programs.

Check Your Progress

1. _____ is the formal and systematic modification of behavior through learning.
 - a. **Training**
 - b. Education
 - c. Instruction
 - d. None of the above
2. Training refers to the process of imparting _____ skills.
 - a. **Specific**
 - b. General
 - c. Important
 - d. Overall
3. Which of the following is not a method of training ?
 - a. Induction or orientation
 - b. Apprenticeship
 - c. Internship
 - d. **Satisfaction**
4. Which of the following is an on the job training method?
 - a. **Job rotation**
 - b. Conference and seminars
 - c. Lecture method
 - d. Vestibule training
5. Which of the following is not a benefit of employee training?
 - a. Increased productivity
 - b. Reduction of errors
 - c. Talent pool
 - d. **Improves morale**

Module 2- (Career Management)

2.1 Concept of Career management

Career management is a life-long process of investing resources to accomplish the future career goals. It is a continuing process that allows you to adapt to the changing demands of our dynamic economy.

It is a continuing process that allows to adapt the changing demands of dynamic economy. The career management process embraces various concepts: self-awareness, career development planning/career exploration, life-long learning, and networking.

2.2 Career management process

The career management process is about investing resources to accomplish your goals and objectives. It includes several concepts that are described below-

- **Self-awareness**

This is the first step in the career management system and provides self-introspection. What are your interests, what is essential for you, what are the things you value, what are the things you like, what are your unique skills etc. Are some questions that need to be answered in this phase for discovering specific things about yourself.

All these questions are the means to find your values, traits, interests, and skills so that a person can set his goals for the future.

- **Career exploration/career development planning**

The career development planning or career exploration is a recurring process that includes the following steps –

Career values – it is essential to integrate work values with overall life values to know what is necessary for you in life. It is the work values that acts as a guiding force and helps to focus on the essential things. An individual who is happy and satisfied in personal life will quickly achieve better productivity. Remember, work values keep on

changing at intervals, and it becomes essential to keep on reassessing them regularly for overall job success.

Work preferences – work preferences play a significant role in career development planning. It is a personal choice, and it is quite natural for two people to have different work preferences in life. Dig deeper to assess and identify work preferences and, if necessary, take the help of assessment tools for your purpose.

Strengths – understand your strengths if you are interested in career exploration/career development planning. Look for positive qualities like hard-working, detail-oriented, excellent communication skills, and also specific traits like good at decision making, soft skills, etc. To develop your full potential. The more specific your abilities and qualities are, the more you will be successful in the job interviews.

Weakness – just like strengths, it is also essential to identify your weakness if you are interested in career exploration/career development planning. Hiring managers pay special attention to the weakness of the applicants, and often one of the job interview questions is what do you consider your weakness. An honest understanding of your weakness will help you in overcoming them in time so that you are not embarrassed by it at any moment. Do not be overly self-critical as this step is designed so that a person can call attention to perceived weaknesses and take matters in hand to eliminate them.

- **Lifelong learning**

Technology is reigning supreme in all the spheres of our life. All the technical devices like tablets, phones, and computers have become necessary in the workplace and often determine how we are managing our work life.

Adapt to the ongoing innovations and devices by updating your skills and know-how regularly.

- **Networking**

One of the most critical aspects of career exploration/career development planning is effective networking. It is an essential asset that can take your career a step further. Develop and hone your ability to connect and interact with important people.

Building a good and strong relationship will have a direct impact on career opportunities in the future.

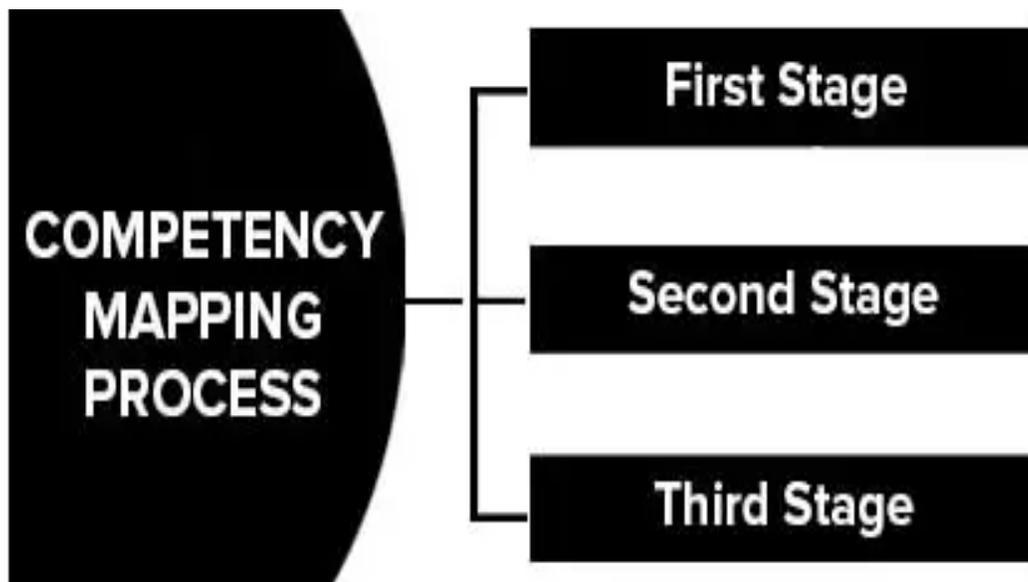
2.3 Competency mapping

Competency mapping is a process that helps in identifying and analyzing the specific skill set, knowledge, abilities, and behaviors needed to perform a specific job effectively. It is a strategic approach that can help organizations to: maximize their human capital. Improve employee performance.

Definition: competency mapping identifies an individual's strengths and weaknesses. The aim is to enable the person to better understand himself or herself and to point out where career development efforts need to be directed.

Competency mapping process

The process of competency mapping is as follows:



- **First stage**

To decide the competencies for the position they're assigned to according to their ability & skill

- **Second stage**

Identifying the location in which the competencies need to work at the position in the organization structure, defining the relationships with the superiors & subordinates, etc.

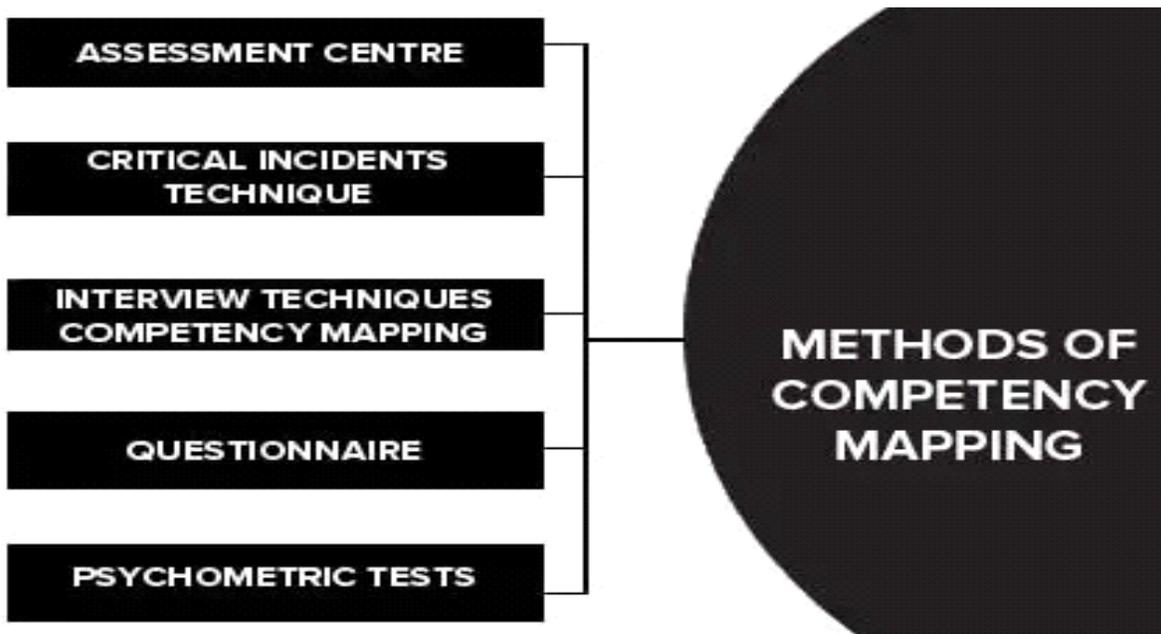
- **Third stage**

To identify the tasks that need to be accomplished, & to identify the objectives of the function and the unit or the section where the position is located.

Methods of competency mapping

Various methods of competency mapping are:

- Assessment centre
- Critical incidents technique
- Interview techniques competency mapping
- Questionnaire
- Psychometric tests



- **Assessment centre**

It is a certain function of identifying the skill & the potential for growth. It uses a few methods to evaluate employees for human resource and manpower purpose & decisions

- **Critical incidents technique**

A process of systematically identifying the behaviours that contribute to the success or failure of the competencies in specific situations.

- **Interview techniques competency mapping**

Every organization has different techniques of interviewing the competencies as a part of competency mapping.

- **Questionnaire**

A certain technique that is followed by the organization that prepares a list of questions that the users would fill in a return.

- **Psychometric tests**

The sole focus of psychometric assessment is that many organizations use as this part of the selection process, where there's a natural wariness about the unknown.

Examples of competency mapping

- Job evaluation
- Project planning
- Performance appraisal
- Success planning
- Recruitment

Importance of competency mapping

- it increases the awareness of existing skill, sets as well as skill gaps in the organization.
- To ensure that the employees are going in the right direction.
- To guide the competencies to increase their productivity.
- It's an approach to build trust between the employees.
- Competency helps the employees to reach the organizational objectives.
- It avails to integrate management practices.

Advantages of competency mapping

- Aids the organizations to increase their standards of production and work style.
- Avails the organizations to align their key strategies across different departments to have common objectives and accurate results.
- It helps in understanding the scope & the requirements of a specific role.

- Establishes expectations for performance at different positions of the organizations.
- Forms an accurate work & job satisfaction for employees.
- Growth in the effectiveness of training & development as its main motive is to succeed with more efficiency.

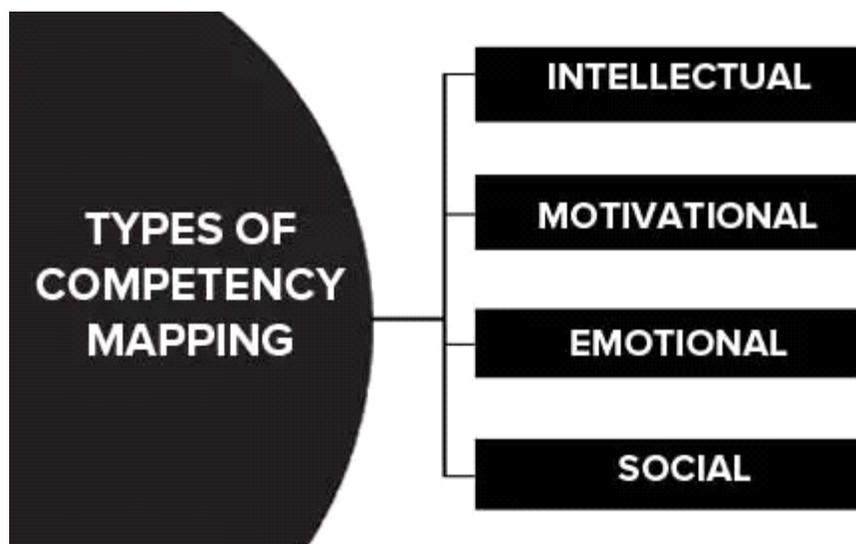
Disadvantages of competency mapping

Disadvantages of competency mapping are:

- It can be out of a date at times because of its inevitable change of pace in the organization.
- Sometimes, it's of less use if the organizations don't respond properly.
- No room for an individual to work in a field that would best make use of one's own competencies.
- Can be difficult for employees to transform, few can be good at theory and few can be good at practices. If there is a change in the work of the competencies, the work can be less productive.

Types of competency mapping

Broadly, there are four types of competency mapping:



- **Intellectual competencies**

The one who determines with the intellectual ability to deal with the work of a certain individual, the certain work that deals with his/her intellectual skills.

Elements of intellectual competencies

- Communication
- Creativity
- Analytical ability
- Planning & organizing

- **Motivational competency**

The one who determines to increase the level of motivation in an individual to ensure his/her works more efficiently.

Elements of motivational competency

- Continuous learning
- Achievements orientation
- Time management
- Perseverance

- **Emotional competency**

The one who determines an individual's emotional quotient to build self-confidence & optimism in an individual.

Elements of emotional competency

- Optimism
- Initiative
- Managing stress
- Leadership

- **Social competency**

The one who determines with social ability of a person that brings of inter-personal skills & team work.

Elements of social competency

- Teamwork
- Responsibility
- Customer satisfaction
- Inter-personal skills

2.4 Knowledge management

Knowledge management is the process by which an enterprise gathers, organizes, shares and analyzes its knowledge in a way that is easily accessible to employees. This knowledge includes technical resources, frequently asked questions, training documents and people skills.

Knowledge management is the process of creating, identifying, and managing knowledge of an organization and structuring it for effective and efficient usage by employees and teams. Organizational knowledge includes information, such as revenue expansion strategies, recruitment best practices, winning bids to special employee skills in certain tasks, internal IT disciplines, and legal team strategies, among others.

Benefits of effective knowledge management

Benefits of knowledge management for enterprises, the benefits of a well-implemented knowledge management strategy are manifold and far-reaching. Here are a few advantages of having a well-defined knowledge management strategy.

- **Encourages collaboration**

It enables collaboration and more effective exchange of ideas, leading to improved decision-making. Better and faster decision-making helps in enhancing customer experience and improving business prospects for the company.

- **Allows faster decision-making**

When relevant information is provided as and when required, it enables faster and more informed decision-making.

- **Avoids duplication of efforts**

It helps firms to enhance operational efficiency and save time and effort. A crucial benefit of knowledge management is the elimination of replication of efforts.

- **Leverages existing expertise**

A well-defined knowledge management process enables the organization to effectively take advantage of its team members' existing skills and expertise.

- **Prepares for crisis**

Organizations with a structured and formalized knowledge management program are better prepared to face challenges as they benefit from the learnings of dealing with a crisis.

- **Enables digital transformation**

As organizations quicken the pace of digitalization, they have a plethora of structured and unstructured data. A well-defined knowledge management program allows them to use this information for their growth and benefit.

Process of knowledge management

The process of knowledge management can be captured in five steps. It starts with discovering valuable knowledge, identifying it, structuring it, analyzing, sharing, and finally making it available to employees.

- **Discovering knowledge**

Knowledge can be discovered accidentally by team members or done with deliberation.

- **Identifying knowledge**

The next step is to identify the knowledge where the team needs to ensure two things. One, that indeed this is unique knowledge previously undocumented in the organization. And two, it helps the organization meet its ultimate objectives, even if it is in a small contribution.

Documenting knowledge

- the next critical step will be to document the knowledge in its most accurate form. For example, when documenting a successful sales strategy, every step and customer case study must be documented

- **Flagging new knowledge**

Flagging new knowledge requires team leaders to report new knowledge via the right chain of command for the organization.

- **Organizing and storing knowledge**

Once knowledge is successfully discovered and approved, companies need to structure and store this knowledge in an easily understandable format. It should be stored on a platform that is readily accessible, yet secure.

- **Sharing knowledge**

Knowledge should be shared by authorized people in a set structured format. It should be shared with the required teams based on who should and can use the knowledge to meet organizational goals.

- **Utilizing knowledge**

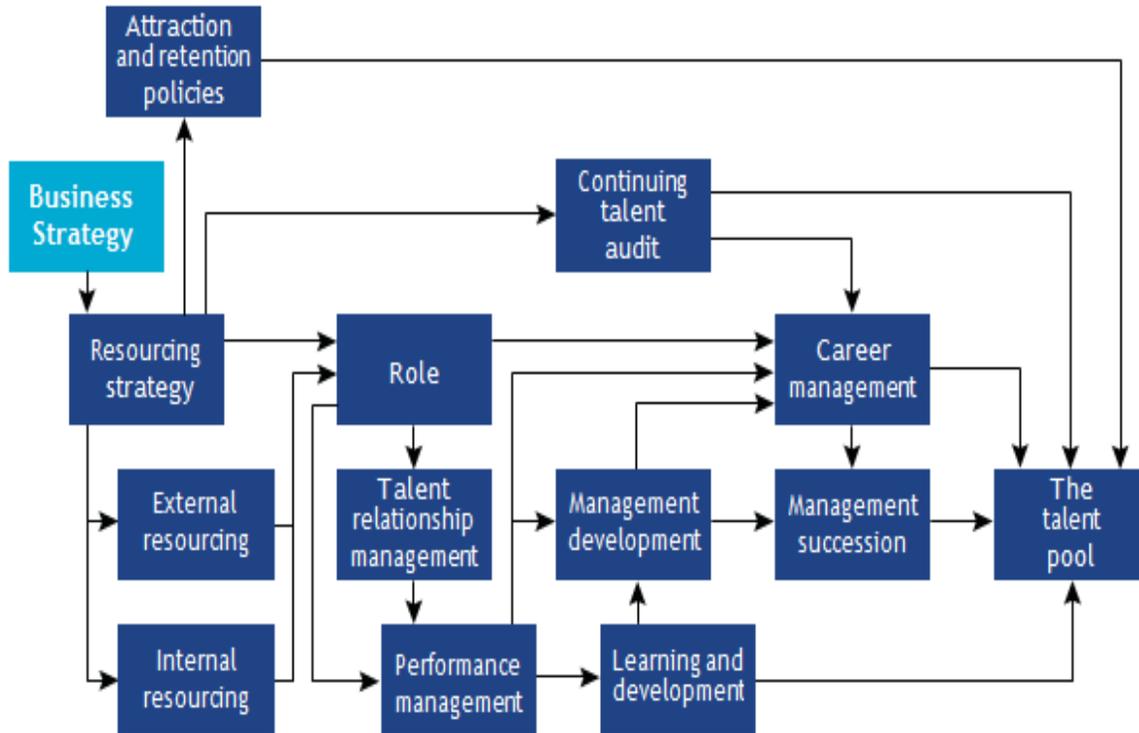
The final and most crucial step is putting the acquired knowledge to good use. Any employee looking for relevant information should be able to access the right information based on access and security clearance and utilize the knowledge to make quick decisions.

2.5 Talent management

The concept of talent management as a process of ensuring that the organization has the talented people it needs only emerged in the late 1990s. It has now been recognized as a major resourcing activity, although its elements are all familiar. Talent management is how employers recruit and develop a workforce that is as productive as possible and likely to stay with their organization long term. When implemented strategically, this process can help improve the overall performance of the business and ensure that it remains competitive.

The process of talent management

Talent management starts with the business strategy and what it signifies in terms of the talented people required by the organization. Ultimately, the aim is to develop and maintain a pool of talented people. This is sometimes described as the 'talent management pipe line'. Its elements are described below.



The resourcing strategy

The business plan provides the basis for human resource planning, which defines human capital requirements and leads to attraction and retention policies and programmes for internal resourcing (identifying talented people within the organization and developing and promoting them).

Attraction and retention policies and programmes

These policies and programmes describe the approach to ensuring that the organization both gets and keeps the talent it needs. Attraction policies lead to programmes for external resourcing (recruitment and selection of people from outside the organization). Retention policies are designed to ensure that people remain as committed members of the organization. The outcome of these policies is a talent flow that creates and maintains the talent pool.

Talent audit

A talent audit identifies those with potential and provides the basis for career planning and development – ensuring that talented people have the sequence of experience supplemented by coaching and learning programmes that will fit them to carry out more demanding roles in the future. Talent audits can also be used to indicate the possible danger of talented people leaving (risk analysis) and what action may need to be taken to retain them.

Role design

Talent management is concerned with the roles people carry out. This involves role design – ensuring that roles provide the responsibility, challenge and autonomy required to create role engagement and motivation. It also means taking steps to ensure that people have the opportunity and are given the encouragement to learn and develop in their roles. Talent management policies focus on role flexibility – giving people the chance to develop their roles by making better and extended use of their talents.

Talent relationship management

Talent relationship management is the process of building effective relationships with people in their roles. It is concerned generally with creating a great place to work, but in particular it is about treating individual employees fairly, recognizing their value, giving them a voice and providing opportunities for growth. The aim is to achieve ‘talent engagement’, ensuring that people are committed to their work and the organization.

Performance management

Performance management processes provide a means of building relationships with people, identifying talent and potential, planning learning and development activities, and making the most of the talent possessed by the organization. Line managers can be asked to carry out separate ‘risk analyses’ for any key staff to assess the likelihood of their leaving. Properly carried out, performance management is a means of increasing

the engagement and motivation of people by providing positive feedback and recognition. This is part of a total reward system.

Learning and development

Learning and development policies and programmes are essential components in the process of talent management – ensuring that people acquire and enhance the skills and competencies they need. Policies should be formulated by reference to 'employee success profiles', which are described in terms of competencies and define the qualities that need to be developed. Employee success profiles can be incorporated in role profiles.

Management succession planning

Management succession planning takes place to ensure that, as far as possible, the organization has the managers it requires to meet future business needs.

Career management

Career management is concerned with the provision of opportunities for people to develop their abilities and their careers in order to ensure that the organization has the flow of talent it needs and to satisfy their own aspirations.

Let's Sum-Up:

Dear Learners, in this Module we learn about Career Management. In the detailed explanation of the concept and process of career management, competency mapping, knowledge management, talent management and its process.

Check Your Progress

1. _____ is a life-long process of investing resources to accomplish the future career goals.
 - a. **Career management**

- b. Performance management
 - c. Evolution management
 - d. Skill management
2. Talent management starts with the _____.
- a. **Business strategy**
 - b. Recruitment strategy
 - c. Selection strategy
 - d. Induction strategy
3. Which below one is not coming under knowledge management process?
- a. Identifying
 - b. Structuring
 - c. Analyzing
 - d. **Transferring**
4. True or false: Job evaluation, Project planning, Performance appraisal , Success planning and Recruitment are the Examples of competency mapping.
- a. **True**
 - b. False
5. _____ is a process that helps in identifying and analyzing the specific skill set, knowledge, abilities, and behaviors needed to perform a specific job effectively.
- a. Talent mapping
 - b. **Competency mapping**
 - c. Talent management
 - d. Knowledge management

Unit Summary

Training and development provide an opportunity and broad structure for the development of manpower's technical and behavioral skills in an organization. It also helps the employee in not only attaining the organisational goal but also helps to attain personal growth. Providing training to the employee increases the skill, knowledge and

talent in them. They can make themselves capable of occupying positions at higher levels. Through constant learning and development they can attain not only the technical skills but also the conceptual skills and can grow.

There are different methods of training the employee which are On the Job method –at the workplace and Off the Job –outside the workplace. Depending upon the need and other factors organisation can select either of the method. But as huge cost is involved while training or developing the employee , so it becomes important for the organisation to evaluate the training process that why the organisation is successful or not, so that corrective actions can be taken.

Glossary

KEYWORDS	MEANING
Training	Training is an organized activity for increasing the knowledge and skills of people for a definite purpose
Job Rotation	It is that process in which the employees are allowed to perform the functions of other departments in the organisation
Coaching	The guidance given by the superiors of the organisation to their subordinates is called coaching
job analysis	Executive development programs are designed for business professionals. Through the executive development program, business executives can learn to become better leaders and gain skills that can help them develop a global business.
Career management	Career management is a life-long process of investing resources to accomplish the future career goals.
Competency mapping	Competency mapping is a process that helps in identifying and analyzing the specific skill set, knowledge, abilities, and behaviors needed to perform a specific job effectively
Social competency	The one who determines with social ability of a person that brings of inter-personal skills & team work.
Knowledge	Knowledge management is the process by which an

management	enterprise gathers, organizes, shares and analyzes its knowledge in a way that is easily accessible to employees.
talent management	talent management as a process of ensuring that the organization has the talented people
Management succession planning	Management succession planning takes place to ensure that, as far as possible, the organization has the managers it requires to meet future business needs.

Self-Assessment Questions

1. Explain the nature of training and development.
2. List the benefits of training.
3. explain the types of training Methods.
4. Construct the Methods of executive development.
5. Give the benefits of executive development programme.
6. Discuss in detail about career management process.
7. State the methods of competency mapping.
8. Mention the elements of intellectual competencies.
9. Spell out the benefits of effective knowledge management.
10. Explain the process of talent management.

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UNIT - IV**PERFORMANCE MANAGEMENT****Performance Management**

Importance, process and Methods: Ranking, rating scales, critical incident method, removing subjectivity from evaluation, MBO as a method of appraisal, Performance Feedback, Online PMS. Human Resource Information System; International Human Resource Management; Cross cultural diversity management; Hybrid work culture; work-life balance; Quality of work-life; HR Analytics.

Unit Model Structuring**3. Performance Appraisal****4. Human Resource Information System**

Self-Learning Material Development – STAGE 1

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2.5 Quality Of Work-Life		
2.6 HR Analytics		

Unit Objectives

- To understand the Importance and process of performance appraisal
- To study the different Methods of performance appraisal as Ranking, rating scales, critical incident method etc.
- To enhance MBO as a method of appraisal.
- To review the Performance Feedback and Online PMS

- To observe Human Resource Information System and International Human Resource Management
- To magnify the idea about Cross cultural diversity management and Hybrid work culture
- To know the work-life balance, Quality of work-life and HR Analytics.

Module 1- (Performance Appraisal)

1.1 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.

Performance management optimizes employee productivity through goal-setting, work evaluation, and rewards to achieve organizational success. Traditionally, performance management has been a forward-looking solution based entirely on hindsight. But organizational culture is evolving to one of continuous feedback powered by technology, where managers can foresee problems based on current employee performance and initiate any form of course correction to bring the employee back on track.

Importance of performance management

In the past, there was hardly any emphasis placed on performance management in human resource management. Fortunately, this narrative is changing rapidly as a culture of employee-centricity evolves. Let us delve deeper to understand the importance of performance management.

- **Drives financial gain**

Without pretense, the primary aim of any organization providing goods and services is to make a profit. At the end of the day, employees must be paid, shareholders rewarded for their investment, and opportunities for expansion realized. If the company's human

capital is at maximal functional capacity (not overworked or underutilized), it will have a direct implication on raising levels of profit.

For example, when a salesperson hits their target, or the advertising team comes up with a campaign with good conversion rates, there is no doubt that this will increase income flow and improve the bottom line.

- **Encourages and motivates employees via recognition and rewards**

A key benefit of performance management is that it arouses the employees' desire to do more. From c-level executives, through middle management, individual contributors, and support staff, everybody has a need to be recognized for their value. When this is done, employees are spurred on to do more.

- **Prevents overlapping roles**

Most people function best in a defined and safe environment. A company's human resource performance management must enable this. It should be clear to every worker what his or her objectives are, how they fit into the big picture, and why things must be done in a particular way.

When more than one employee is assigned to a task, they must be equally informed so that they are equipped to work together, achieving the set target while avoiding interpersonal conflicts. On the other hand, smaller goals and objectives should be assigned to individual members of the team. This provides a deep sense of purpose and responsibility, allowing him or her to work comfortably in their niche.

- **Increases employee engagement and productivity**

The importance of a performance management system lies in that it enhances engagement and productivity in employees. What does this mean? Engagement in this context refers to how much the employee interacts with the company and its structures. Productivity defines itself in terms of increased outcomes and return on investment (roi).

Consider a scenario where the hr manager shows interest in what the social media manager does only at the end of the year. Compare it with how much more of a

concerted effort the social media manager would put in when promoting the company under a modern performance management system. The company's vision, aims, and goals will be evident in each piece of content posted online in the second scenario.

Employee engagement should cut across every aspect of work, even down to whether people contribute to team meetings or not. In fact, employees whose managers are actively involved in performance management are three times more engaged than others.

- **Makes room for idea generation**

In a fast-tracked world, we can't underestimate the importance of generating new ideas. A company's sole aim might be to provide affordable housing. However, if there is no steady and inspiring stream of ideas to sell to the public, there will be a plateau and eventual decline in sales.

Now, with a functional performance management system, the burden of idea generation no longer rests solely on the owner or product management team. Ideas can flow more easily, and in the right direction, because every worker knows that their inputs are welcome. Amazingly, this is not just limited to consumer products. Idea generation could also benefit the company, such as suggestions for a better working system, etc.

- **Creates a platform for employee development**

A consistent performance management system invariably results in an active form of employee development. Discussing each employee's role, past performance, current efforts, strengths, and weaknesses gives you an accurate understanding of what each employee can do. When combined with a agile hr technology, it creates opportunities to steer employees in a direction best suited to their abilities and the company's goals.

Performance management makes training targeted rather than generalized, and most importantly, employee potential is optimally utilized to the advantage of everyone involved.

- **Enables proper documentation and record-keeping**

We are witnessing a rapid shift from paper and filing cabinets documentation systems to faster, easier, and less burdensome digital ones. There are several digital performance management solutions that help track every aspect of hr.

These hr management tools provide a clear documentation process that can be stored and revisited when needed. It means you have a record of each employee's past performance at your fingertips. Promotions are scheduled and timely rewards given, and even a history of errors with administrative action is documented.

Performance Appraisal - Meaning

Performance appraisal is the process of measuring quantitative & qualitatively an employee's past or present performance against the background of his expected role performance and about his future potential of an organisation.

Definition

According to EDWARD FLIPPO “performance appraisal is a systematic, periodic and an impartial rating of an employee's excellence in matters pertaining to his present job and his potential for a better job”.

According to WAYNE CASCIO as “the systematic description of employee's job relevant, strength, weakness. Performance appraisal may be conducted once in every six months or once in a year. The basic idea of the appraisal is to evaluate the performance of the employee, giving him a feed back. Identify areas where improvement is required so that training can be provided. Give incentives and bonus to encourage employees etc.

1.2 Importance of Performance Appraisal

- **Feedback to the employee:** - performance appraisal is beneficial because it provides feedback to the employee about his performance. It identifies the areas for improvement so that employee can improve itself.
- **Training and development:** - due to performance appraisal it is easy to understand what type of training is required for each employee to improve

himself accordingly training programs can be arranged.

- **Helps to decide promotion:** - performance appraisal provides a report about the employee. Based on this report future promotions are decided, incentives, salary increase is decided.
- **Validation of selection process** :- through performance appraisal the hr department can identify whether any changes are required in the selection process of the company normally a sound selection process results in better performance and positive appraisal.
- **Deciding transfers and lay off of the worker:** - employee with specific talent can be transferred to places where their talents are utilized properly; similarly decisions regarding termination of employees depend upon performance appraisal reports.
- **Human resource planning and career development:-** companies can plan for future vacancies at higher levels based on performance appraisal reports. Similarly career planning can be done for the employee on the performance appraisal report.

1.3 Process of Performance Appraisal

- **Setting performance standards**

in this very first step in performance appraisal the hr department decides the standards of performance i.e. They decide what exactly is expected from the employee for each and every job. Sometimes certain marking scheme may be adopted

eg. A score 90/100 = excellent performance, a score of 80/100 = good. And so on.

- **Communication standard set to the employee**

standards of performance appraisal decided in 1st step are now conveyed to the employees so that the employee will know what is expected from him and will be able to improve his performance.

- **Measuring performance**

the performance of the employee is now measure by the hr department, different methods can be used to measure performance i.e. Traditional and modern method. The method used depends upon the company's convenience.

- **Comparing performance with standard**

the performance of the employee is now judged against the standard. To understand the score achieved by him. Accordingly we come to know which category of performance the employee falls into i.e. Excellent, very good, good, satisfactory etc.

- **Discussing result**

the results obtained by the employee after performance appraisal are informed or conveyed to him by the hr department. A feedback is given to the employee asking him to change certain aspects of his performance and improve them.

- **Collective action**

the employee is given a chance or opportunity to improve himself in the areas specified by the hr department. The hr department constantly receives or keeps a check on the employee's performance and notes down improvements in performance.

- **Implementation and review**

the performance appraisal policy is to be implemented on a regular basis. A review must be done from time to time to check whether any change in policy is required. Necessary changes are made from time to time.

1.4 Methods of Performance Appraisal

I. Traditional Methods

Traditional approach is also known as traits approach . It is based on the evaluation of traits in a person. This system may list ten to fifteen personal characteristics such as ability to get in along with people, competence, judgement, initiative & leadership etc.

- **Check list method**

In this method the senior, the boss is given a list of questions about the junior. These questions are followed by check boxes. The superior has to put a tick mark in any one of the boxes.

- **Confidential report**

This method is very popular in government departments to appraise ias officers and other high level officials. In this method the senior or the boss writes a report about the junior giving him details about the performance about the employee. The +ve and – ve traits, responsibilities handled on the job and recommendations for future incentives or promotions. The report is kept highly confidential and access to the report is limited.

- **Critical incident method**

In this method critical or important incidents which have taken place on this job are noted down along with employee's behavior and reaction in all these situations. Both +ve and –ve incidents are mentioned. This is followed by an analysis of the person, his abilities and talent, recommendations for the future incentives and promotions.

- **Ranking method**

In this method ranks are given to employees based on their performance. There are different methods of ranking employees. Simple ranking method alternate ranking method paired comparison method

a) **Simple ranking method:** Simple ranking method refers to ranks in Serial order from the best employee eg. If we have to rank 10 best employees., We start with the first best employee and give him the first rank this is Followed by the 2nd best and so on until all 10 have been given ranks.

b) **Alternate ranking:** in this method the serial alternates between the best and the worst employee. The best employee is given rank 1 and then we move to the worst employee and give him rank 10 again to 2nd best employee and give him rank 2 and so on.

c) **Paired comparison :** in this method each and every person in the group, department or team is compared with every other person in the Team/group/department. The comparison is made on certain criteria and finally ranks are given. This method is superior because it compares each and every person on certain qualities and provides a ranking on that basis.

- **Graphic rating scale**

Graphic rating scale refers to using specific factors to appraise people. The entire appraisal is presented in the form of a chart. The chart contains certain columns which indicate qualities which are being appraised and other columns which specify the rank to be given.

eg. Employee a quality of work quantity of work intelligence excellent very good good satisfactory poor the senior has to put a tick mark for a Particular quality along with the ranking. Such charts are prepared for every Employee. According to the department in which they work. Sometimes the Qualities which are judged may change depending upon the department.

- **Narrated essay**

In this method the senior or the boss is supposed to write a narrative essay describing the qualities of his junior. He may describe the employees strength and weakness, analytical abilities etc. The narrative essay ends with a recommendation for future promotion or for future incentives. Modern methods of appraisal are being increasingly used by companies. Now days one of the striving feature that appraisal involves is, the opinion of many people about the employee and in some cases psychological test are used to analyze the ability of employee.

- **Paired comparisons method**

In this method every person is compared traits-wise, with other person, one at a time, the number of times one person is compared with other is tallied on a piece of paper. These number help in yielding rank order of employees.

Example:- if there are five person to be compared 'a' s performance is first compared with that n to find out who has better performance, then a is compared with 'c,d & e' in turn and performance is recorded.

- **Grading system**

Under this system certain features like analytical ability, cooperativeness, dependability, job-knowledge etc are selected for evaluation the employees are given grades according to the judgment of the rater. The grades may be such as

- A-outstanding
- b-very good
- C-satisfactory
- d-average
- E-below average etc.

- **Forced distribution method**

Some raters suffer from a constant error i.e. They rate of employees as only good, average or poor. They thus do not evaluate the employees properly. This system minimises rater's bias so that all employees are not similarly rated. This system is based on presumption that all employees can be divided into five categories i.e. Outstanding, above average, average, below average & poor.

- **Nominations**

Under the nominations method, appraisers are asked to identify the exceptionally good & exceptionally poor performers, who are then singled out for special treatment.

- **Work sample tests**

in this method, employees are given from time to time, work related tests which are then evaluated.

II. Modern methods

- **Assessment centers**

Assessment centers (ac) are places where the employee's are assessed on certain qualities talents and skills which they possess. This method is used for selection as well as for appraisal. The people who attend assessment centers are given management games, psychological test, puzzles, questioners about different management related situations etc. Based on their performance in these test an games appraisal is done.

- **Management by objectives (MBO)**

Management by objectives (MBO) is a process in which a manager and an employee agree on specific performance goals and then develop a plan to reach them. It is designed to align objectives throughout an organization and boost employee participation and commitment.(detailed in next coming paragraph)

- **Behavioral anchored rating scale (BARS)**

In this method the appraisal is done to test the attitude of the employee towards his job. Normally people with +ve approach or attitude view and perform their job differently as compared to people with a –ve approach.

- **Human resource audit/accounting**

In this method the expenditure on the employee is compared with the income received due to the efforts of the employee. A comparison is made to find out the utility of the employee to the organization. The appraisal informs the employee about his contribution to the company and what is expected in future.

- **360 degree performance appraisal**

In this method of appraisal and all round approach is adopted. Feedback about the employee is taken from the employee himself, his superiors, his juniors, his colleagues, customers he deals with, financial institutions and other people he deals with etc. Based on all these observations an appraisal is made and feedback is given. This is one of the most popular methods.

Subjective performance evaluation

A subjective performance evaluation typically relates to intangible employee qualities and is based on subjective feedback from the manager as opposed to objective, measurable feedback. Use of subjective evaluation criteria can offer employees a better overall picture of their performance, but overuse of subjective criteria does pose some risks.

The performance evaluator provides his own subjective assessment of the employee's performance in a subjective evaluation. Common subjective criteria include personality, attitude, appearance, demeanor and social interaction. The evaluator might rate the employee on each subjective criteria using a scale that ranges from poor to excellent, as opposed to objective evaluations that more often have a numerical score attached to the criteria.

Benefits

Subjective performance appraisals do allow for broader input on employee performance than more objective tools. The supervisor can provide her interpretation of the employee's performance on each criteria and add more detail and examples to enhance the employee's understanding of his performance and areas for improvement. Subjective evaluations also help with feedback in jobs when performance is more related to personal qualities and traits as opposed to technical proficiency and performance.

Risks

The biggest knock against subjective performance evaluations is that the employee's performance is in the eye of the evaluator. A manager who has bias or ill will toward an employee is more likely to take an especially critical view of her performance. A major risk with this is that subjective evaluations could lead to legal claims of discrimination, notes Allison & Taylor reference checking. This is especially an issue if an employer is shown to discriminate or terminate employees because they are part of a legally protected class based on such traits as gender, marital status, disability and race.

Limitations of performance appraisal

Halo effect :- in this case the superior appraises the person on certain positive qualities only. The negative traits are not considered. Such an appraisal will no give a true picture about the employee. And in some cases employees who do not deserve promotions may get it.

Horn effect :- in this case only the negative qualities of the employee are considered and based on this appraisal is done. This again will not help the organization because such appraisal may not present a true picture about the employee.

Central tendency :- in this case the superior gives an appraisal by giving central values. This prevents a really talented employee from getting promotions he deserves and some employees who do not deserve any thing may get promotion.

Leniency and strictness :- some bosses are lenient in grading their employees while some are very strict. Employee who really deserves promotions may

lose the opportunity due to strict bosses while those who may not deserve may get benefits due to lenient boss.

Spill over effect :- in this case the employee is judged +vely or –vely by the boss depending upon the past performance. Therefore although the employee may have improved performance, he may still not get the benefit.

Fear of losing subordinates and spoiling relations :- many bosses do not wish to spoil their relations with their subordinates. Therefore when they appraise the employee they may end up giving higher grades which are not required. This is an injustice to really deserving employees.

Goodwill and techniques to be used :- sometimes a very strict appraisal may affect the goodwill between senior and junior. Similarly when different departments in the same company use different methods of appraisal it becomes very difficult to compare employees. 8. Paper work and personal

Biased :- appraisal involves a lot of paper work. Due to this the work load of Hr department increases. Personal bias and prejudice result in bosses favoring certain people and not favoring others.

1.5 Management by objectives (MBO)

Management by objectives (MBO) is a strategic approach to enhance the performance of an organization. It is a process where the goals of the organization are defined and conveyed by the management to the members of the organization with the intention to achieve each objective.



An important step in the MBO approach is the monitoring and evaluation of the performance and progress of each employee against the established objectives. Ideally, if the employees themselves are involved in setting goals and deciding their course of action, they are more likely to fulfill their obligations.

Steps in management by objectives process

- **Define organization goals**

Setting objectives is not only critical to the success of any company, but it also serves a variety of purposes. It needs to include several different types of managers in setting goals. The objectives set by the supervisors are provisional, based on an interpretation and evaluation of what the company can and should achieve within a specified time.

- **Define employee objectives**

Once the employees are briefed about the general objectives, plan, and the strategies to follow, the managers can start working with their subordinates on establishing their personal objectives. This will be a one-on-one discussion

where the subordinates will let the managers know about their targets and which goals they can accomplish within a specific time and with what resources. They can then share some tentative thoughts about which goals the organization or department can find feasible.



- **Continuous monitoring performance and progress**

Though the management by objectives approach is necessary for increasing the effectiveness of managers, it is equally essential for monitoring the performance and progress of each employee in the organization.

- **Performance evaluation**

Within the MBO framework, the performance review is achieved by the participation of the managers concerned.

- **Providing feedback**

In the management by objectives approach, the most essential step is the continuous feedback on the results and objectives, as it enables the employees to track and make corrections to their actions. The ongoing feedback is complemented by frequent formal evaluation meetings in which superiors and

subordinates may discuss progress towards objectives, leading to more feedback.

- **Performance appraisal**

Performance reviews are a routine review of the success of employees within MBO organizations.

Benefits of Management by Objectives

- management by objectives helps employees appreciate their on-the-job roles and responsibilities.
- the key result areas planned are specific to each employee, depending on their interest, educational qualification, and specialization.
- the MBO approach usually results in better teamwork and communication.
- it provides the employees with a clear understanding of what is expected of them. The supervisors set goals for every member of the team, and every employee is provided with a list of unique tasks.
- every employee is assigned unique goals. Hence, each employee feels indispensable to the organization and eventually develops a sense of loyalty to the organization.
- managers help ensure that subordinates' goals are related to the objectives of the organization.

Limitations of management by objectives

- management by objectives often ignores the organization's existing ethos and working conditions.
- more emphasis is given on goals and targets. The managers put constant pressure on the employees to accomplish their goals and forget about the use of MBO for involvement, willingness to contribute, and growth of management.
- the managers sometimes over-emphasize the target setting, as compared to

operational issues, as a generator of success.

- The MBO approach does not emphasize the significance of the context wherein the goals are set. The context encompasses everything from resource availability and efficiency to relative buy-in from the leadership and stakeholders.
- Finally, there is a tendency for many managers to see management by objectives as a total system that can handle all management issues once installed. The overdependence may impose problems on the MBO system that it is not prepared to tackle, and that frustrates any potentially positive effects on the issues it is supposed to deal with.

1.6 Performance feedback

Performance feedback is defined as a management approach used to communicate with employees about their job performance, either positively or negatively, with the aim of improving their productivity and engagement levels at work.

Performance feedback in the realm of business studies is more than just an evaluative tool. It is not just about reporting the successes or shortfalls of an employee's performance, but equally focuses on promoting positive changes and continuous personal and professional growth. It's a two-dimensional process where:

- A feedback provider plays a crucial role of acknowledging good work, identifying areas of improvement, and suggesting constructive actions.
- Feedback receivers, on the other hand, take the responsibility of assimilating the feedback, reflecting upon it, and taking actions towards improvement.

Example

For instance, if an employee is constantly missing deadlines, a well-structured feedback might include acknowledging their efforts, pinpointing problem areas such as time management, and suggesting potential solutions like prioritization techniques.

The role of performance feedback in human resources

In the human resources (HR) context, performance feedback holds an indispensable position. Hr professionals use it as a systematic tool that helps in:

- Assessing and documenting employees' performance.
- Identifying training and development needs.
- Establishing open lines of communication between leaders and subordinates.
- Boosting employee morale and motivation.
- Creating culture of continual learning and improvement.

The importance of performance feedback

- Performance feedback is considered a keystone in human resource management. Below are some points that underscore its importance:
- **Performance assessment and documentation:** as a structured tool, performance feedback helps in assessing the job performance of employees. It provides factual and tangible metrics for evaluation purpose. This is also useful in documenting employee performance over time, helping in formulating future performance goals.
- **Identifying training needs:** in the process of performance appraisal, it helps in identifying skills or knowledge gaps. Such insights help hr professionals design tailor-made training or development programs, leading to improved job performance.
- **Promoting communication:** feedback serves as an open line of communication where supervisors can acknowledge work well done, clarify expectations, and discuss improvement areas with employees. This fosters better understanding and stronger relationships between managers and subordinates.
- **Increase job satisfaction:** timely and constructive feedback can boost employees' morale. It enhances their job satisfaction level and motivation to excel.

- **Cultivating learning culture:** regular performance feedback promotes a culture of learning and continuous improvement. This leads to growth mindset, a crucial ingredient for a thriving organization.
- **Facilitating goal setting and role clarity:** the feedback process helps in setting clear and measurable performance objectives. It leads to better understanding of the role, duties and the expectations from the job, thereby eliminating ambiguity and improving focus.
- **Empowering decision making:** feedback provides essential inputs that aid in making informed decisions. For instance, data from feedback can help in performance forecasting, succession planning, or scheduling professional development trainings.
- **Building motivation and engagement:** positive feedback encourages the employees, reinforces right behaviour and amplifies motivation. It enhances engagement levels, leading to better performance. On the other hand, constructive criticism, when given tactfully, can help the employees correct their course and improve.
- **Improving skills:** through feedback, areas that need improvement are highlighted. This can guide the employees about the skills and competencies they need to focus on. It leads to better skill development and hence improved performance.
- **Promoting employee retention:** regular and constructive feedback makes the employees feel valued and acknowledged. It enhances their job satisfaction and makes them less likely to leave the organization, leading to lower turnover costs.

1.7 Online Performance Management System (online PMS)

Performance management appraisal system is known as the process of evaluating the performance and progress of an employee or a group of employees on a given job and his / her potential for future development.

An online performance appraisal system is a digital platform that gives hr leaders, managers, and employees all-the-time access to performance management information. Tools like perform yard help companies conduct and document performance management meetings while tracking goals and progress.

Most of these systems exist in the cloud, accessible wherever employees and their managers may be. Remote access has become a major benefit of these systems since the shift to remote work, but there is a range of other benefits that companies and hr leaders gain through the use of an online performance management system.

Benefits of online performance management system

Traditional performance reviews rely on tedious administrative processes to track, document, and communicate performance review information. Hr leaders have to remind managers to fill out reviews. The hr person may have to collect reviews in their email or a cloud storage drive. It's hard to see data from all the reviews in one place, which means it's difficult to gain any insights.

Online performance management systems remove that administrative burden and provide additional benefits.

Promote a more transparent company culture is created through

- Continuous feedback
- Clear goals
- Frequent feedback

Align individual goals with company goals

In some organizations, employees may work hard but fail to align their work with company goals. That's a waste of resources—both time and money. Online performance management systems ensure that individual and company goals are aligned.

- Cascading goals

Optimum performance management happens when goals cascade from the top of the organization down to the front lines.

- Goal progress tracking

Online performance management systems provide a clear line of sight into individual and organizational performance, visible to everyone in the organization.

Get manager buy-in on the review process

- Email notifications

Email notifications help keep managers on top of the deliverables and dates associated with managing their staff members and providing regular feedback. .

- Simplicity

Online performance management systems automate the administrative elements of the performance management process. These systems ensure documentation and provide easy access to information when needed.

Streamline review scheduling

Coordinating the calendars for two people—let alone two dozen—can be challenging. Online performance management systems use automation to take the complexity out of the review scheduling process.

Birds-eye view of employee performance

Managers often struggle to track performance across teams.

- Who's contributing the most?
- Who's lagging behind?
- Who needs course correction?
- Who needs more kudos?

An online performance management system gives you a birds-eye view that you can see at any time, wherever you may be. The reports will highlight top performers and reveal which employees need help.

- Managers can see historical review data
- Managers can see employee metrics in a report

Perform yard helps you track and monitor the following metrics in reports

- Reviews completed
- Employee ratings
- Goals attained
- OKRS
- KPIS
- 360-reviews
- Self-assessments
- Exit interview information

Let's Sum-Up:

Dear Learners, in this Module we learn about Performance Appraisal. In the detailed explanation of the importance, process and methods of performance appraisal as ranking, rating scales, critical incident method, removing subjectivity from evaluation, MBO, performance feedback and online PMS.

Check Your Progress

1. _____ is an objective assessment of an individual's performance against well-defined benchmarks.

a. Performance Appraisal

- b. HR Planning
 - c. Information for goal identification
 - d. None of the above
2. What is linked with performance appraisal?
- a. Job Design
 - b. Development
 - c. Job analysis**
 - d. None of the above
3. Which of the following is an alternate term used for performance appraisal?
- a. Quality and quantity of output
 - b. Job knowledge
 - c. Employee assessment**
 - d. None of the above
4. Which of these is the main purpose of employee assessment?
- a. Making correct decisions
 - b. To effect promotions based on competence and performance**
 - c. Establish job expectations
 - d. None of the above
5. MBO is a strategic approach to enhance the _____ of an organization.
- a. performance**
 - b. selection
 - c. interview
 - d. adoption

Module 2- (Human Resource Information System - HRIS)

2.1 Human Resource Information System (HRIS)

A human resource information system (HRIS) is software that provides a centralized repository of employee master data that the human resource management (hrm) group needs for completing core human resource (core hr) processes. An hris can help hr and organizations become more efficient through the use of technology.

An HRIS stores, processes and manages employee data, such as names, addresses, national ids or social security numbers, visa or work permit information, and information about dependents. It typically also provides hr functions such as recruiting, applicant tracking, time and attendance management, performance appraisals and benefits administration. It may also offer employee self-service functions, and perhaps even accounting functions.

In some ways, an hris can be considered a smart database of employee information. The interaction of the data, the processes that can be performed and the reporting capabilities make the data stored in the system more accessible and usable.

HRIS benefits

HRIS software can breathe new life into a company's hr processes and procedures. While the benefits may vary depending on the system a company opts for or the modules they choose, the following are the key benefits of HRIS software:

Expedites tasks: An HRIS enables the hr department to spend less time on clerical tasks, helps ensure the accuracy of employee data and can make it easier for employees to manage their information.

Reduces paperwork: Having a centralized repository for employee data removes the need for storing paper files, which can be easily damaged, as well as the need to search through large paper-based employee files to find information.

Simplifies predictive analysis and visualizations: Depending on the type of HRIS software, it may generate various reports, provide ad hoc reporting capabilities and offer **HR** analytics on important metrics such as headcount and turnover. Modern HRIS software also offers visualization capabilities for employee data, such as automatically rendered organizational charts or nine-box grids.

Empowers employees: Employees can directly access and make changes to their personal information without the need to contact hr.

Improves productivity: When an HRIS offers employee or manager self-service, the process for making employee master data or organizational changes becomes more efficient and uses less time than paper-based requests. Approval workflows enable changes to be approved or rejected, with the necessary individuals automatically notified. An HRIS might also offer mobile capabilities that extend self-service and provide additional flexibility for remote workers.

Maintains compliance: Hr tasks are highly regulated and there's little to no margin for error. Many HRIS programs have monitoring capabilities and are designed with specific compliance regulations in mind. This encourages organizations to stay compliant and avoid legal issues, penalties and financial losses.

Offers security and privacy: An HRIS also helps secure employee data and keep information private. When using paper forms or spreadsheets, information can easily be accessed by people who may not have the authority to access it. An HRIS can secure information so that it can only be accessed by authorized individuals. Data security and privacy are important factors when handling sensitive personal information, especially in countries such as Germany and France, where works councils have a strong role in protecting employee data. With the exception of a lock and key, protecting paper records can be extremely difficult.

HRIS functions

As an hr tool, an HRIS usually features modules to handle the following tasks:

- Master data management (MDM)
- Organizational management, such as positions and departments

- Employee and manager self-services
- Absence and leave management
- Benefits administration
- Workflows
- Performance appraisals
- Recruiting and applicant tracking
- Compensation management
- Training tracking as opposed to a learning management system (lms) and organizational development
- reporting and basic analytics

2.2 International Human Resource Management (IHRM)

IHRM can be defined as set of activities aimed managing organizational human resources at international level to achieve organizational objectives and achieve competitive advantage over competitors at national and international level. IHRM includes typical HRM functions such as recruitment, selection, training and development, performance appraisal and dismissal done at international level and additional activities such as global skills management, expatriate management and so on.

In simple terms, IHRM is concerned about managing human resources at multinational companies (MNC) and it involves managing three types of employees namely,

- Home country employees- employees belonging to home country of the firm where the corporate head quarter is situated.
- Host country employees- employees belonging to the nation in which the subsidiary is situated.
- Third country employees- these are the employees who are not from home country/host country but are employed at subsidiary or corporate head quarters. As an example a American MNC which has a subsidiary at India may employ a French person as the CEO to the subsidiary. The Frenchman employed is a third

country employee.

Nature and scope international human resource management

Human resource management is a process of bringing people and organizations together so that the goals of each are met. The various features of IHRM include:

- it is pervasive in nature as it is present in all enterprises.
- its focus is on results rather than on rules.
- it tries to help employees develop their potential fully.
- it encourages employees to give their best to the organization.
- it is all about people at work, both as individuals and groups.
- it tries to put people on assigned jobs in order to produce good results.
- it helps an organization meet its goals in the future by providing for competent and well- motivated employees.
- it tries to build and maintain cordial relations between people working at various levels in the organization.
- it is a multi-disciplinary activity, utilizing knowledge and inputs drawn from psychology, economics, etc.

Human resource management features

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2.3 Cross-cultural management

Cross-cultural management is the act of employing, leading, and supporting individuals from different backgrounds. Although embracing diversity starts with recruitment and the hiring process, there's a lot more work to be done once you have assembled a diverse team.



Importance of cross-cultural management

Cross-cultural management involves dealing effectively with interacting individuals' socially constructed cultural backgrounds, so as to reduce differences and develop synergy. This skill is thus essential for executives, managers, project managers and leaders.

Examples of cross-cultural management

- The coca-cola company's distribution strategy in african countries.
- Alibaba's blended company culture.
- Rakuten, inc. Adopts a global language policy.

Issues of cross-cultural management

Such issues include cultural differences, language problem, variation in rituals and beliefs, instability in political circumstances etc. A multi-diversified organization is very much familiar with the occurrence of cultural shock.

Benefits of cross-cultural work

Working across cultures can be a truly enriching experiencing, allowing others to learn about perspectives and traditions from around the world. Bonding over similarities and differences can help you to become a global citizen, abandoning prejudices or an ethnocentric world view—something that is increasingly valuable.

2.4 Hybrid work culture

A hybrid work model provides employees with greater flexibility and the option to work from home or anywhere they can be productive. With hybrid work, the workplace is no longer inside the four walls of the corporate office—it's an ecosystem of employees working from home, in co working spaces, and the office.

Benefits of hybrid work models

A hybrid workplace model mixes in-office and remote work to offer flexibility and support to employees.

- by giving employees more flexibility and autonomy over their work environment
- increase employee happiness and satisfaction
- reduce stress
- improve work-life balance
- enhance productivity and creativity
- give healthy, stable workforce.
- employees can also save time and money on commuting, which can boost their morale and well-being.
- help organizations attract and retain talent, especially those who value diversity, inclusion, and flexibility.

2.5 Work life balance

Work life balance is a method which helps employees of an organization to balance their personal and professional lives. Work life balance encourages employees to divide their time on the basis on priorities and maintain a balance by devoting time to family, health, vacations etc. Along with making a career, business travel etc. It is an important concept in the world of business as it helps to motivate the employees and increases their loyalty towards the company.

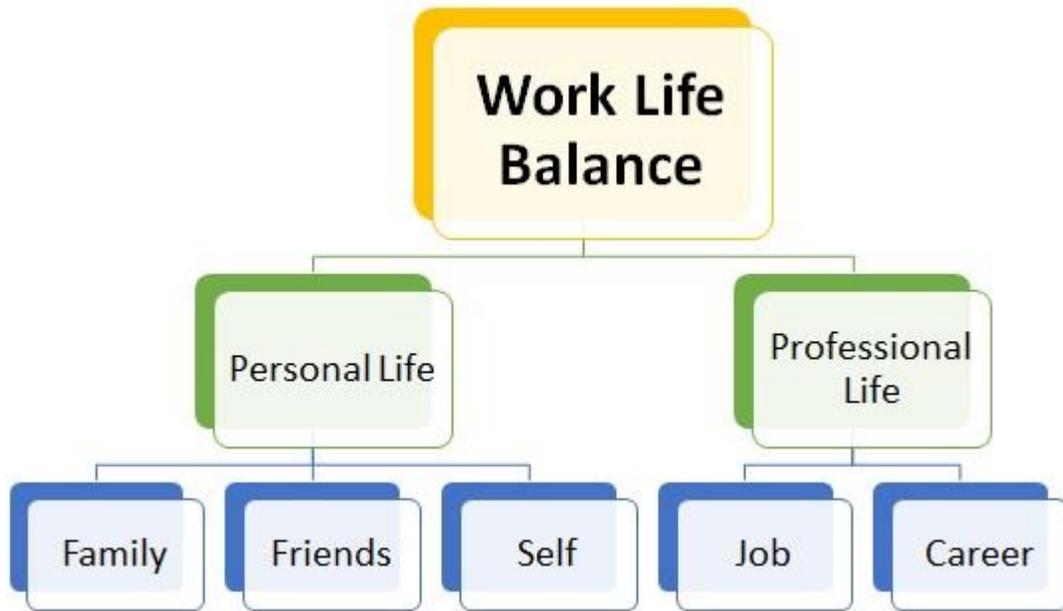
Importance of work life balance

Working on a job for a company and making a career can be an extremely time consuming duty for any employee. Employees are busy at their offices throughout the day and sometimes even on weekends. This gives them very little time to interact with their family. Because of high pressure of work, often family members get neglected.

Also, stressful jobs cause the health of employees to deteriorate. This is where work life balance come into the picture. Work life balance concept allows an employee to maintain a fine balance in the time he or she gives to work as well as to personal matters. By having a good balance, people can have a quality of work life.

This helps to increase productivity at workplace as the employee is relaxed about his personal commitments. It also allows the employee to give quality time with family to spend vacations, leisure time, work on his/her health etc. Hence work life balance is extremely important for employees and increases their motivation to work for the company.

The below image depicts a work life balance scenario, where an employee has to balance his/her life between personal (family, friends & self) and professional (job, career) commitments.



Steps to improve work life balance

There are specific guidelines to how an individual can maintain a proper work life balance, some of which are:

- **Creating a work leisure plan**

Where an individual has to schedule his tasks, and divide time appropriately so that he has allocated appropriate time to his work and his career development goals and at the same time allotted time for leisure and personal development. Employees also use a compressed work week plan to build a balance.

- **Leaving out activities that waste time and energy**

Individual should judiciously avoid wasteful activities which demand large time and energy and in return not produce output for either the work life or the leisure life. Effective time management can help an employee be less stressed.

- **Outsourcing and delegating work**

Delegate or outsource time consuming work to other individuals. It serves two purposes, first the work gets done and the other is person can focus on other things which may align more with skills and knowledge and may be less stressful. It also helps grooming the other employees.

- **Set enough time for relaxation**

Relaxation provides better work life balance, and tends to improve productivity on the professional or the work front along with providing ample scope to develop the life part of the balance.

- **Prioritizing work**

Often employees do not give priority to work and end up doing a lot of work at the last minute. Better planning can help employees save unnecessary time delays, which can be utilized by employees for personal work.

Benefits of work life balance

There are several advantages of work life balance. Some of them are listed below:

- Work life balance increases the motivation of employees and helps them perform better at job
- It helps people to relieve their stress as they can spend leisure time with their near and dear ones
- Companies can maximise productivity from an employee who is rejuvenated and refreshed as compared to a over worked employee
- Healthy lifestyles can be maintained by having a work life balance. This includes a good diet, regular exercises etc.
- Employees who are highly motivated can help the business grow as they are more attached to their job and careers

2.6 Quality of work life

Quality of work life (QWL) is an important aspect of human resource management. QWL refers to the relationship between an employee and an employer to cater to needs and expectations of each other. For an organization, human resource is an important resource among all other resources. A successful organization utilizes optimally the skills and abilities of its employees. For this, it also has to provide a congenial and a

productive environment to its employees. The concept of QWL got its prominence after a number of attitudinal surveys were conducted at university of michigan to check the quality of an individual on the job. The surveys were conducted during the period of 1969 to 1973. In india the concept of QWL gained attention in mid 1970s. If companies want to grow they will have to treat their employees as an important resource and hence, provide all those facilities which are required to improve their productivity, both at personal as well as at professional level.

Meaning and definition of QWL

QWL reflects the relationship between employees and the working environment provided to them. QWL requires the organisations to make provisions of such a conducive environment for the employees so that they can be satisfied and that can enhance their productivity. QWL can also be defined as a concern about the impact of work on people as well as on organisational effectiveness, and the idea of participation in organisational problem-solving and decision making.

Walton defines QWL as a process where an organisation caters to employees' needs and allowing them to participate in decision making process. He has provided various dimensions of QWL programmes such as adequate and fair compensation, safe and healthy environment, development of human capacities, social integration, growth and security, social relevance, constitutionalism and total life space.

To sum up, QWL aims at providing job satisfaction to the employees which can enhance their efficiency and productivity. In present scenario, employees not only needs fair remuneration, good working conditions, stability of job and social security but also an environment which can give them satisfaction that they are contributing towards the success of the enterprise by participating in decision making process which effects their quality of work.

Main aspects of QWL

Satisfactory and fair compensation

The employees should be given adequate and fair compensation as per their efforts involved in the job. The compensation should be competitive and should be able to help

them to maintain their desirable standard of living. The compensation should be market driven and should also consider various internal and external factors like cost of living, financial position of the company, job evaluation, etc.

Safe and healthy working conditions

The organisation should provide hazards free work environment to the employees. The work environment should be favorable to safety and health of the employees. There should be reasonable working hours, cleanliness, safety measures, and proper ventilation etc. For providing a safe and healthy working environment.

Opportunities for career growth

The employees should be provided career opportunities so that they can expand their existing skills and develop new abilities and skills. The opportunities should be provided on a continuous basis.

Effective utilisation of human capacities

In present scenario of automation and technological advancements, the job should provide challenging tasks to the employees. The organisation should effectively utilize the skills and abilities of workers.

Social integration in work force

The workers should be socially integrated. There should be trust, equal treatment, development of team spirit, fulfilment of their social needs.

Constitutional protection

QWL provides constitutional protection to the employees so that management actions or decisions can be challenged. Employees must be given their constitutional rights on such matters as free speech, equity etc.

Work life balance

There should be proper balance between personal life and work life of employees. Late hour duties, frequent and long travels, quick and far away transfers are both psychologically and socially very costly and work against quality of work life.

Socially relevant jobs

Job should also provide social welfare. Organisations should be socially responsible. They should give due concerns to social causes like consumer protection, employment, pollution etc. These efforts can enhance quality of work life.

Benefits of quality of work life

In general, the benefits of QWL are twofold. First, it provides benefits to employees and helps in providing satisfied and productive employees and second, it provides benefits to the organisation and provides a more efficient and profitable organisation. Following are some of the general benefits of QWL:

- i. it helps in providing greater self-esteem. Self esteem refers to positive feelings towards one's self.
- ii. it helps in providing job satisfaction. Employees feel involved and give greater contribution towards the organisational goals.
- iii. it helps in creating more positive feelings towards the organisation. Employees feel more committed.
- iv. it ensures growth and development of the individual as a person as well as a productive element of the organisation.
- v. it helps in decelerating accidents, absenteeism and labour turnover.
- vi. it results into higher quality and quantity of output of goods and services.

Principles of QWL

To improve QWL, following are the four basic principles:

- **The principle of equity**

Equal treatment should be given to all employees. The differences between workers doing same job and with same level of performance must be removed. 'equal rank, equal pay' norm should be followed.

- **The principle of safety**

Safe and secure working conditions should be provided which can eliminate fear of loss of job, accidents and hazards etc. Job security and safety at work should be provided.

- **The principle of individualism**

Every employee should be given an opportunity to grow and develop his abilities and personality. Employees should take active participation in decisions that affect their job design and working conditions.

- **The principle of democracy**

Authority should also be given along with responsibility to employees. Desirable participation in the decision making process improves the quality of work life.

2.7 HR Analytics

Hr analytics is the gathering, analyzing and reporting of data that surrounds the management of human resources. It is the method of getting a better understanding of the people within an organization and how well the human resources team is performing. The analysis of this data can be a huge help to giving an organization the right direction to move forward in order to maximize payroll, benefits, its ability to hire or keep employees and more.

Hr analytics is considered to be a systematic identification and analysis of the people drivers of any specific business outcomes. In layman's terms, that means that hr analytics measures the successes and failures of how well the company is performing when it comes to its employees. Depending on the organization, hr analytics may also be referred to as workforce analytics, talent analytics or people analytics.

Using proper hr analytics software allows business managers to rely on actual data to make people-based decisions instead of relying on gut feelings. It can provide analysis of how well an employee is performing as well as insight into where job candidates are falling off of the hiring process. Hr analytics measures a broad range of different types of data, but all of it is centered on the people function.

Benefits of HR analytics

BENEFITS OF HR ANALYTICS



Importance of HR analytics

Hr analytics came to be in the hopes that businesses could improve internal processes that relate to functions such as payroll, benefits, hiring, employee on boarding, employee performance and overall employee morale. It is the best way to use data in order to forge an understanding of how well a business is performing.

Without proper analytics, there is a high percentage chance that the business could unknowingly be losing money because of processes that just aren't resonating or working well with its employees. Measuring data on employee processes has provided better insight and overall management to people teams everywhere.

Without proper hr analytics, executives wouldn't be able to make proper business decisions that relate to hiring, firing or promoting employees. If people don't feel like their job is valued or that they are performing at a high level and that the company sees that, then it can become difficult to retain high-performing employees. Without proper data oversight, it also becomes more difficult to shed the company of low-performers who aren't pulling their weight. The right data provides legal protection against improper

employee-related decisions as they are made from more than just opinions and feelings.

Let's Sum-Up:

Dear Learners, in this Module we learn about Human Resource Information System. In the detailed explanation of the human resource information system, international human resource management, cross cultural diversity management, hybrid work culture, work-life balance, quality of work-life and hr analytics.

Check Your Progress

1) To add value to HRM, the use of an HRIS is focused primarily on increasing which of the following kind of tasks or activities?

- a. transactional
- b. benchmarking
- c. **transformational**
- d. re-engineering

2) The system which is designed to provide useful information while making decisions regarding human resource of an organization is classified as

- a. benefit analysis system
- b. **human resource information system**
- c. decisional information system
- d. integration HR

3) A talent management plan aims at developing which of the following quality(ies) in employees:

- a. Knowledge
- b. Skills
- c. Abilities
- d. **All the above**

4) The main focus on IHRM is

- a. **managing human resources on global scale**
- b. Management of expatriates
- c. Management of international organizations

d. Management of small businesses internationally

5) IHRM practices include;

- a. Recruitment in USA is more short-term than in Germany, France, & UK but USA training & career planning is the most extensive
- b. Japan still has longest-term focus & French still favor French managers
- c. Performance-related pay is more popular in US than in Japan or Germany
- d. **All of the above**

Unit Summary

Performance appraisal, also known as employee appraisal, is a method by which the performance of an employee is evaluated (generally in terms of quality, quantity, cost and time). This appraisal involves assessment of the actual performance of an employee against what is expected (standards) from him. Performance appraisals basically are a regular review of employee performance within an organization. It is a part of career development. As such assessments are the basis of awarding promotions, effecting transfers or assessing training needs. There are several methods of performance appraisal – traditional and modern method. To have proper performance appraisal of the employee, organisational goals should be clear and SMART and properly communicated to the employees. 360⁰ degree method and the Balance score methods are latest methods of measuring the performance of employees so as to reduce the drawbacks or constraints of other methods of performance appraisal.

Glossary

KEYWORDS	MEANING
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.
Performance appraisal	Performance appraisal is the process of measuring

	quantitative & qualitatively an employee's past or present performance against the background of his expected role performance and about his future potential of an organisation.
MBO	Management by objectives (MBO) is a process in which a manager and an employee agree on specific performance goals and then develop a plan to reach them.
Performance feedback	Performance feedback is defined as a management approach used to communicate with employees about their job performance, either positively or negatively, with the aim of improving their productivity and engagement levels at work.
Career management	Career management is a life-long process of investing resources to accomplish the future career goals.
Performance management appraisal system	Performance management appraisal system is known as the process of evaluating the performance and progress of an employee or a group of employees on a given job and his / her potential for future development.
HRIS	human resource information system
IHRM	IHRM can be defined as set of activities aimed managing organizational human resources at international level to achieve organizational objectives and goals.
Cross-cultural management	Cross-cultural management is the act of employing, leading, and supporting individuals from different backgrounds
hybrid work model	hybrid work model provides employees with greater flexibility and the option to work from home or anywhere they can be productive

Self-Assessment Questions

1. What are various Modern methods of performance appraisal?
2. Narrate various limitations of performance appraisal system?
3. What are the benefits and limitations of MBO?
4. Examine the Benefits of online performance management system.
5. Discuss about HRIS functions.
6. Explain the Nature and scope international human resource management.
7. State the Importance of cross-cultural management.
8. Construct the Steps to improve work life balance.
9. Narrate the Principles of QWL.
10. Spell out the Importance of HR analytics.

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UNIT - V**COMPENSATION
MANAGEMENT****Compensation Management**

Wage and Salary Administration: Job Evaluation, Calculation of Wage, Salary, Prerequisites, Compensation Packages, Cost of Living Index and Calculation of Dearness Allowance, Rewards and Incentives; ESOP- Financial and non-financial incentives, Productivity–linked Bonus, Compensation Criteria, Rewards and Recognition.

Unit Model Structuring

1. Wage and Salary Administration
2. Rewards and Incentives

Self-Learning Material Development – STAGE 1

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Unit Objectives

- To learn the Importance Wage and Salary Administration
- To study the objectives and process of Job Evaluation
- To analyze the Calculation of Wage and Salary
- To enhance the Cost of Living Index and Calculation of Dearness Allowance
- To understand the Rewards and Incentives Management
- To know about ESOP
- To observe the Compensation Criteria, Rewards and Recognition.

Module 1- (Wage and Salary Administration)

1.1 Job Evaluation

Job evaluation is a method used for deciding the comparative worth of each job in the organization. The basic purpose of assessing the value of each job against another is to fix up the pay scale for each of these jobs. Job evaluation provides a critical input for the grading of jobs in the organization in an orderly and acceptable form. Job grading in turn helps the organization in determining the pay grades for different categories of job. The essence of job evaluation is the assessment of the efforts required to perform the job. Usually, jobs are evaluated on the basis of the duties, responsibilities, work pressures and contribution of each job to organizational goal accomplishment. Simply state job evaluation is the classification of jobs according to rank in an organization. It attempts to compare the relative intrinsic value of jobs within an organization.



Objectives of job evaluation

The major objective of job evaluation is to establish comparative worth of various jobs in an organization to serve as a basis for developing a salary structure characterized by equity or fairness. An ilo report states that the aim of the most of systems of job evaluation is to determine, on agreed logical basis, the comparative values of various jobs in a plant. It aims at deciding the comparative significance of a job. The guideline of any job evaluation effort is that of depicting and estimating officially the worth of various jobs in the enterprises in terms of various indicators.

The objectives of job evaluation may be enumerated as:

- Ascertain wage differentials characterized by equity between different jobs in the organization.
- To get rid of wage inequalities.
- To be sure that similar wages are paid for the like work.

- construct a foundation for implementing incentives
- To decide a reference point for settling personal grievances relating to wage rates.
- Make available information for the purposes of organization of work, selection of employees, placement, training and other similar issues.
- To determine a benchmark for making organization career planning.
- Establish a procedure which serves as a standard for ascertaining the relative value of each job.

Job evaluation process

Though the usual objectives of job evaluation is to ascertain officially the relative worth of jobs in an enterprise, there is no common procedure of job evaluation all organizations may follow. As such, the job evaluation procedure differs from organization to organization.

Step 1: establish jobs to be assessed

The establishment of jobs to be assessed under the evaluation process is the beginning point of job evaluation. It is usually complex for an organization to assess entire jobs of the organization. It, therefore, selects a few main jobs which can be representative of a group of similar jobs for job evaluation purposes. Having identified jobs for evaluation, the next stage is the

Deciding of factors to be evaluated in a job. The evaluator may evaluate one or more the job factors like physical efforts, mental efforts, concentration, communication and leadership skills, education and experience, job complexity and pressure. However, the need for job factor identification may not arise if the evaluator settles for paired comparison in which 'whose man to whole man' comparison is done.

Step 2: collecting job information

the next phase in the process of job analysis is the collection of essential information about the job being assessed.. For this purpose the techniques like interviews, questionnaire and observation may be used addition to sheets of job description at this

stage, the evaluator need to satisfy himself entirely about the adequateness of information gathered for assessing the value of the job. Thus, the evaluators should undertake a broad analysis of all the information available with them.

Step 3: decision on ranking of job

an analysis of all the pertinent information about the job is carried. Then, the evaluator assesses the degree of the presence or absence of chosen factors in the jobs. Based on the findings of such assessment, the evaluator establishes the rating of each job. Since identical factors are evaluated in the process, the ratings are indicative of the relative worth of a job when compared to other jobs in the organization.

Step 4: benchmarking job

the ground objective of job evaluation is to evolve pay grades for each kind of jobs. In this connection it is essential for an organization to understand the payments made by other organizations for identical jobs. However, it may not be feasible for an organization to ascertain the comparative pay scales of all the jobs in the organization. Therefore, the persons responsible for job evaluation may select a few jobs usually found in every organization and are comparable in nature. These jobs are commonly known as benchmark jobs which serve as measurements for deciding the pays of all other jobs in the organization.

Step 5: wage and salary surveys

an organization carries out a survey of pay scales of the jobs regarded as benchmark in other organizations in the industry. An organization may carry out a salary surveys in a formal or informal way, may be either a direct survey to collect pertinent information or published reports of professional agencies or magazines may be used. The monetary equivalent of each job is decided on the basis of such survey. Informal survey such as telephonic surveys, newspapers and the internet survey for may be conducted by several organizations for salary surveys.

Step 6: periodic review and feedback

Developments taking place in the outer environment affect the organizations on a continuous basis and also create changes in the internal environment. For instance, technological developments affect the job features and needs deeply.

As a result, organizations are compelled to reconsider the jobs at periodic at recurring intervals of time to decide their value in the transformed context. Feedback should also be gathered from diverse stakeholders like job holders, supervisors, managers and trade unions about the various facets of job evaluation to regularly grow the job evaluation process.

Merits and demerits of job evaluation**Merits**

- Job evaluation is a process involving logic and objective method which assists in evolving a just, fair and holding firmly wage and salary structure based on the comparative value of jobs in an organization.
- By removing wage differentials within the organization, job evaluation renders assistance for reducing contradiction between labor and management which in turn helps in encouraging agreeable relations between them.
- Job evaluation makes wage administration less complicated by bringing the quality of being uniform in wage rates. It makes a logical ground for negotiations of wage and collective bargaining. In the case of new jobs, job evaluation makes spotting into the existing wage and salary structure.
- In the modern times, performance is dependent more on the machines than on the worker himself/herself. In such cases, job evaluation gives the realistic basis for fixing of wages. The information generated by job evaluation may also be applied for up gradation of procedures of selection, transfer and promotion on the basis of relative job requirements.

- Job evaluation evaluates the job and not the job performer. Organizations have different areas of specializations. Job evaluation assists in ranking all the jobs so as to fix the wages and salary and removing uncertainty in them.

Demerits

Besides many advantages, job evaluation undergoes the following drawbacks:

- Job evaluation is under domination of human error and personal judgment. While there is no approved list of factors to be taken into account for job evaluation, there are some factors that cannot be gauged exactly, job evaluation fixes variation between wages.
- The jobs ranking high as compared with the market are those of junior, nurse and typist, while craft rates are comparatively low. An evaluation plan renders services to weaker groups better than by the market.
- The first time application of job evaluation in an organization generates doubts in the minds of workers whose jobs are subjected to collective bargaining for determining wage rates.
- Job evaluation methods being lacking in scientific basis are often looked upon with doubts about the effectiveness of ways of job evaluation.
- Job evaluation is a time taking process needing specialized technical personnel to carry it out and, thus, is likely to be costly as well.
- Job evaluation is not found suitable for fixing the comparative value of the skill oriented managerial jobs which cannot be measured in quantitative terms. Given the changes in job contents and work conditions, periodic evaluation of jobs is essential. This is not ever so easy and simple.
- Job evaluation causes considerable modifications in wage and salary structure. This, in turn, creates financial pressure on organization.

Job evaluation methods

Most wage paying organizations apply job evaluation. The following kind of job evaluation methods are commonly used in practice.

- **The ranking method**

the person evaluating the job ordinarily gives ranks to different jobs. However, the effort to decide the factors critical to the each job is not made at this stage. As an accepted alternative, an overarching act of judgment is done concerning the comparative value of each job, and the job is given a position in hierarchy. In order of their value from the easiest to the most complex or in the reverse order, all the jobs are ranked. The duties, responsibilities and demands on the job holder are the parameters of judging the significance of order of jobs. Since difficulties in ranking a number of jobs are experienced, the method of paired comparison ranking is often resorted to. This technique enables decisions about the comparative worth of one or two jobs at one time.

Since each job is compared with every other job, the number of comparisons increases fast when a job is added to the list of comparisons. Generally accepted guidelines are not available to determine elements or factors to be included in the list of factors the organization thinks valuable. Thus, there are no yardsticks for evaluating the value of the job and the assumptions of the rankers ranking never come to the fore. There is, thus, a risk that the subjectivity creeps into the ranking. The impressions dominate the ranking rather than objective information available.

- **Grading method**

The entire job is the basis of job grading technique. An organized body or a committee of job evaluator decides job grades or class of a job. A group of different jobs involving identical difficulty needing similar skills to perform constitutes a job grade. The information obtained from job analysis becomes the basis of job grade. The job grades are placed in proper order of their importance as a schedule. The jobs requiring more

physical effort and strict supervision but little responsibility fall in the lowest job grade each higher grade job involves more of skill and responsibility with decreasing supervision.

- **The factor comparison method**

this method begins with the selection of factors such as mental requirements, skills, physical exertion, responsibility, and job conditions. These factors are assumed to be constant for all the jobs. Each factor is ranked individually with other jobs. For example, all the jobs may be compared first by the factor physical requirements, responsibility, and working conditions are ranked. Thus, a job may rank near the top in skills but low in physical requirements. Total point values are then assigned to each factor. The relative worth of a job is then obtained by adding together all the point values. This method facilitates that jobs of different nature, for example, manual, clerical and supervisory may be assessed with the same factors. However, this method is difficult and expensive.

- **Paired comparison**

in this method, each job is individually compared with every other job in the organization. If, during the comparison, a job is found to have more value than another, it is assigned some reward points, and at the end of the multiple comparisons, ranking are done on the basis of aggregate scores. In the paired comparison method too, a job described statement is an essential document for determining the relative worth of each job. The paired comparison method is simply and easy to compare one job with another. Each job gets equal attention in the multiple pair comparisons

And thus, better consistency is established in the job grading. However, it is a subjective process as the whole job is compared with another whose job and, as such, the unique job characteristics are overlooked in the comparisons. It is difficult to apply this method if there are a large number of jobs as multiple comparisons would involve numerous computations.

Thus, the ranking method, grading, point and factor comparison methods are most commonly used for job evaluation.

1.2 Compensation

Compensation is what employees receive in exchange for their work. It is a particular kind of price, that is, the price of labor. Like any other price, remuneration is set at the point where the demand curve for labor crosses the supply curve of labor.

Compensation is referred to as money and other benefits received by an employee for providing services to his employer.

Compensation refers to all forms of financial returns: tangible services and benefits employees receive as part an employment relationship, which may be associated with employee's service to the employer like provident fund, gratuity, insurance scheme and any other payment which the employee receives or benefits he enjoys in lieu of such payment.

- According to **DALE YODER**, “compensation is paying people for work”.
- “compensation is what employees receive in exchange for their contribution to the organization”. – **KEITH DAVIS**
- In the words of **EDWIN B. FLIPPO**, “the function compensation is defining as adequate and equitable remuneration of personnel for their contributions to the organizational objectives”.
- **CASCIO** has defined “compensation includes direct cash payments, indirect payments in the form of employee benefits and incentives to motivate employees to strive for higher levels of productivity”.

Compensation can be in the form of cash or kind. Compensation may be defined as money received in the performance of works, plus the many kinds of benefits and services that organizations provide their employees.

Different types of compensation

There are different types of compensation. Schuler identified three major types of compensation, which are mentioned below;

- (i) Non-monetary compensation.
- (ii) Direct compensation.
- (iii) Indirect compensation.

- **Non-monetary compensation**

It includes any benefit that an employee receives from an employer or a job that does not involve tangible value. Examples are career development and advancement opportunities, opportunities for recognition, as well as work environment and conditions.

- **Direct compensation**

Direct compensation comprises of the salary that is paid to the employees along with the other health benefits. Money is included under direct compensation. It is an employee's base wage which can be an annual salary or hourly wage and any performance-based pay that an employee receives.

Direct compensation consisting of pay received in the form of wages, salaries, bonuses, and commissions provided at regular and consistent intervals. These include the basic salary, house rent allowances, medical benefits, city allowances, conveyance, provident funds, etc. It also includes bonuses, payments for holidays, etc.

- **Indirect compensation**

Indirect compensation can be thought of as the nonmonetary benefits an employee gets from the organization. It includes everything from legally required public protection programs such as social security to health insurance, retirement programs, paid leave, childcare or moving expenses.

While benefits come under indirect compensation and may consist of life, accident, health insurance, the employer's contribution to retirement, pay for a vacation, employer's required payment for employee welfare as social security. Rewards and recognitions, promotions, responsibility, etc., are some factors that induce confidence in

the employees and motivate them to perform better. It also instills the faith in them that their good work is being recognized and they can boost their career opportunities if they continue to work harder.

Objectives of compensation management

The basic objective of compensation management can be briefly termed as meeting the needs of both employees and the organization. Employers want to pay as little as possible to keep their costs low. Employees want to get as high as possible.

Objectives of compensation management are:

- Acquire qualified personnel.
- Retain current employees.
- Ensure equity.
- Reward desired behavior.
- Control costs.
- Comply with legal regulations.
- Facilitate understanding.
- Further administrative efficiency.
- Motivating personnel.
- Consistency in compensation.
- To be adequate.

Compensation management tries to strike a balance between these two with specific objectives:

- **Acquire qualified personnel**

Compensation needs to be high enough to attract applicants. Pay levels must respond to the supply and demand of workers in the labor market since employees compare for workers. Premium wages are sometimes needed to attract applicants working for others.

- **Retain current employees**

Employees may quit when compensation levels are not competitive, resulting in higher turnover. Employees serve organizations in exchange for a reward. If pay levels are not competitive, some employees quit the firm. To retain these employees', pay levels must be competitive with that of other employers.

- **Ensure equity**

To retain and motivate employees, employee compensation must be fair. Fairness requires wage and salary administration to be directed to achieving equity. Compensation management strives for internal and external equity.

- Internal equity requires that pay be related to the relative worth of a job so that similar jobs get similar pay.
- External equity means paying workers what comparable workers are paid by other firms in the labor market.

- **Reward desired behavior**

Pay should reinforce desired behaviors and act as an incentive for those behaviors to occur in the future. Effective compensation plans reward performance, loyalty, experience, responsibility, and other behaviors. Good performance, experience, loyalty, new responsibilities, and other behaviors can be rewarded through an effective compensation plan.

- **Control costs**

A rational compensation system helps the organization obtain and retain workers reasonable cost. Without effective compensation management, workers could be overpaid or underpaid.

- **Comply with legal regulations**

A sound wage and salary system considers the legal challenges imposed by the government and ensures employers compliance.

- **Facilitate understanding**

The compensation management system should be easily understood by human resource specialists, operating managers and employees.

- **Further administrative efficiency**

Wage and salary programs should be designed to be managed efficiently, making optimal use of the HRIS, although this objective should be a secondary consideration with other objectives.

- **Motivating personnel**

Compensation management aims at motivating personnel for higher productivity. Monetary compensation has its own limitations in motivating people for superior performance. Besides money people also wants praise, promotion, recognition, acceptance, status, etc. For motivation.

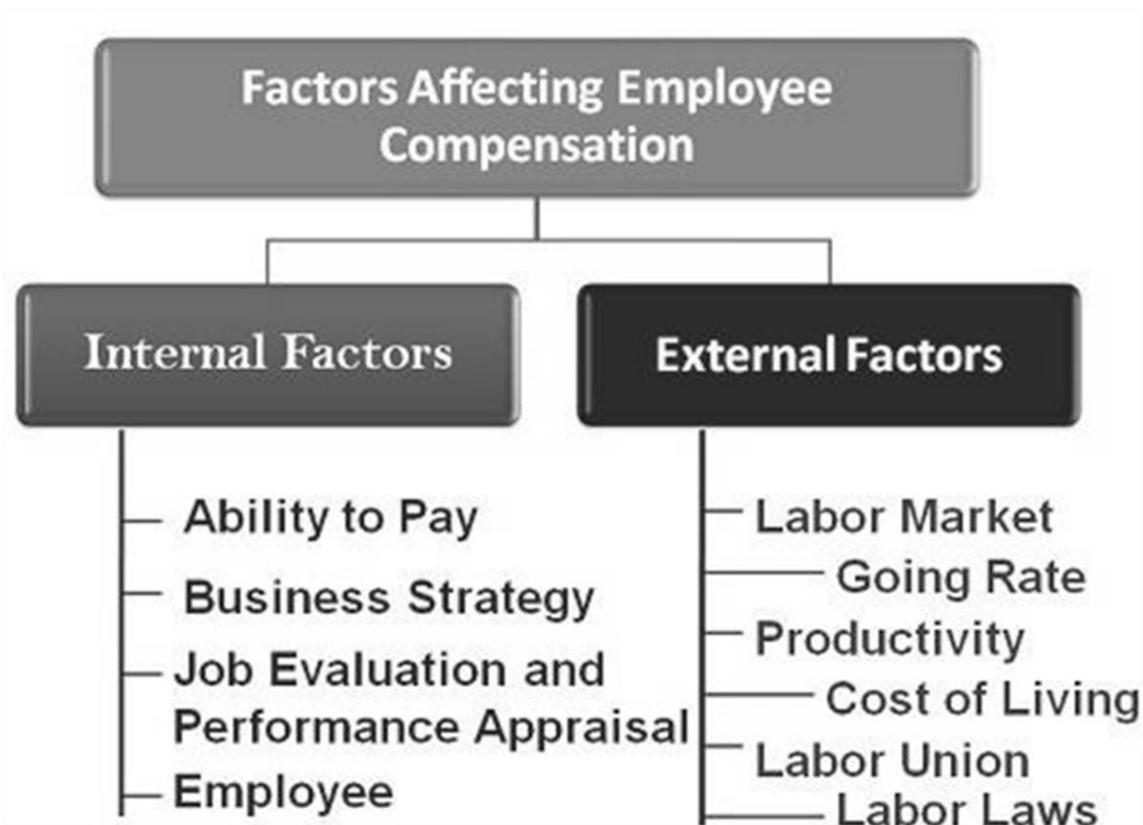
- **Consistency in compensation**

Compensation management tries to achieve consistency-both internal and external in compensating employees. Internal consistency involves payment on the basis of the criticality of jobs and employees' performance on jobs. Thus, higher compensation is attached to higher-level jobs. Similarly, higher compensation is attached to higher performers in the same job.

- **To be adequate**

Compensation must be sufficient so that the needs of the employee are fulfilled substantially.

Factors Affecting Compensation (or) Determinants Of Compensation



There are several internal and external factors as shown in figure which affect employee compensation, which are as follows:

Internal factors

The internal factors exist within the organization and influences the pay structure of the company. These are as follows:

- **ability to pay:** it suggest that amount of salary/wages of employee depends upon the employer's ability to pay salary/wages to the employee, which depends upon the profitability of the firm. This means that prosperous or big companies can pay higher compensation as compared to their competitors while the smaller companies
- Can afford to pay scale up to the level of competitors or sometimes even below the industry standards.

- **business strategy:** the strategies of the organization also affect the employee compensation. In case if the company wants to have the skilled workers, so as to be above the competitor, they 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.
- **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. If they perform well they will get increased compensation thereby they get motivated and perform their job more efficiently.
- **Employee:** the employee or a worker himself influences the compensation in one of the following ways:
 - Through **his performance:** better the performance, there will be increase in the compensation.
 - Through **his experience:** as the employees devote his years in the organization, expects to get an increased pay for his experience.
 - Through **his potential :** the more the potential or talent in the employee the more will be his compensation

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:

- **Job needs :** jobs vary greatly in terms of the difficulty, complexity and challenges. Some job needs high level of skills and knowledge while others can be handled by almost everyone,, thus those workers performing complex, challenging task are paid more than the others.
- **Demand & supply of labor :** it is one of the important factors affecting wages.

The low wage is given, in case, the demand is less and the supply of labor is more. On the other hand, high pay is given, in case, the demand is more and the supply of labor is less.

- **Prevailing wage rate:** the compensation is also decided on the basis of the rate that is prevailing in the market, i.e. The amount the other organisations are paying for the same kind of work as the organizations have to pay accordingly to keep the employees with them.
- **Productivity of worker:** this is the current trend in most of the organization where workers compensation is linked to their productivity levels. The compensation increases with the increase in the production. Therefore, to earn more, the workers need to work on their efficiencies, and need to improve the productivity to get increase in compensation.
- **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 changed accordingly.
- **Labor unions:** the powerful and organized labor unions also influence the compensation plan of the company. Higher wages have to be paid by the firm to its workers under the pressure of these trade unions.
- **Government & labor laws:** government has also fixed the rules for protecting the interest of the employees. The organizations are liable to pay as per the government instructions. Wages cannot be fixed below the level prescribed by the government. Beside that there are several laws passed by the government to protect 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.

1.3 Wage and salary administration

Definition

According to **BEACH**, “wage and salary’ administration refers to the establishment and implementation of sound policies and practices of employee compensation. It includes such areas as job valuation, surveys of wages and salaries, analysis of relevant organizational problems, development, and maintenance of wage structure, establishing rules for administering wages, wage payments, incentives, profit sharing, wage changes and adjustments, supplementary payments, control of compensation costs and other related items.”

‘Wage and salary administration’ refers to the establishment and implementation of sound policies and practices of employee compensation. The basic purpose of wage and salary administration is to establish and maintain an equitable wage and salary structure. Wages and salaries are often one of the largest components of cost of production and such have serious implications for growth and profitability of the company. On the other hand, they are the only source of workers' income.

After the independence and particularly after 1948 some new terms relating to wages began to be used. These are:

- (i) Statutory minimum wages
 - (ii) Basic minimum wages
 - (iii) Minimum wages
 - (iv) Fair wages
 - (v) Living wages
 - (vi) Need based wages
- (i) **Statutory minimum wages:** by it we mean the minimum amount of wages which should essentially be given to the workers as per provisions of the minimum wages act, 1948.

- (ii) **Basic minimum wages:** this minimum wage is fixed through judicial pronouncement awards, industrial tribunals and labour. The employers are essentially to give this minimum wage to the workers.
- (iii) **Minimum wages:** the concept of minimum wages has developed due to different standards in different countries. In Indian context, minimum wage means the minimum amount which an employer thinks necessary for the sustenance of life and preservation of the efficiency of the worker. According to fair wage committee, the minimum wages. Must also- provide for some measures of education-medical: requirements, and amenities.
- (iv) **Fair wages:** in order to bring about improved relations between labour and management an effort has been made in modern times that the labour gets a. Fair deal at the hands of owners and managers of industries. Various proposals were undertaken at the industries conference in 1947 and a resolution known as the industrial truce resolution was passed. It is provided for the payment of fair wages to labour. The government of india appointed a fair wages committee in 1948 to determine the principles on-which fair wages should be based and to suggest the lines on which- those principles should be applied. According to the report on this' committee, fair wages is that wages which the laborer gets for his work just near to minimum wages and living wages. Generally the current rate of wages being paid in the enterprise is known as fair wages.
- (v) **Living wages:** according to fair wage committee report, "the living wage should enable the male earner to provide for himself and his family not merely the bare essentials of food, clothing and shelter, but also a measure of frugal comfort including education for children, protection against iii health, requirements of essential social needs and a measure of insurance against the more important misfortunes including old age." according to the committee on fair wages, the living wages represent the highest level of the wages and include all amenities which a citizen living in a modern civilized society is to expect when the economy of the country is sufficiently advanced and the employer is able to meet the expanding aspirations of his workers. The living wage should be fixed keeping in view the national income and the capacity of the industry to pay.

(vi) **Need based wages:** the Indian labour conference at its 15th session held at new Delhi in July, 1957 suggested that minimum wage fixations should be need based. Following are the important points of the resolution of the conference.

- The standard working class family should include three consumption units for the one earner.
- Calculation of minimum food requirements should be made on the basis of the recommendation of dr. Aykoroed i.e. 27000 calories for an average Indian adult.
- Calculation of cloth should be made #18 yards annually for one member. As such, a family consisting of four members will require 72 yards of cloth.
- the workers should get minimum rent as per guidelines fixed by the government in the industrial housing policy.
- Expenses for fuel, light and so on should be equal to 20% of the entire minimum wages.

Objectives of wage and salary administration

Its objectives are:

- I. To compare or draft company hr policy .
- ii. Find out the income level and return ratio of similar industries
- lii. To understand wage differentiations
- iv. To examine the competitiveness of entry level employees
- V. To establish hiring rates favorable to the community
- Vi. To keep abreast wage and salary rates with production cost
- Vii. To minimize labour turnover due to pay disparity
- Viii. To increase employee's satisfaction and morale
- ix. To learn about the trend of perks and benefits in the market
- X. To resolve existing labour problems concerning compensation.

Wages

The payment of wages act, 1936 - sec 2 (vi) "wages" means all remuneration (whether by way of salary allowances or otherwise) expressed in terms of money or capable of being so expressed which would if the terms of employment express or implied were fulfilled by payable to a person employed in respect of his employment or of work done in such employment and includes -

- any remuneration payable under any award or settlement between the parties or order of a court;
- any remuneration to which the person employed is entitled in respect of overtime work or holidays or any leave period;
- any additional remuneration payable under the terms of employment (whether called a bonus or by any other name);
- any sum which by reason of the termination of employment of the person employed is payable under any law contract or instrument which provides for the payment of such sum whether with or without deductions but does not provide for the time within which the payment is to be made;
- any sum to which the person employed is entitled under any scheme framed under any law for the time being in force,

But does not include -

- any bonus (whether under a scheme of profit sharing or otherwise) which does not form part of the remuneration payable under the terms of employment or which is not payable under any award or settlement between the parties or order of a court;
- the value of any house-accommodation or of the supply of light water medical attendance or other amenity or of any service excluded from the computation of wages by a general or special order of the state government;
- any contribution paid by the employer to any pension or provident fund and the interest which may have accrued thereon;
- any travelling allowance or the value of any travelling concession;
- any sum paid to the employed person to defray special expenses entailed

- on him by the nature of his employment; or
- Any gratuity payable on the termination of employment in cases other than those specified in sub-clause (d).

Meaning and definition of wage

In the ordinary language the term wages implies 'reward' to the labourers for the services rendered by them. It may be paid daily, weekly, fortnightly, monthly, per hour or per unit. Services rendered by the labourer include both physical and mental services.

- In the words of **BENHAM**. "wages are a sum of money paid under contract by an employer to a worker for services rendered."
- According to **ILO** " wages refer to that payment which is made by the employers to the labourer for his services hired on the conditions of payment per hour, per day, per week or per fortnight."

Appropriate definition: wages refer to that reward which is received from the employer for the services rendered by the labourer per week, per month, per fortnight or per unit it includes allowances also.

- **Subsistence wage:** - the wage that can meet only bare physical needs of a worker and his family is called subsistence wage.
- **Minimum wage:** - minimum wage is the wage that is able to provide not only for bare physical needs but also for preservation of efficiency of worker plus some measure of education, health and other things.
- **Fair wage:** - fair wages is an adjustable step that moves up according to the capacity of the industry to pay, and the prevailing rates of wages in the area of industry.
- **Living wage:-** living wage is that which workers can maintain the health and decency, a measure of comfort and some insurance against the more important misfortune of lie.

Theories of wages

Some of the most important theories of wages are as follows:

- Wages fund theory
- Subsistence theory
- The surplus value theory of wages
- Residual claimant theory
- Marginal productivity theory
- The bargaining theory of wages
- Behavioural theories of wages.

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

- **Wages fund theory:**

This theory was developed by Adam Smith (1723-1790). His theory was based on the basic Assumption that workers are paid wages out of a pre-determined fund of wealth. This fund, he called, wages fund created as a result of savings. According to Adam Smith, the demand for labour and rate of wages depend on the size of the wages fund. Accordingly, if the wages fund is large, wages would be high and vice versa.

- **Subsistence theory:**

This theory was propounded by David Ricardo (1772-1823). According to this theory, “the labourers are paid to enable them to subsist and perpetuate the race without increase or diminution”. This payment is also called as ‘subsistence wages’. The basic assumption of this theory is that if workers are paid wages more than subsistence level, workers’ number will increase and, as a result wages will come down to the subsistence level.

On the contrary, if workers are paid less than subsistence wages, the number of workers will decrease as a result of starvation death; malnutrition, disease etc. And many would not marry. Then, wage rates would again go up to subsistence level. Since wage rate tends to be at, subsistence level at all cases, that is why this theory is also known as ‘iron law of wages’. The subsistence wages refers to minimum wages.

- **The surplus value theory of wages:**

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

- **Residual claimant theory:**

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

5. Marginal productivity theory:

This theory was propounded by phillips henry wick-steed (england) and john bates clark of u.s.a. according to this theory, wages is determined based on the production contributed by the last worker, i.e. Marginal worker. His/her production is called 'marginal production.

- **The bargaining theory of wages:**

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

- **Behavioural theories of wages:**

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

Wage structure

Wages are paid to blue collared employees mostly on an hourly basis. Unlike salaries, wages don't have a structure or components as they are primarily time based. If a worker misses work due to illness or goes on a vacation, he loses out on his wages for the time he's missed. But these workers are entitled to overtime pay over if the work overtime or on holidays/weekends. For example if a worker receives rs.100 per hour on a normal workday (8 hours), for every additional hour he works beyond the 8 hours he could get rs.150 per hour. Similarly he could get paid rs.200 per hour for working on holidays and weekends.

Wages unlike salaries don't have components for allowances and benefits as well. Wages should be determined in such a way that they are perceived to be fair and equitable by all the employees. Compensation system should be so designed that it is able to attract, retain and motivate people. Total payable compensation can be paid in different forms. Besides classifying components of compensation in many other ways, one method of classification that has been discussed is 'financial compensation and non-financial compensation'. Concentrating on financial compensation presently, different financial components can be broadly categorized as:

- Basic wage/salary
- Dearness allowance
- Bonus
- Incentive compensation
- Fringe benefits and retirement benefits

Different components mentioned above and their sub-components (mentioned later) are valued by different people differently. Therefore, not only the total reward should be perceived to be fair and equitable, but it should be in such form which is valued by the recipient. In what components, compensation should be paid can be largely decided by the employer and the employee, through there are some other factor influencing such decisions, namely, past practices of the organization, legal requirements and governments decisions.

1.4 Calculation of wage

Basic wage provides the foundation of pay packet. It is a price for services rendered. Base wage is the cash compensation that an employer pays for the work performed. It remains fairly stable over a long period of time. Determination of such wage is done keeping in mind certain factors like education and skills of employees, ability of the organization to pay, wages paid by other firms in the industry and some such other factors.

The base wage remains fairly stable over some period of time. It happens when the base wage is determined in the manner of spot rate for the skills and abilities possessed by the individual. In other cases, where wage rates are determined according to the grades, it progresses evenly within job grades. Such wages are revised periodically to:

- keep pace with the increasing cost of living
- maintain gap between the senior employees and newer employees
- To give the psychological feeling to employees that they have progressed over a year.

The grade determines the range of the wage/salary along with the rate of annual increment for a particular level of employee. For example, the grade would be as follows: Rs.8,000-275-13500 in the above grade, the amount mentioned in the beginning is the starting salary, the next amount, i.e., Rs. 275 is the amount of annual increment up to a maximum salary 13500. There are two ways in which basic wages can be determined (though incentives can also be given in these two ways)

- (i) time wage system
- (ii) piece wage system

Time wage system

Under this system, the wages are paid on the basis of time spent on the job irrespective of the amount of work done. This is the oldest and the most common system and the wages are based on a certain period of time during the course of work. The unit of time may be an hour, a day, a week, a fortnight or a month and the wage rate will depend upon the period of time. Such wages are paid after the time fixed for work is completed irrespective of the output or the completion of the work.

For example, if the unit of measurement of time is “hours”, wage can be determined as under:

$$\text{Wages} = \text{number of hours worked} * \text{rate per hour.}$$

Suitability of the time wage system

Time wage system is suitable in the following situations:

- when it is difficult to fix the standard time for doing a job.
- when quality of job is of utmost importance
- when the job relates to office or clerical work.
- when collective efforts of a group of persons are necessary for the completion of a job.
- where mental work is involved, such as policy making and administration.
- where machines, equipments and tools used for production are delicate and very costly.
- where production process is complicated and demands higher degree of skills.

Merits of time wage system

Time wage system offers the following benefits:

- **Simplicity:** It is very simple to understand and implement.
- **Feeling of security:** It makes the amount to be paid and received certain. So the employee can plan his expenditures and the employer can make provisions for the payment.
- **Equity of wages:** All workers doing similar jobs get wages at the same rate, so sense of equality prevails.
- **Better quality:** It does not compel worker to speed up work as they are assured of the payment for the time they spent. Thus it results in better quality work.
- **Less wastages:** As workers are in no hurry to produce more, it leads to proper handling of machines and materials and reduced wastages of materials and damages to machines.

- **Adaptability:** Even if a worker does a variety of jobs, he can be compensated on time wage basis.
- **Acceptable to trade unions:** As it cannot lead to exploitation to workers. Workers get same wages irrespective of the number of units produced by them.

Demerits of time wage system

- **Inefficiency:** As there is no a link between productivity and wages.
- **Lack of motivation:** To employees who work more as all get the same amount of wages irrespective of their contribution.
- **Strict supervision:** Strict supervision is required if high productivity is to be ensured.

Piece wage system

This system is based on the productivity or output of workers. A predetermined rate is paid for each completed unit of output irrespective of the time taken. Thus under this system,

$$\text{Wages} = \text{number of units produced} * \text{rate per unit}$$

It is also known as straight piece rate systems as the rate per unit remains the same irrespective of the number of units produced.

Piece wage system is suitable in the following situations:

- when method of production are standardized and the job is of repetitive nature.
- when productivity of the worker is to be increased.
- when the job involves more physical work than the mental work.
- where output can be measured and quality control system exist to discourage low quality production.
- where work does not require personal skills of higher order.

Merits of piece wage system

- provides incentives to workers to produce more.
- ensures fairness by correlating wages and productivity.

- helps in personnel decisions like transferring, training, and/or laying off employees.
- lesser supervision as workers know if they produce more, they will get higher wages.

Demerits of piece wage system

- quality gets ignored as workers try to produce more. As a result, thorough inspection and quality control become essential.
- speeding up may cause injury to workers health, increased wastages of raw materials, and increased damages to machines.
- wage insecurity among workers increases.
- strained industrial relations results if the output is low due to some fault of management.
- fixing accurate rate is quite difficult. Lower rate may result in resentment on the part of the workers. Higher rate may cause heavy cost burden on the employer.
- The piece wage system guarantees reward efficiency on the one hand, time wage system guarantees minimum wages, not rewards efficiency on the other .so a system is often should be so devised that guarantees minimum wage (time wage) and rewards efficiency (piece rate).

1.5 Salary

Salary calculations

There are three ways to calculate your monthly salary:

- Daily wage method
- Working days method
- Total days method



- **Daily wage method**

This is the most common method for daily wage workers. There are two methods here to calculate this:

Method a: **monthly gross salary = (net daily wage) * (present days)**

Method b: **monthly gross salary = (net daily wage) * (present days + weekly holidays)**

Either of these two methods can be used to calculate the salary depending on the employer's preference.

- **Working days method**

This is the most recommended method to calculate the salary of workers.

Monthly gross salary = {net salary * (present days + paid leave)} / (total working days)

Total days method

This is another common method to calculate the salary of workers.

Monthly gross salary = {net salary * (present days + paid leave + weekly holidays + festival leaves)} / (total days in a month)

$$[s = n * (\text{present} + \text{pl} + \text{w} + \text{f}) / \text{total}]$$

1.6 Pre-requisites for effective compensation management

An effective compensation system should fulfill the following criteria:

- **Adequate:** minimum governmental, union, and managerial pay level positions must be met by the compensation system.
- **Equitable:** care should be taken so that each employee is paid fairly, in line with his/her abilities, efforts, education, training, experiences, competencies, and so on.
- **Balanced:** pay, benefits, and other rewards must provide a reasonable compensation package.
- **Secure:** employees security needs must be adequately covered by the compensation package.
- **Cost-effective:** pay must be neither excessive nor inadequate, considering what the enterprise can afford to pay.
- **Incentive providing:** the compensation package should be such that it generates motivation for effective and productive work.
- **Acceptable to all employees:** all employees understand the pay system well and feel it is reasonable for the enterprise and the individual.

1.7 Compensation package

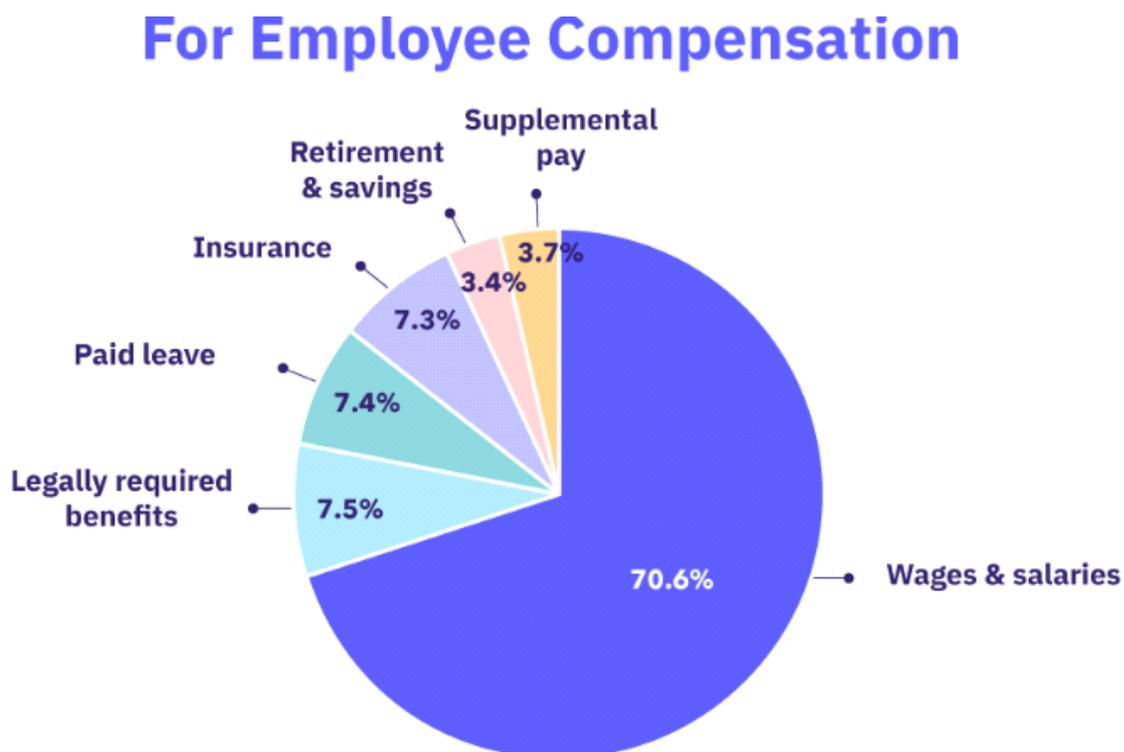
A compensation package refers to the compensation, benefits, and other remuneration offered to employees by their organization in exchange for the time, talent, and skills they provide. This package, formulated uniquely for each employee, is critical in attracting, retaining, and motivating top talent in the competitive market.

The total compensation package encompasses various elements beyond basic pay or salary. This includes, but isn't limited to, health insurance, retirement plans, paid time off, bonuses, stock options, and other perks like flexible working hours or tuition reimbursement. It could also extend to intangible rewards, such as opportunities for professional development, recognition for good performance, or a positive work culture.

How to calculate a total compensation package

Calculating a total compensation package involves tallying all monetary and non-monetary benefits an employer provides to an employee. This estimation allows both parties to understand the actual value of employment beyond just the base salary.

Here's a general guide on how to calculate a total compensation package:



Base salary: this is the primary component of the package—the fixed, pre-tax amount an employee receives.

Bonuses and commissions: these are performance-based monetary rewards. Add any bonuses (annual, signing, etc.) Or sales commissions expected in the year.

Overtime pay: estimate the overtime hours and multiply them by the overtime rate to include in the package.

Employee benefits: quantify the monetary value of health insurance, life insurance, disability coverage, retirement plans, tuition reimbursement, and other similar benefits. Employer contributions should be included here.

Equity compensation: include the monetary value of stock options, restricted stock units or other equity grants.

Perks and allowances: includes transportation allowances, housing allowances, meal stipends, fitness memberships, or childcare benefits.

Paid time off: if the company offers paid holidays, vacation, sick leave, etc., calculate the value by dividing the annual salary by the total workdays per year and multiplying by the days of leave.

All these components will give you the total compensation package for an employee. Remember that these calculations will vary from one company and employee to another.

Good compensation package

Determining what constitutes a “good” compensation package will vary greatly depending on the individual’s perspective, job role, industry, company size, and geographical location. However, some universally acknowledged characteristics of a good compensation package can be outlined. These include the following.

Competitive salary: a good compensation package offers a base salary that aligns with or exceeds the market rate for the specific role and industry. It should also consider the cost of living in the geographical area where the job is located.

Performance incentives: bonuses, commissions, or other forms of rewards based on performance provide motivation and recognition for hard work and excess contributions.

Benefits: these include health insurance, retirement contributions, life and disability insurance, and potentially others like tuition reimbursement or childcare support. The depth and quality of these benefits can significantly impact the value of the compensation package.

Work-life balance perks: paid time off, flexible working hours or locations, and wellness programs can enhance employee satisfaction and productivity, making the package more attractive.

Equity compensation: offering stock options or other forms of equity can be an essential part of a good compensation package, giving employees a sense of ownership and investment in the company's success.

Career growth opportunities: while only sometimes considered part of the compensation package, opportunities for professional development, upskilling, and career advancement can add substantial value.

Positive work environment: a respectful, inclusive, and supportive workplace culture can enhance the overall employment experience, contributing to what one might consider an attractive compensation package.

A good compensation package should align with the employee's needs, goals, and values while matching or surpassing industry standards. It's also essential to align with the company's strategic objectives, ensuring that it's sustainable and beneficial for both parties.

1.8 The cost of living index

The cost-of-living index for a single person is defined as the minimum cost of achieving a certain standard of living during a given period divided by the minimum cost of achieving the same standard of living during a base period.

Cost of living

The cost of living is the amount of money needed to cover basic expenses such as housing, food, taxes, and healthcare in a certain place and time period. The cost of living is often used to compare how expensive it is to live in one city versus another.

The cost of living is tied to wages. If expenses are higher in a city, such as New York, for example, salary levels must be higher so that people can afford to live in that city.

Cost of living and lifestyle

The cost of living can be a significant factor in personal wealth accumulation because a salary can provide a higher standard of living in a city where daily expenses such as rent, food and entertainment are less. In contrast, a high salary can seem insufficient in an expensive city such as New York. In a 2023 survey, Mercer, a global human resources firm, finds the cities with the highest cost of living include Hong Kong; Singapore; Zurich, Geneva, and Basel in Switzerland, in that order. New York City was ranked the costliest city in the United States followed by Los Angeles and San Francisco, and Honolulu.

The cost of living index compares the cost of living in a major city to a corresponding metropolitan area. The index incorporates the expense of various living expenses creating an aggregate measure that workforce entrants can use as a benchmark. As college graduates weigh employment alternatives and currently employed job seekers consider relocation, the index provides an informative snapshot of rental, transportation and grocery costs.

Different indexes may calculate living expenses differently. For example, in 2023, Kiplinger found San Diego to be the most expensive city based on the Council for Community and Economic Research, not New York City. The council's cost of living index measured prices in 265 urban areas for expenses such as housing, groceries, utilities, transportation and healthcare, even getting a haircut or going to a movie. In the case of San Diego, the cost of housing is 122% above the national average, and the cost of transportation is over 32% higher than the national average.

Cost of living and wages

The rising cost of living has spurred debate over the U.S. federal minimum wage and the disparity between the lowest salary allowed by law and the earnings needed to maintain an adequate cost of living. Proponents of a hike in wages cite increased worker productivity levels since 1968 as inequitably correlated to the minimum hourly rate of

pay. As pay levels once tracked the increase in productivity, the divergence between earnings and worker efficiency has reached historically disproportionate levels. By contrast, opponents of a minimum wage contend that a raise could spur higher consumer prices as employers offset rising labor costs. Multinational corporations use cost of living to assess expatriate salary packages for international assignees.

Wage increases and cost-of-living adjustments (COLAS)

In 1973, congress enacted legislation to address cost-of-living adjustments (COLAS). Cola adjustments for social security and supplemental security income (SSI) benefits were instituted so that the payments keep pace with inflation. For example, in December 2022 the cola was 8.7% and the increased amounts were to be paid, starting in January 2023, Federal SSI payment levels increased by the same percentage.

The social security act requires colas to be based on increases in the consumer price index for urban wage earners and clerical workers (cpi-w). The social security administration states that:

A COLA effective for December of the current year is equal to the percentage increase (if any) in the consumer price index from the average for the third quarter of the current year to the average for the third quarter of the last year in which a cola became effective.

The calculator finds San Francisco to be the most expensive city and a two-parent household with two children would need a total income of \$142,481 with a basic budget for expenses. The least expensive metro area was the McAllen-Edinburg-mission metro area in Texas, where the same family would need a median income of \$45,446. Interestingly, there is nowhere in the United States where a single adult with no children would be able to cover the cost of living by earning the minimum wage

1.9 Dearness allowance

Dearness allowance can be understood as a component of salary which is some fixed percentage of the basic salary, aimed at hedging the impact of inflation.

Calculation of dearness allowance

The following methods are used to calculate dearness allowance:

- **flat rate**

According to this method, da is paid at a flat rate to all workers irrespective of their wage levels and regardless of changes in consumer price index. This method was used in jute, cotton and engineering industries in west Bengal in the early days of adjudication.

- **graduated scale**

Under this method, DA increases with each slab of salary. Therefore, da, as a percentage of basic pay decreases steadily.

- **index based DA**

In this method a flat rate per point of index is prescribed so that all workers determine the same amount of DA irrespective of their pay scale. For example, if rs 1.50 is the rate, Rs 15 will be paid as DA whenever the all India consumer price index (AICPP) increases by 10 points. This method is in force in the cotton mills of Bombay and madras and in many central government undertakings.

- **DA linked to index and pay scale**

Under this method, a higher rate of DA is prescribes, for lower pay scales and a lower rate for higher pay scales. This method is used to pay da to employees in government offices and in many central public sector undertakings. In addition to DA, several types of allowances are in use. Main types of allowances paid to employees given below:

- house rent allowance (HRA)
- city compensatory allowance (CCA)
- conveyance / car allowance
- bank allowance
- medical allowance
- education allowance
- Tiffin allowance

Let's Sum-Up:

Dear Learners, in this Module we learn about wage and salary administration. In the detailed explanation of job evaluation, compensation management, calculation of wage, salary, prerequisites, compensation packages, cost of living index and calculation of dearness allowance.

Check Your Progress

- 1) Which of the following option is a component of remuneration?
 - a. **fringe benefits**
 - b. commitment
 - c. external equity
 - d. motivation

- 2) Which importance is emphasised by the reinforcement and expectancy theory?
 - a. **person actually experiencing award**
 - b. seeking to restore equality
 - c. holding identical jobs in the organisation
 - d. none of the above

- 3)_____ involves the perceived fairness of pay differentials.
 - a. external equity
 - b. individual equity
 - c. **internal equity**
 - d. all of the above

- 4) Who are the two main stakeholders in an organisation?
 - a. CEO and top management
 - b. **employers and employees**
 - c. executives and owners
 - d. none of the above

- 5) which of the following is a challenge mentioned in remuneration?
 - a. employee participation

- b. pay secrecy
- c. comparable worth
- d. all of the above

Module 2- (Rewards and Incentives)

2.1 Rewards and incentives

Both employees and employers benefit when rewards and incentives are offered in the workplace. Many managers use rewards and incentives to boost morale, motivate their staff and develop a sense of teamwork through friendly competition. In return for rewards and incentives, a company can experience an increase in sales, employee loyalty and positivity within the organization. Although some employers may use the terms rewards and incentives interchangeably, there are some differences between the two.



Rewards

Rewards are the items and experiences that employees earn for meeting goals, turning in exceptional work, being a team player or any other recognition parameters that a manager puts in place. Rewards can be monetary or non-monetary.

Incentives

Incentives are something you receive for completing a specific action. They frequently have a time period associated with them, as in the employee must achieve an action or goal by the end of the third quarter of the year to be eligible for the incentive. Incentives are goal-oriented and are usually combined with a reward. They are often given to employees when they have reached or exceeded a goal. Most incentives are recognition or cash-based but can also come in other forms

Advantages of rewards and incentives in the workplace

A leadership team that incorporates rewards and incentives in the workplace can expect these benefits:

Increased productivity

Rewards and incentives help increase productivity in the workplace as every employee works harder to meet their goal and secure a reward. Sometimes it's the reward that's largely motivating, but most of the time, it's the recognition that comes with it that inspires an employee to push themselves a little more.

Loyal employees

It's important to employees that they feel their leadership team recognizes their work and values what they do. Although employees can be happy receiving recognition without reward, a motivating and thoughtful reward lets the employee know what they have made a difference for their team and the organization. Staff members who feel appreciated and know their hard work is not in vain usually become loyal to the company and even recommend open positions to their contacts.

A culture of friendly competition

You can develop incentive programs that are team-based or individual. Either way, it's a way to introduce some friendly competition to the group. A strong team will love being

able to challenge each other while having the ability to receive rewards for their efforts. Competition is motivating, and leaders may notice the hard work their team puts in to come out on top.

More accountability

With team-based rewards and incentives, where a whole team has to reach certain goals or complete specific actions to get the reward, you can introduce a heightened sense of accountability. Teammates hold each other accountable so they can succeed together, and individuals hold themselves accountable so they don't let their team down. Accountability in the workplace typically equates to fewer errors, which is a major benefit for businesses.

Boosted morale

Getting recognized and receiving a reward or incentive that resonates with the staff boosts morale. With the right culture in place, teammates should encourage each other to do well so they can celebrate everyone's accomplishments. Employees feel the support of their coworkers and leaders, which helps to boost team morale as everyone works toward the same goal of helping the business succeed.

Increased employee motivation

When employees have something to work toward and know that in the end, they'll receive a reward or incentive that they can enjoy, it's a huge motivator. Most people are inherently competitive in that they want to stand out from their peers so leadership considers them for promotions, raises and more responsibility, and it's the same when receiving rewards. Employees become motivated to do well so they can experience the reward, but it also motivates them to make their leaders and team proud.

Improved collaboration

If a leader creates rewards and incentives for the entire team as they work together on a project, or splits the group into multiple teams to tackle different facets of the task at hand, teammates should improve their collaboration. Staff members are working toward a common goal where each one has a responsibility to do their part to complete the project. It requires that they celebrate each other's strengths, brainstorm together to figure out a problem and work through differences of opinion to move forward.

Examples of rewards and incentives

The best rewards and incentives are those that appeal to an employee's interests, but any rewards can make an impact. Here are some examples of rewards and incentives:

Cash: money is a large motivator, and cash gives the recipient the ability to use it on what they want or need.

Branded items: many companies have items like water bottles, coffee mugs, t-shirts, backpacks, notepads and other branded materials around the office. The better these items look and the more functional, the more exciting they can be as a reward.

Music subscription: employees who listen to music at work as a way to tap into their creative side or relieve stress will especially enjoy a subscription to a music service. Consider including a pair of headphones to go along with it.

Remote workday: employees can flourish and some are even more productive when they step away from the office to work, whether they're working from a coffee shop or their couch at home. This gives the reward recipient the chance to break up their workweek a little.

Volunteer day: not only does volunteering bring members of a team together, but knowing that you can step outside of the office and do something good for others is a great reward that many employees would appreciate.

Fitness class: if the company culture has a health and wellness component, then a fitness class or free gym day can be a large incentive.

Catered lunch: bring in lunch for everyone so they can socialize together over delicious food.

Paid time off: it would be hard to find an employee who wouldn't appreciate extra time off from work, so providing pto to those who meet their goals is one of the biggest motivating incentives.

Bike share membership: in certain cities where your employees may look to alternative ways to get to work, incentives like a bike share membership can go a long way.

Charitable giving: if your business already has a corporate charity that's important to everyone, consider offering to make an additional donation on the employees' behalf when they finish a project or meet a goal.

Company feature: if your company has a morning email that goes out with company news and recognition, feature the employee on your team who is getting recognized for a job well done.

Concert tickets: tickets to concerts or other fun events can get the employee excited about time outside of work with friends.

Subsidized health care: a great incentive is offering to pay for some of the employees' health care costs if they complete a health care screening. You can also use a rewards program that helps them earn money for performing certain healthy actions, like checking in to the gym or completing a workout program at home.

Skill-sharing: skill-sharing provides the opportunity for team members to learn from others and grow professionally. Provide them with time to take webinars or attend lunch and learn sessions.

Upgraded tools: employees appreciate it when they can work smarter thanks to efficient tools in the workplace. If your software could use an upgrade to help workflow go more smoothly, consider doing so.

Lunch with an executive: employees usually have opinions on how to make the workplace a better one, so they may appreciate the opportunity to speak to a stakeholder about how to improve a process or procedure. This will also give the executive the chance to share company news and get to know more about an employee's accomplishments.

Books: especially if a team wants to read a book together that has a workplace angle, explore options for a book club incentive. You'd provide them with the books to read and the time to discuss them together during business hours.

Snacks and coffee: snacks and coffee are those items that employees get really excited over. It's a small way to say thank you for the great work, plus gets the employees through the mid-afternoon slump.

Gift cards: one reward can be a selection of gift cards to the team's favorite places. You can have gift cards for restaurants, online shopping sites, a spa or any other place that appeals to most everyone.

2.2 Financial and non-financial incentives

Financial incentives

Companies provide financial incentives or monetary benefits to their employees both as a motivation and as a reward. It is an essential role in satisfying social/security and physiological needs. If employees perform well, then the organisation gives them a reward as an appreciation for their efforts. And when the employee needs an added reason to give their best efforts, the company promises extra benefits in case they complete a particular task. Some of the common financial incentives are in the form of bonuses, increments, profit sharing and periodic hikes in the wages or salaries of employees.

Types of financial incentives

The different types of financial incentives are as follows:

Salary – it is the basic financial incentive for any employee to work diligently for the organisation. It includes components like basic pay, house rent allowance, dearness allowance and other such benefits.

Bonus – it is a consolidated amount that an employee gets from the organisation for performing well. It can act as a powerful motivator for the employee. The bonus can also be for specific occasions like festivals or other important events for the company. The bonus can be in the form of monetary benefits, paid vacations, gifts, etc.

Performance-based incentives – employees may also get increments based on their performance apart from the yearly hike on basic pay. It can motivate the employee to keep improving their efficiency.

Stock options – firms can offer ordinary shares to employees at rates below the market price. These shares can act as a motivator for employees by making them part owners of the company.

Non-financial incentives

Employees also have non-monetary needs be it psychological, emotional or social. They need to fulfil these needs within the job or else they may leave it for better opportunities elsewhere. It is important that any company focuses on them as well while they provide financial perks to their workers. The non-financial incentives take care of these needs to motivate employees to perform better in their roles.

Types of non-financial incentives

The different types of non-financial incentives are as follows:

Appreciation – giving due recognition for an employee's work encourages them to be more diligent and dedicated towards their job. It gives a fillip to their self-esteem and motivates them. Companies have employee recognition programs where they declare the best performers from time to time.

Promotion – an employee's current designation reflects their position in the organisational chart. It determines their level of responsibility and authority, salary, bonus and other benefits. To keep an employee motivated, companies can promote them to improve their standing in the organisation and encourage them to continue their good work.

Career opportunities – companies can provide career development programs for their employees to give them a chance to learn new skills. These skills can help them apply for senior positions within the organisation.

Job enrichment – organisations can design jobs to involve higher knowledge and skill levels, greater responsibility and autonomy to motivate employees. It will give them a chance to express themselves while also providing more career growth and development opportunities. They can also set up committees comprising employees from different departments and seek their input in enriching job roles.

Job security – organisations must provide jobs that are relatively secular compared to their competitors. It gives more confidence to the staff in a company to express their creativity. Job security is one of the most essential non-financial incentives that can ensure better performance from personnel within the company.

2.3 ESOP (Employee Stock Ownership Plan)

An ESOP (employee stock ownership plan) refers to an employee benefit plan which offers employees an ownership interest in the organisation. Employee stock ownership plans are issued as direct stock, profit-sharing plans or bonuses, and the employer has the sole discretion in deciding who could avail of these options. Under this plan, employers offer their employees the stock of the company at a low or no additional cost that they can encash after a specified period at a specific price.

How does an employee stock ownership plan (ESOP) work?

Employers decide the number of shares to be offered under ESOPs, their price, and the beneficiary employees. ESOPs are then granted to employees, and a grant date is provided. Once ESOPs are offered, they remain in a trust fund for a specific period, called the vesting period. Employees should stay with the organization for the vesting period to avail the ownership of stock by exercising the ESOP. Once the vesting period expires, employees get the right to exercise their ESOPs. The date on which the vesting period expires is called the vesting date.

Employees can exercise their ESOPs and buy the company shares at allotted prices, which are lower than the market value. Employees can also sell the shares that they have bought through ESOPs and make a gain on their holdings. If the employee leaves the organization or retires before the vesting period, the company is required to buy back the ESOP at a fair market value within 60 days.

ESOP initial costs and distributions

In India, the initial costs of an employee stock ownership plan (ESOP) can include legal fees, accounting fees, and administrative costs. The cost of creating and maintaining an ESOP varies based on the size and complexity of the plan. Furthermore, ESOP distributions in India might take place in various methods.

When an employee exercises their stock option to acquire shares, they have the choice to sell the shares right away or store them for prospective appreciation. If the employee decides to sell the shares, the proceeds will be sent to them, less any taxes owing on

the gain. If the employee decides to keep the shares, they will have a stake in the firm and may receive dividends or capital gains if the stock price rises.

Benefits of ESOPs for employees

ESOPs are beneficial for employees in the following ways-

Stock ownership

Employees can enjoy ownership in the company that they work for as ESOPs give them the right to own a part of the company's share capital.

Dividend income

A part of the profit earned by the company is distributed among the shareholders in the form of dividends. Employees can, therefore, earn additional dividend income and also get the direct benefit from the efforts that they put toward the company's profitability.

Buy shares at a discounted rate

At the time of exercising the ESOPs, employees usually pay a nominal amount to buy the shares allotted to them. This, therefore, allows them to invest in the company at a preferential rate.

Benefits of ESOPs for employers

ESOPs are favourable for employers too. Here's how:

Employee retention

Since employees have to wait out the vesting period before they can exercise their ESOPs, it becomes easier to retain employees.

Better productivity

Since employees themselves stand to gain from the profits earned by the company, ESOPs can boost employee productivity and make the company more profitable.

A tool for attracting talent

ESOPs are additional compensation plans that help employers attract and retain talented employees. In fact, for start-ups, ESOPs help lure in good talent in the initial days when high pay packages are not feasible.

2.4 Productivity –linked Bonus

Meaning

An extra payment made to workers for being more productive or yielding more favourable results than normal. (**Collins English Dictionary**)

The extra money that workers receive if they produce more of something than usual: All employees receive a productivity bonus.

Bonus Linked with Production or Productivity

Under section 6 of The Act has laid down a detailed procedure for the calculation of amount payable as a bonus, to employees. First of all, Gross Profit calculates as per First or Second Schedule. From this Gross Profit, the sums deductible under Section 6 deductions take place. Thus, to this figure, we add the sum equal to the difference in the direct tax calculated on gross profit. Under section 31A, payment of bonus was linked with production or productivity with a special provision. Therefore bonus linked with production or productivity. Although anything contained in this Act:

- Where the employees entered an agreement or a settlement into with their employer. Before Payment of Bonus' commencement (Amendment) Act, 1976.
- Where the employees enter into any agreement or settlement with their employer. For payment of an annual bonus linked with production or productivity after such commencement. In connection of bonus based on profits payable under this Act.
- Then, such employees shall get the entitlement for receiving the bonus. Under such agreement or settlement, the employees relinquishing their right to receive the minimum bonus under section 10. It purports to deprive them of such right due to any such agreement or settlement.
- Whereby it shall be null and void. As the case may be provided. It provided further that: such employees shall not have the entitlement to get paid such

bonus. In excess of twenty per cent of their total salary or wage earned by them. During the relevant accounting year.

Stages in Bonus Linked with Productivity

Where the employer and the employees enter into an agreement or settlement for payment of annual bonus linked with production or productivity in lieu of bonus based on profits, such employees shall be entitled to be paid bonus of not more than twenty percent and less than 8.33 per cent of the salary or wage earned by them during the relevant accounting year.

The government employees are not covered by the Payment of Bonus Act. Still they receive annual a certain amount over and above the salary fit loosely called ebonus under either of the following two schemes: (a) ex gratia payment, (b) productivity linked bonus (PLB). Those who are covered under the PLB include those working in Railways, Posts and Telecommunications and productions units under the Ministry of Defense. Those who are not covered by PLB are given ex gratia payment fixed by government annually on ad hoc basis. The concept of PLB to employees in government services, including organisations mentioned above was not favoured by Bhoothalingam Committee (1978) on wages, incomes and prices. Still, the PLB scheme was first introduced in the Railways in 1979-80 and later extended to the other departments.

The PLB schemes have by now become a permanent features, and the norms of productivity subject to negotiation at periodic (usually once every three years) intervals. The functioning of these schemes was are reviewed by a group of officers headed by Bazle Karim, Secretary (Coordination), Cabinet Secretie, as the Chairman. The IV Central Pay Commission observed that the Bazle Karim committee were of the view that government departments constitute a single infrastructure for the economy as a whole and that there should be no sense of discrimination resulting in demoralisation among them as a group when the service conditions are uniform all along.

They suggested the evolution of a productivity linked bonus scheme for central government employees as a whole. There are, however, problems in considering

productivity of government as a whole. The IV Central Pay Commission observed that, while there is nothing to prevent government from making such payment if it so desires, it is in the nature of a concession arising out of goodwill and cannot be claimed as of right. It cannot, therefore, be said to form part of a regular scheme of emoluments of employees to whom it is granted. The reality, however, is that in late 1990s when the Government conceded PLB revision for Railways, but not to posts and telecom, the latter went on strike and obtained the revision.

Who is eligible for PLB?

The employees who were in service for less than one year during the relevant financial year shall be allowed PLB on proportionate basis, provided they were in service for at least six months during the financial year and also on the last working day in February of that year.

How PLB is calculated?

The PLB is calculated on the basis of the minimum salary paid to the lowest grade (Group D) employees. Meanwhile, the Indian Railway Employees Federation (IREF) has written to the railways demanding an enhancement in the productivity-linked bonus (PLB) that the workers get every year ahead of the festive season.

To calculate the productivity-linked bonus for one day, the average emoluments for the year will be divided by 30.4, representing the average number of days in a month. This figure will then be multiplied by the number of days for which the bonus is granted.

Benefits of PLB

the payment of PLB would serve as an incentive and result in motivating a large number of Railway employees, particularly those involved in execution and operations of railways, to improve their productivity and ensure safety, speed and service for Railway customers.

2.5 Compensation criteria

The compensation criteria holds that one of two possible states constitutes an improvement over the other if the gainers could compensate the losers for their losses and still be at least as well off as in the original state.

The welfare criterion is that a change in the economy is beneficial if the gainers could afford to compensate the losers. This is known as the Hicks–Kaldor principle, from its originators. It is subject to the criticism that if the gainers could afford to compensate the losers, but do not in fact do so, and the new distribution of real incomes and structure of relative prices are different from the old, the same criterion could sometimes be passed by a change back to the old situation.

Kaldor-Hicks compensation criterion states that a policy is more efficient as long as there is a net gain to society as this enables compensation between winners and losers of a project, resulting in a net gain to society. Therefore, a change is “socially desirable” if it means at least one person is made better off, and the gains to that person made better off are sufficient to compensate the loser (shown through a positive change in the social surplus). When compensation occurs, it leads to an actual Pareto improvement.

2.6 Reward and Recognition

Rewards and recognition are important tools that can be used to motivate employees and improve their performance. Rewards can include things such as bonuses, raises, or special privileges, while recognition can come in the form of words of appreciation or awards. The components of total reward include; Compensation, Benefits, Wellbeing, Recognition, and Development.



Employee rewards and recognition system is not just a positive action towards employees. If it is implemented effectively, it proves to be an efficient tool in encouraging the employees to create and bring business for the company.

Recognizing the efforts of employees and encouraging their morale results in increased productivity and decreased attrition rate. It is a documented fact that an encouraged and dedicated workforce can change the fate of a company.

Many companies these days have awards ceremonies for the top employees of the company. These awards are given for the contribution of the employee to the organization. The total reward consists of award, monetary benefit and the employee is identified as a future leader.

Principle of rewards and recognition

An important principle with rewards and recognition is the need for individuals to feel validated for their good deeds. That is why it is important to highlight best performers, to acknowledge the valuable contributions individuals have made and to validate the worth of people.

Importance of reward and recognition

Implementing recognition and rewards programs helps shape a positive organizational culture. A culture that values and celebrates employee contributions attracts top talent, encourages a culture of appreciation and recognition among employees, and creates a harmonious workplace environment.

Companies use rewards and recognition to motivate employees and demonstrate that they are appreciated. Often, rewards and recognition take the form of extra compensation for employees who carry out the activities in their role description and meet their objectives.

They are given mainly to appreciate the performance of employees and to motivate them. This is because motivated workers lead to higher productivity and the organization as a whole prospers.

On the other hand if workers are unmotivated they can lead to the failure of the organization by disrupting and de-motivating other workers as well. Rewards are considered separate from salary but they may be monetary and have a cost to company. They are generally aligned to organizational goals, when an employee helps the organization to achieve any of its organizational goals he/she is rewarded.

Types of Rewards

Reward system of a company should also be in alignment with its goals, objectives, mission and vision. On the basis of the job profile, both monetary and non-monetary rewards can motivate employees to contribute more to the organization.

Monetary Rewards

A hike in salary, incentives, movie tickets, vacation trips, monetary allowances on special occasions, redeemable coupons, cash bonuses, gift certificates, stock awards, free or discounted health check-ups for the complete family and school/tuition fees for employees' children come under this category.

Non-monetary Rewards

Non-monetary rewards include awards, certificates, letters of appreciation, dinner with boss, redecoration of employee cabin, membership of recreation clubs, perks, use of company facilities, suggestion awards, tie-pins, brooches, diaries, promotion, a say in management, etc.

A mixture of monetary and non-monetary rewards works wonders and drive employees to act competently continuously. A proper and efficient employee reward and recognition program creates harmonious relationships between employees and the employer.

Difference between reward and recognition

Recognition can take many different forms, from face-to-face praise, a positive annual review or a mention in a meeting. Rewards tend to be more tangible, providing a direct real-world benefit for work achieved. An example of a reward would be a gift card, a catered lunch or a hotel stay.

Let's Sum-Up:

Dear Learners, in this Module we learn about rewards and incentives. In the detailed explanation of rewards and incentives, financial and non-financial incentives, ESOP (Employee Stock Ownership Plan), productivity-linked bonus, compensation criteria, rewards and recognition.



Check Your Progress

- 1) The _____ refers incentives to variable pay.
 - a. National Tribunal
 - b. International Labour office**
 - c. Labour Court
 - d. None of the above

- 2) _____ are variable rewards granted to employees according to variations in their performance.
 - a. Remuneration
 - b. Perks
 - c. Fringe Benefits
 - d. Incentives**

- 3) State true or false.

Incentives lead to corruption and conspicuous consumption.

 - a. True**
 - b. False

- 4) Which of the below given options is a pre - requisite for an effective incentive system?

- a. Increased need for planning
- b. Co-operation of workers
- c. Management's commitment to the cost and time necessary to administer incentive schemes
- d. All of the above**

5) The public recognition such as an award in organized function is the best classified as an example of

- a. financial awards
- b. non-financial rewards**
- c. proportional award
- d. fixed award

Glossary

KEYWORDS	MEANING
Job evaluation	Job evaluation is a method used for deciding the comparative worth of each job in the organization.
Compensation	Compensation is referred to as money and other benefits received by an employee for providing services to his employer.
Wage and salary administration	'Wage and salary administration' refers to the establishment and implementation of sound policies and practices of employee compensation
Wages	wages- means all remuneration
subsistence wage	the wage that can meet only bare physical needs of a worker and his family is called subsistence wage.
Time wage system	Under this system, the wages are paid on the basis of time spent on the job irrespective of the amount of work done.

piece wage system	This system is based on the productivity or output of workers
compensation package	A compensation package refers to the compensation, benefits, and other remuneration offered to employees by their organization in exchange for the time, talent, and skills they provide.
cost-of-living index	The cost-of-living index for a single person is defined as the minimum cost of achieving a certain standard of living during a given period divided by the minimum cost of achieving the same standard of living during a base period.
Dearness allowance	Dearness allowance can be understood as a component of salary which is some fixed percentage of the basic salary, aimed at hedging the impact of inflation.

Unit Summary

Compensation is what employee receives in exchange for their contribution to the organisation. Generally employee provides their services to receive three types of rewards – pays refers to the base wages and salaries which the employee receive in return, for the work done by them. Second includes -Compensation in the form of incentives which includes bonuses, commission and profit sharing plans are specially designed by the organisation to motivate and encourage the employee to perform beyond expectations. Thirdly- the benefits like insurance, medical and educational, and retirement facilities etc are indirect type of compensation offered by the organisation, keeping in mind the goodwill and benefit of employee. Thus compensation is a comprehensive term including all pay, incentives and benefits offered by employees for the services they perform in the organisation.

Self-Assessment Questions

1. Explain the objectives of wage and salary administration.
2. What are the merits of time wage system?
3. List the demerits of piece wage system.
4. Narrate the good compensation package.
5. Define cost-of-living index.
6. Discuss about various methods for calculation of dearness allowance.
7. Explain the advantages of rewards and incentives in the workplace.
8. Spell out the examples of rewards and incentives.
9. Discuss about different types of non-financial incentives.
10. State the benefits of ESOPs for employees.
11. Give an account on benefits of productivity linked bonus.
12. Examine various types of rewards.

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