

FACULTY OF MANAGEMENT - DEPARTMENT OF BUSINESS STUDIES

HUMAN RESOURCE MANAGEMENT  
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NEHRU GRAM BHARATI (DEEMED TO BE UNIVERSITY) PRAYAGRAJ

**Course Credit: 3 Contact Hours: 36**

## **HUMAN RESOURCE MANAGEMENT**

### **UNIT I 6hr**

Essentials of HRM: Nature of HRM, Scope, functions and importance of HRM, HRM vs.HRD, SHRM: Introduction, characteristics and scope of SHRM, SHRM vs. Conventional HRM, Barriers to strategic HRM, Linking HR strategy with business strategy, HRM linkage with TQM & productivity.

### **UNIT II 6hr**

Human Resource Planning and Employee Hiring : Nature of job Analysis, job design, Human Resource Planning, Demand forecasting for manpower planning, HR supply forecasting, factors influencing HRP, Employee hiring- Nature of Recruitment, Sources of recruitment, Employee selection, process of employee selection, recent trends in recruitment.

### **UNIT III 8hr**

Employee Training & Development: Nature and importance of Training, methods and types of training, career planning, promotion, transfer, demotion and separation, Performance Appraisal: Meaning and types of appraisal, Job Evaluation: Meaning and methods of job evaluation.

### **UNIT IV 8hr**

Compensation Management and Employee Relations: Introduction to compensation management, Components of employee and executive compensation, Factors affecting employee compensation, Employee incentive schemes, and recent trends in compensations management. Meaning and nature of employee relation and industrial relations

### **UNIT V 8hr**

Employee Safety/ Health and International Human Resource Management: Basics of ethics and fair treatment at work, measures and policies for employee safety at work, basic principles governing International Human Resource Management and the role of culture.

# **HUMAN RESOURCE MANAGEMENT**

## **UNIT I**



**RELATIONSHIP BETWEEN ASPECTS OF PEOPLE**



## HUMAN RESOURCE MANAGEMENT DEFINED

Human resource management is defined as a strategic and coherent approach to the management of an organization's most valued assets – the people working there who individually and collectively contribute to the achievement of its objectives.

Storey (1989) believes that HRM can be regarded as a 'set of interrelated policies with an ideological and philosophical underpinning'. He suggests four aspects that constitute the meaningful version of HRM:

1. a particular constellation of beliefs and assumptions;
2. a strategic thrust informing decisions about people management;
3. the central involvement of line managers; and
4. reliance upon a set of 'levers' to shape the employment relationship.

## HUMAN RESOURCE SYSTEM

Human resource management operates through human resource systems that bring together in a coherent way:

- HR philosophies describing the overarching values and guiding principles adopted in managing people.
- HR strategies defining the direction in which HRM intends to go.
- HR policies, which are the guidelines defining how these values, principles and the strategies should be applied and implemented in specific areas of HRM.
- HR processes consisting of the formal procedures and methods used to put HR strategic plans and policies into effect.
- HR practices comprising the informal approaches used in managing people.
- HR programmes, which enable HR strategies, policies and practices to be implemented according to plan.

Becker and Gerhart (1996) have classified these components into three levels:

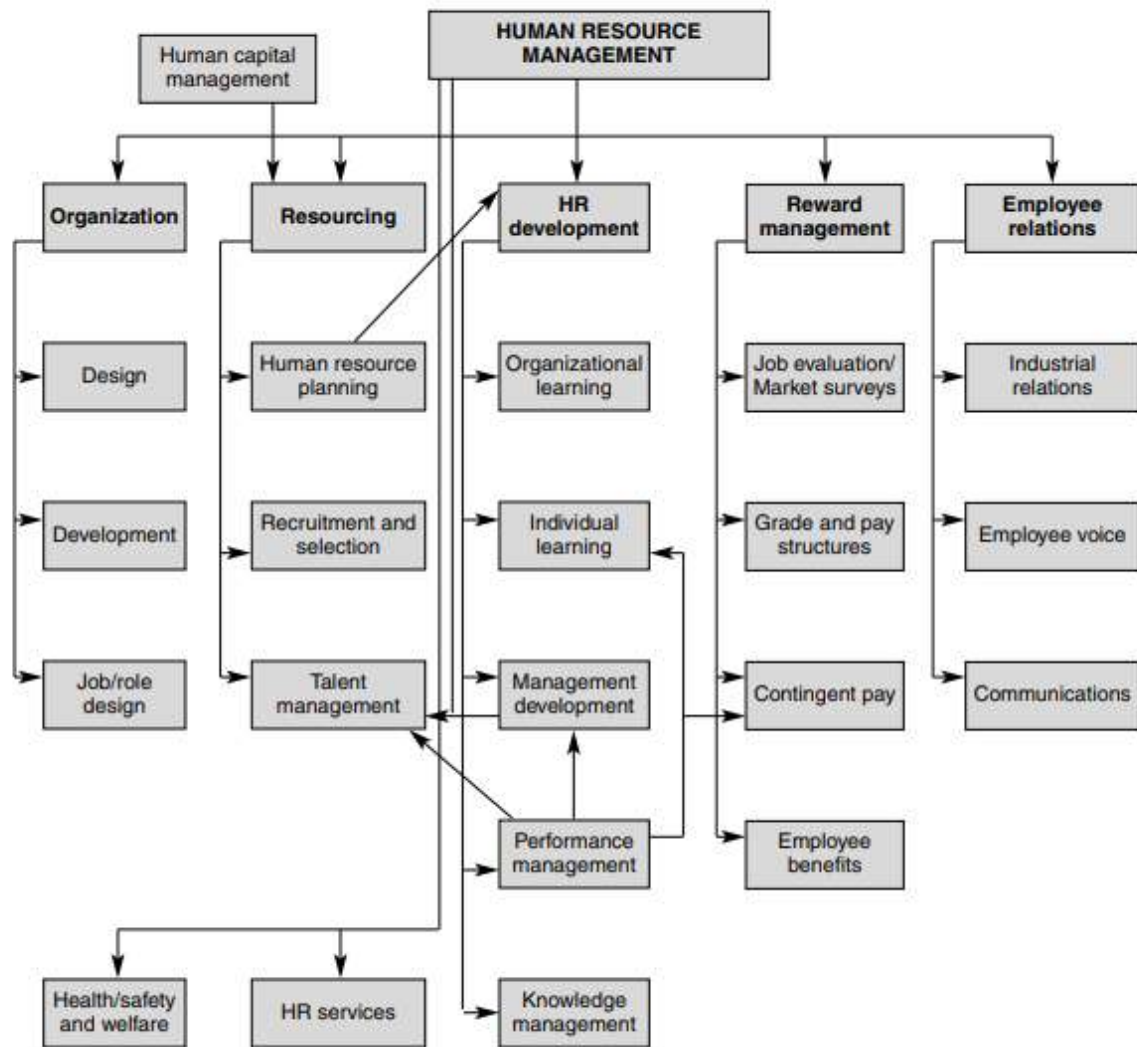


- ✦ the system architecture (guiding principles),
- ✦ policy alternatives and
- ✦ processes and practices

### MODELS OF HRM

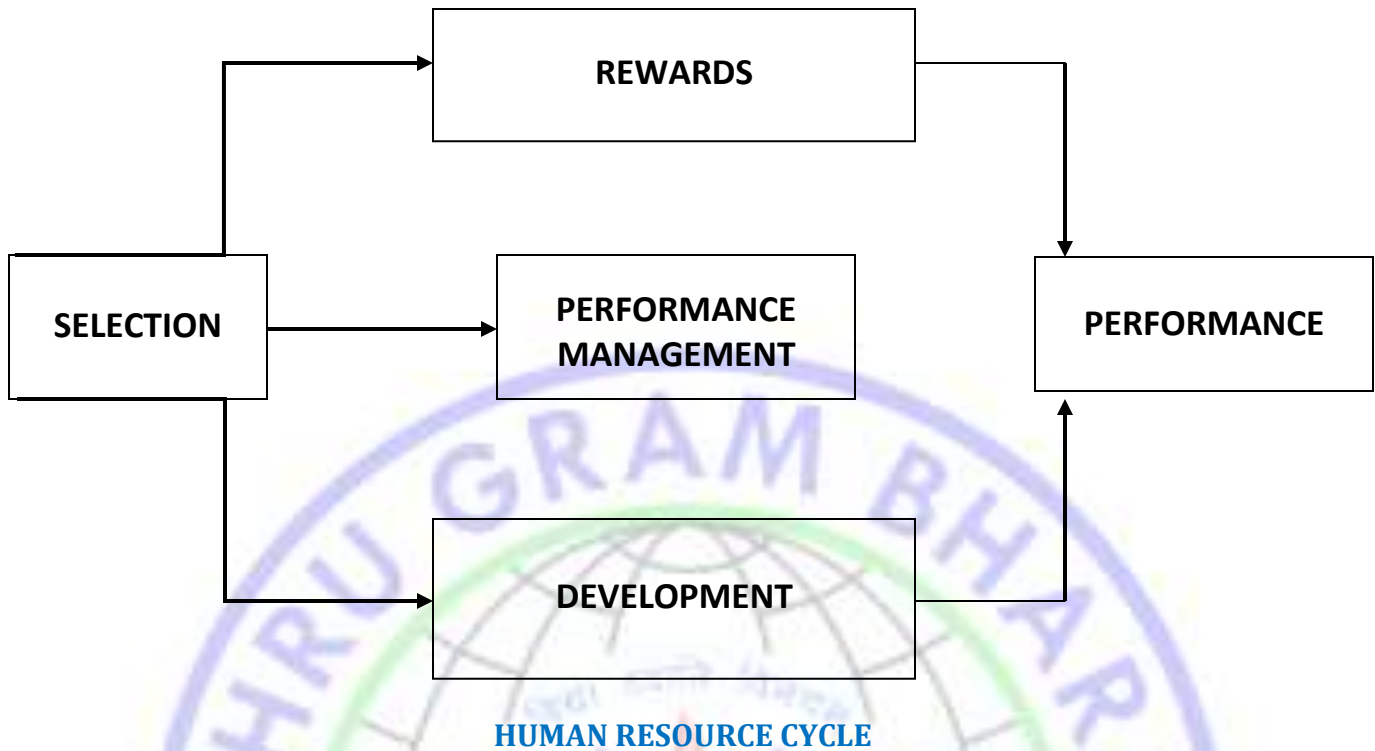
The matching model of HRM One of the first explicit statements of the HRM concept was made by the Michigan School (Fombrun et al, 1984). They held that HR systems and the organization structure should be managed in a way that is congruent with organizational strategy (hence the name 'matching model'). They further explained that there is a human resource cycle (an adaptation of which is illustrated in Figure 1.2), which consists of four generic processes or functions that are performed in all organizations. These are: 1. selection - matching available human resources to jobs;





### HRM activities

2. appraisal – performance management;
3. rewards – ‘the reward system is one of the most under-utilized and mishandled managerial tools for driving organizational performance’; it must reward short as well as long-term achievements, bearing in mind that ‘business must perform in the present to succeed in the future’;
4. development – developing high quality employees.



### The Harvard framework

The other founding fathers of HRM were the Harvard School of Beer et al (1984) who developed what Boxall (1992) calls the 'Harvard framework'.

This framework is based on the belief that the problems of historical personnel management can only be solved: when general managers develop a viewpoint of how they wish to see employees involved in and developed by the enterprise, and of what HRM policies and practices may achieve those goals. Without either a central philosophy or a strategic vision – which can be provided only by general managers

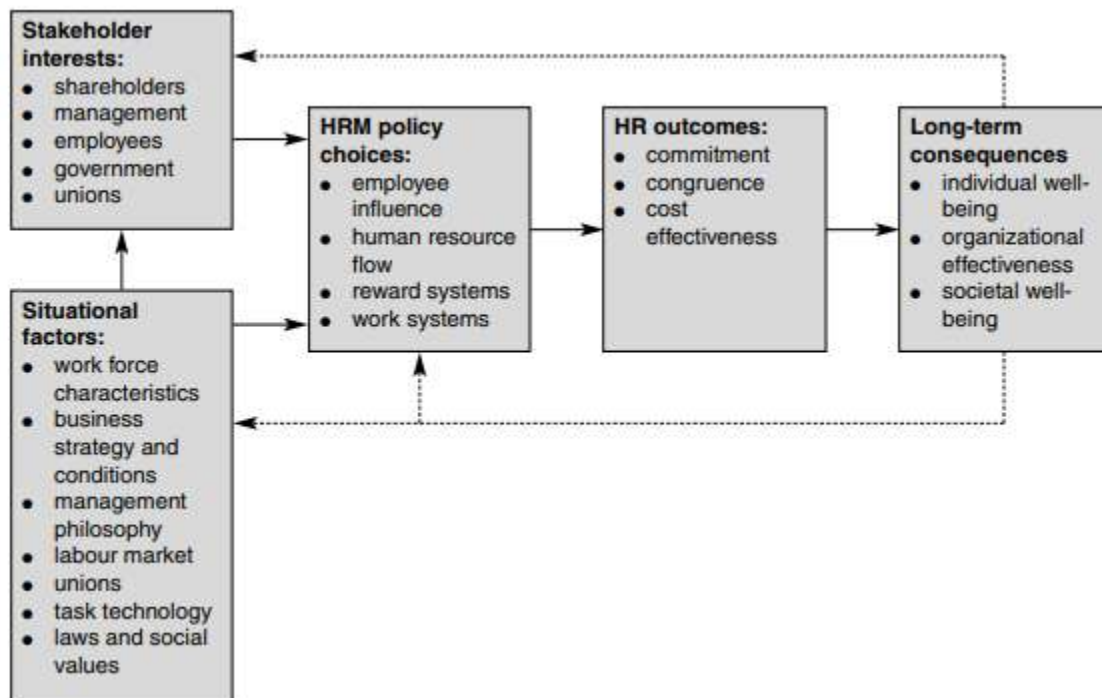
HRM is likely to remain a set of independent activities, each guided by its own practice tradition. Beer and his colleagues believed that 'Today, many pressures are demanding a broader, more comprehensive and more strategic perspective with regard to the organization's human resources.'

These pressures have created a need for: 'A longer-term perspective in managing people and consideration of people as potential assets rather than merely a variable cost.' They were the first to underline the HRM tenet that it belongs to line managers. They also stated that: 'Human resource management involves all management decisions and action that



affect the nature of the relationship between the organization and its employees – its human resources.’

The Harvard school suggested that HRM had two characteristic features: 1) line managers accept more responsibility for ensuring the alignment of competitive strategy and personnel policies; 2) personnel has the mission of setting policies that govern how personnel activities are developed and implemented in ways that make them more mutually reinforcing. The Harvard framework as modelled by Beer et al



According to Boxall (1992) the advantages of this model are that it:

- incorporates recognition of a range of stakeholder interests;
- recognizes the importance of ‘trade-offs’, either explicitly or implicitly, between the interests of owners and those of employees as well as between various interest groups;
- widens the context of HRM to include ‘employee influence’, the organization of work and the associated question of supervisory style;
- acknowledges a broad range of contextual influences on management’s choice of strategy, suggesting a meshing of both product-market and socio-cultural logics;
- emphasizes strategic choice – it is not driven by situational or environmental determinism.

The Harvard model has exerted considerable influence over the theory and practice of HRM, particularly in its emphasis on the fact that HRM is the concern of management in general rather than the personnel function in particular.

### **AIMS OF HRM**

The overall purpose of human resource management is to ensure that the organization is able to achieve success through people. As Ulrich and Lake (1990) remark: 'HRM systems can be the source of organizational capabilities that allow firms to learn and capitalize on new opportunities.' Specifically, HRM is concerned with achieving objectives in the areas summarized below.

#### **Organizational effectiveness**

'Distinctive human resource practices shape the core competencies that determine how firms compete' (Cappelli and Crocker-Heftler, 1996). Extensive research has shown that such practices can make a significant impact on firm performance. HRM strategies aim to support programmes for improving organizational effectiveness by developing policies in such areas as knowledge management, talent management and generally creating 'a great place to work'. This is the 'big idea' as described by Purcell et al (2003), which consists of a 'clear vision and a set of integrated values'. More specifically, HR strategies can be concerned with the development of continuous improvement and customer relations policies.

#### **Human capital management**

The human capital of an organization consists of the people who work there and on whom the success of the business depends. Human capital has been defined by Bontis et al (1999) as follows: Human capital represents the human factor in the organization; the combined intelligence, skills and expertise that give the organization its distinctive character. The human elements of the organization are those that are capable of learning, changing, innovating and providing the creative thrust which if properly motivated can ensure the long-term survival of the organization.

Human capital can be regarded as the prime asset of an organization and businesses need to invest in that asset to ensure their survival and growth. HRM aims to ensure that the organization obtains and retains the skilled, committed and well-motivated workforce it needs. This means taking steps to assess and satisfy future people needs and to enhance

and develop the inherent capacities of people – their contributions, potential and employability – by providing learning and continuous development opportunities. It involves the operation of ‘rigorous recruitment and selection procedures, performance-contingent incentive compensation systems, and management development and training activities linked to the needs of the business’ (Becker et al, 1997). It also means engaging in talent management – the process of acquiring and nurturing talent, wherever it is and wherever it is needed, by using a number of interdependent HRM policies and practices in the fields of resourcing, learning and development, performance management and succession planning. The process of human capital management (HCM) as described in the next chapter is closely associated with human resource management. However, the focus of HCM is more on the use of metrics (measurements of HR and people performance) as a means of providing guidance on people management strategy and practice.

### **Knowledge management**

Knowledge management is ‘any process or practice of creating, acquiring, capturing, sharing and using knowledge, wherever it resides, to enhance learning and performance in organizations’ (Scarborough et al, 1999). HRM aims to support the development of firm-specific knowledge and skills that are the result of organizational learning processes.

### **Reward management**

HRM aims to enhance motivation, job engagement and commitment by introducing policies and processes that ensure that people are valued and rewarded for what they do and achieve and for the levels of skill and competence they reach.

### **Employee relations**

The aim is to create a climate in which productive and harmonious relationships can be maintained through partnerships between management and employees and their trade unions.

### **Meeting diverse needs**

HRM aims to develop and implement policies that balance and adapt to the needs of its stakeholders and provide for the management of a diverse workforce, taking into account individual and group differences in employment, personal needs, work style and aspirations and the provision of equal opportunities for all.

### **Bridging the gap between rhetoric and reality**



The research conducted by Gratton et al (1999) found that there was generally a wide gap between the sort of rhetoric expressed above and reality. Managements may start with good intentions to do some or all of these things but the realization of them – ‘theory in use’ – is often very difficult. This arises because of contextual and process problems: other business priorities, short-termism, limited support from line managers, an inadequate infrastructure of supporting processes, lack of resources, resistance to change and lack of trust. An overarching aim of HRM is to bridge this gap by making every attempt to ensure that aspirations are translated into sustained and effective action. To do this, members of the HR function have to remember that it is relatively easy to come up with new and innovatory policies and practice. The challenge is to get them to work. They must appreciate, in the phrase used by Purcell et al (2003) that it is the front line managers who bring HR policies to life, and act accordingly.

### **POLICY GOALS OF HRM**

The models of HRM, the aims set out above and other definitions of HRM have been distilled by Caldwell (2004) into 12 policy goals:

1. Managing people as assets that are fundamental to the competitive advantage of the organization.
2. Aligning HRM policies with business policies and corporate strategy.
3. Developing a close fit of HR policies, procedures and systems with one another.
4. Creating a flatter and more flexible organization capable of responding more quickly to change.
5. Encouraging team working and co-operation across internal organizational boundaries.
6. Creating a strong customer-first philosophy throughout the organization.
7. Empowering employees to manage their own self-development and learning
8. Developing reward strategies designed to support a performance-driven culture.
9. Improving employee involvement through better internal communication.
10. Building greater employee commitment to the organization.
11. Increasing line management responsibility for HR policies.
12. Developing the facilitating role of managers as enablers.

### **CHARACTERISTICS OF HRM**

The characteristics of the HRM concept as they emerged from the writings of the pioneers and later commentators are that it is:

- diverse;
- strategic with an emphasis on integration;
- commitment-oriented;
- based on the belief that people should be treated as assets (human capital);
- unitary rather than pluralist, individualistic rather than collective in its approach to employee relations;
- a management-driven activity – the delivery of HRM is a line management responsibility;
- focused on business values.

### **Human Resource Management: Nature**

Human Resource **Management** is a process of bringing people and organizations together so that the goals of each are met. The various features of **HRM** 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: Scope

#### The scope of HRM is very wide:

1. Personnel aspect-This is concerned with manpower planning, **recruitment**, selection, placement, transfer, promotion, **training and development**, layoff and retrenchment, remuneration, incentives, productivity etc.
2. Welfare aspect-It deals with working conditions and amenities such as canteens, crèches, rest rooms and recreation facilities, housing, transport, medical assistance, education, health and safety etc.
3. Industrial relations aspect-This covers union-management relations, joint consultation, collective bargaining, grievance and disciplinary procedures, settlement of disputes, etc.

#### HRM vs. HRD

HRM refers to how the principles of management can be applied to effectively manage the employees working in an organization and HRD refers to continuous development functions that enforced for improving upon the act of those working in an organization. HRM is a management function whereas HRD is a sub-function of HRM. The functions of HRM are reactive and usually applied for gaining holistic organizational goals conversely the functions of HRD are proactive and have to be applied consistently to enhance the productivity of employees. The purpose of HRM is related to improving the overall performance of employees, and HRD goals usually connected with skill development, knowledge development and increasing the competency of employees. Most HRM processes are routine and to carry out as and when the need arises whereas HRD processes are ongoing and not occasional. HRM is an independent existence in itself. It comprises of different sections comprehensive of recruitment and retention, HRD, compensation, performance, appraisal management, etc., on the other hand, HRD is a subsystem of HRM and draws many functions, attributes, and processes from HRM. HRM deals with and has

distress for people only. It handles recruitment, rewards, etc. and HRD is concerned with the development of all intents and people within an organization and directs their skill development processes. HRM functions are generally formal and applied via classroom/laboratory training, etc. whereas HRD functions may be casual as in mentorships; employees receive coaching from superiors, usually managers.

### COMPARISON CHART

<b>HUMAN RESOURCE MANAGEMENT</b>	<b>HUMAN RESOURCE DEVELOPMENT</b>
Human Resource Management relates to the application of principles of management to manage the people working in the organization.	Human Resource Development means a continual development function that intends to improve the performance of people working in the organization.
<b>Objective</b>	
To enhance the performance of the employees.	To create the skills, knowledge, and competency of employees.
<b>What is it?</b>	
It is a Staffing function of the organization.	The development and management of company resources.
<b>Includes</b>	
It includes compensation and benefits, recruiting and staffing, employee and labor relations, occupational health and safety.	It includes compensation and benefits, recruiting and staffing, employee and labor relations, occupational health and safety.
<b>Function</b>	
Reactive	Proactive
<b>Dependency</b>	
Independent	It is a subsystem.
<b>Process</b>	
Routine	Ongoing
<b>Concerned With</b>	
People only	Development of the entire organization.

What is HRM?

Human Resource Management or HRM defined as a part of management that relates to the management of employees in a way that they can provide the best results to an enterprise. Various management principles are applied through HRM to make employees work efficiently and effectively in any organization. It improves the performance and productivity of a company by assessing the best use of human resources. Overall, HRM termed as the art of putting the right human resource to the right job to provide the maximum possible use of an organization's workforce. In general, human resource management concerned with hiring, motivating and maintaining workforce within businesses. Examples of core qualities of HR management are extensive knowledge of the industry, leadership, and effective negotiation skills. It is formerly called personnel management. The main activities of HRD directed towards career development, key employee identification, training & development, talent management, succession planning, performance management, coaching and mentoring, etc. The HRD department in most organizations, worldwide, work towards the development of employees right from their date of joining to termination or retirement. In the majority of organizations, agencies, and businesses, the human resources department is accountable for:

- ✚ Directing job recruitment, selection, and promotion
- ✚ Growing and overseeing employee benefits and wellness programs
- ✚ Developing, furthers, and enforcing personnel policies
- ✚ Promoting employee career development and job training
- ✚ Providing orientation programs for new hires
- ✚ Guiding disciplinary actions
- ✚ Serving as the primary contact for work-site injuries or accidents

**What is HRD?**

Human resources development (HRD) relates to the immense field of training and development provided by organizations to enhance the knowledge, skills, education, and abilities of their employees. In several organizations, the human resources development process starts upon the hiring of a new employee and continues throughout that employee's occupancy with the organization. Many employees enter an organization with

only a basic level of skills and experience and must receive training to do their jobs efficiently. Others may already have the required skills to do the job, but don't know relevant to that particular organization. HR development is intended to give employees the information they need to adjust to that organization's culture and to do their jobs effectively. HRD has the same objective: to make better employees. HR development aims to provide the 'coaching' needed to strengthen and grow the knowledge, skills, and abilities that an employee already has. The goal of development and training is to make employees even better at what they do. Human resources development generally begins as soon as an employee is hired and continues throughout that employee's tenure with the organization.

HRD acts on different forms, including;

- ✚ On-the-job training or job shadowing
- ✚ Textbook or online education
- ✚ Growth opportunities
- ✚ Compliance training

### Key Differences

1. HRM (Human Resource Management) refers to the application of principles of management to manage the people working in the organization. HRD (Human Resource Development) means a continuous development function that intends to improve the performance of people working in the organization.
2. HRM is a reactant management function while HRD stands for proactive functions that are a subset of HRM.
3. HRM is a responsive function as it attempts to fulfill the demands that arise whereas HRD is a proactive function, that gathers the changing demands of the human resource in the organization and anticipates it.
4. The basic goal of HRM is to improve the capability of employees. In contrast to HRD, which goals at developing the ability, knowledge, and competency of workers and the entire organization.
5. HRM is a usual process and duty of administration. On the other hand, HRD is a continuous process.



6. Human Resource Management is involved with people only. Unlike Human Resource Development, that emphasis on the development of the entire organization.
7. HRD is an organizationally directed process; that is a subsystem of a big system. In place of HRM where there are separate roles to play, which makes it an independent function.

### **Conclusion**

Human Resource Management is a large concept than Human Resource Development. The HRM and HRD are two different beings within an organization that holds different responsibilities, roles, and intents. The HRM is aimed to maximize the achievement of the employees to reach organization goals while the HRD helps employees in developing knowledge, personal skills, and abilities.

### **STRATEGIC HUMAN RESOURCE MANAGEMENT - SHRM**

An important defining characteristic of human resource management is that it is strategic. This characteristic is expressed by the concept of strategic HRM – an integrated approach to the development of HR strategies that enable the organization to achieve its goals. To understand the notion of strategic HRM it is necessary to appreciate the concept of strategy upon which it is based, and this is considered in the first section of the chapter. This leads into a definition of the concept of strategic HRM followed by expositions of its aims and approaches.

### **THE CONCEPT OF STRATEGY**

Strategy has been defined by Johnson and Scholes (1993) as: 'The direction and scope of an organization over the longer term, which ideally matches its resources to its changing environment, and in particular, to its markets, customers and clients to meet stakeholder expectations.' Strategy determines the direction in which the organization is going in relation to its environment. It is the process of defining intentions (strategic intent) and allocating or matching resources to opportunities and needs (resource-based strategy). Business strategy is concerned with achieving competitive advantage. The effective development and implementation of strategy depends on the strategic capability of the organization's managers. As expressed in the Professional Standards of the CIPD, this



means the capacity to create an achievable vision for the future, to foresee longer-term developments, to envisage options (and their probable consequences), to select sound courses of action, to rise above the day-to-day detail, to challenge the status quo. Strategy is expressed in strategic goals and developed and implemented in strategic plans through the process of strategic management. Strategy is about implementation, which includes the management of change, as well as planning. An important aspect of strategy is the need to achieve strategic fit. This is used in three senses:

1. matching the organization's capabilities and resources to the opportunities available in the external environment;
2. matching one area of strategy, eg human resource management, to the business strategy; and
3. ensuring that different aspects of a strategy area cohere and are mutually supportive.

The concept of strategy is not a straightforward one.

There are many different theories about what it is and how it works. Mintzberg et al (1988) suggest that strategy can have a number of meanings, namely:

- A plan, or something equivalent – a direction, a guide, a course of action.
- A pattern, that is, consistency in behaviour over time.
- A perspective, an organization's fundamental way of doing things.
- A ploy, a specific 'maneuvers' intended to outwit an opponent or a competitor.

The formulation of corporate strategy can be defined as a process for developing and defining a sense of direction. It has often been described as a logical, step-by-step affair, the outcome of which is a formal written statement that provides a definitive guide to the organization's long-term intentions. Many people still believe that this is the case, but it is a misrepresentation of reality. In practice the formulation of strategy is never as rational and linear a process as some writers describe it or as some managers attempt to make it. Mintzberg (1987) believes that strategy formulation is not necessarily rational and continuous. In theory, he says, strategy is a systematic process: first we think, then we act; we formulate then we implement. But we also 'act in order to think'. In practice, 'a realized strategy can emerge in response to an evolving situation' and the strategic planner is often 'a pattern organizer, a learner if you like, who manages a process in which strategies and

visions can emerge as well as be deliberately conceived'. He has emphasized the concept of 'emergent strategies', and a key aspect of this process is the production of something that is new to the organization even if it is not developed as logically as the traditional corporate planners believed to be appropriate. Tyson (1997) confirms that:

- strategy has always been emergent and flexible – it is always 'about to be', it never exists at the present time;
- strategy is not only realized by formal statements but also comes about by actions and reactions;
- strategy is a description of a future-oriented action that is always directed towards change;
- the management process itself conditions the strategies that emerge

### **STRATEGIC HRM DEFINED**

Strategic HRM is an approach to making decisions on the intentions and plans of the organization in the shape of the policies, programmes and practices concerning the employment relationship, resourcing, learning and development, performance management, reward, and employee relations.

The concept of strategic HRM is derived from the concepts of HRM and strategy. It takes the HRM model with its focus on strategy, integration and coherence and adds to that the key notions of strategy, namely, strategic intent, resource-based strategy, competitive advantage, strategic capability and strategic fit.

### **Strategic HRM and HR strategies**

Strategic HRM is an approach to the strategic management of human resources in accordance with the intentions of the organization on the future direction it wants to take. What emerges from this process is a stream of decisions over time that form the pattern adopted by the organization for managing its human resources and which define the areas in which specific HR strategies need to be developed.

These focus on the decisions of the organization on what needs to be done and what needs to be changed in particular areas of people management.

### **The meaning of strategic**

HRM According to Hendry and Pettigrew (1986), strategic HRM has four meanings:

1. the use of planning;
2. a coherent approach to the design and management of personnel systems based on an employment policy and manpower strategy and often underpinned by a 'philosophy';
3. matching HRM activities and policies to some explicit business strategy;
4. seeing the people of the organization as a 'strategic resource' for the achievement of 'competitive advantage'.

Purcell (2001) draws attention to the implications for strategic HRM of the concept of strategy as an emerging rather than a deliberate process:

Big strategies in HRM are most unlikely to come, ex cathedra, from the board as a fully formed, written strategy or planning paper. Strategy is much more intuitive and often only 'visible' after the event, seen as 'emerging patterns of action'. This is especially the case when most of the strategy, as in HRM, is to do with internal implementation and performance strategies, not exclusively to do with external market ploys.

### **Strategic HRM as an integrated process**

Strategic HRM is essentially an integrated process that aims to achieve 'strategic fit'. A strategic HRM approach produces HR strategies that are integrated vertically with the business strategy and are ideally an integral part of that strategy, contributing to the business planning process as it happens. Walker (1992) defines strategic HRM as 'the means of aligning the management of human resources with the strategic content of the business'. Vertical integration is necessary to provide congruence between business and human resource strategy so that the latter supports the accomplishment of the former and, indeed, helps to define it. Strategic HRM is also about horizontal integration, which aims to ensure that the different elements of the HR strategy fit together and are mutually supportive.

### **AIMS OF STRATEGIC HRM**

The fundamental aim of strategic HRM is to generate a perspective on the way in which critical issues relating to people can be addressed. It enables strategic decisions to be made that have a major and long-term impact on the behaviour and success of the organization



by ensuring that the organization has the skilled, committed and well-motivated employees it needs to achieve sustained competitive advantage. Its rationale is the advantage of having an agreed and understood basis for developing approaches to people management in the longer term by providing a sense of direction in an often turbulent environment. As Dyer and Holder (1998) remark, strategic HRM should provide 'unifying frameworks which are at once broad, contingency based and integrative'.

When examining the aims of strategic HRM it is necessary to consider the need for HR strategy to take into account the interests of all the stakeholders in the organization, employees in general as well as owners and management. In Storey's (1989) terms, 'soft strategic HRM' will place greater emphasis on the human relations aspect of people management, stressing continuous development, communication, involvement, security of employment, the quality of working life and work-life balance. Ethical considerations will be important. 'Hard strategic HRM' on the other hand will emphasize the yield to be obtained by investing in human resources in the interests of the business. This is also the philosophy of human capital management.

Strategic HRM should attempt to achieve a proper balance between the hard and soft elements. All organizations exist to achieve a purpose and they must ensure that they have the resources required to do so, and that they use them effectively. But they should also take into account the human considerations contained in the concept of soft strategic HRM. In the words of Quinn Mills (1983) they should plan with people in mind, taking into account the needs and aspirations of all the members of the organization. The problem is that hard considerations in many businesses will come first, leaving soft ones some way behind.

### **APPROACHES TO STRATEGIC HRM**

Strategic HRM adopts an overall resource-based philosophy, as described below. Within this framework there are three possible approaches, namely, high-performance management (high-performance working), high-commitment management and high-involvement management. Resource-based strategic HRM A resource-based approach to strategic HRM focuses on satisfying the human capital requirements of the organization. The notion of resource-based strategic HRM is based on the ideas of Penrose (1959), who

wrote that the firm is 'an administrative organization and a collection of productive resources'. It was developed by Hamel and Prahalad (1989), who declared that competitive advantage is obtained if a firm can obtain and develop human resources that enable it to learn faster and apply its learning more effectively than its rivals. Barney (1991) states that sustained competitive advantage stems from the acquisition and effective use of bundles of distinctive resources that competitors cannot imitate. As Purcell et al (2003) suggest, the values and HR policies of an organization constitute an important non-imitable resource.

This is achieved by ensuring that:

- the firm has higher quality people than its competitors;
- the unique intellectual capital possessed by the business is developed and nurtured;
- organizational learning is encouraged;
- organization-specific values and a culture exist which 'bind the organization together (and) gives it focus'. The aim of a resource-based approach is to improve resource capability – achieving strategic fit between resources and opportunities and obtaining added value from the effective deployment of resources. In line with human capital theory, resource-based theory emphasizes that investment in people adds to their value to the firm. Resource-based strategy, as Barney (1991) indicates, can develop strategic capability and produce what Boxall and Purcell (2003) refer to as 'human resource advantage'.

### **The high-performance management approach**

High-performance working involves the development of a number of interrelated processes which together make an impact on the performance of the firm through its people in such areas as productivity, quality, levels of customer service, growth, profits and, ultimately, the delivery of increased shareholder value. This is achieved by 'enhancing the skills and engaging the enthusiasm of employees' (Stevens, 1998). According to Stevens, the starting point is leadership, vision and benchmarking to create a sense of momentum and direction. Progress must be measured constantly. He suggests that the main drivers, support systems and culture are:

- decentralized, devolved decision-making made by those closest to the customer – so as constantly to renew and improve the offer to customers;



- development of people capacities through learning at all levels, with particular emphasis on self-management and team capabilities – to enable and support performance improvement and organizational potential;
- performance, operational and people management processes aligned to organizational objectives – to build trust, enthusiasm and commitment to the direction taken by the organization;
- fair treatment for those who leave the organization as it changes, and engagement with the needs of the community outside the organization – this is an important component of trust and commitment-based relationships both within and outside the organization.

High-performance management practices include rigorous recruitment and selection procedures, extensive and relevant learning and development activities, incentive pay systems and performance management processes. The strategy may be expressed as a drive to develop a performance culture in an organization. In the box below is an example of the high-performance strategy formulated by the Corporation of London.

The fundamental business need the strategy should meet is to develop and maintain a high performance culture. The characteristics of such a culture are:

- a clear line of sight exists between the strategic aims of the authority and those of its departments and its staff at all levels;
- management defines what it requires in the shape of performance improvements, sets goals for success and monitors performance to ensure that the goals are achieved;
- leadership from the top, which engenders a shared belief in the importance of continuing improvement;
- focus on promoting positive attitudes that result in a committed and motivated workforce;
- performance management processes aligned to the authority's objectives to ensure that people are engaged in achieving agreed goals and standards;
- capacities of people developed through learning at all levels to support performance improvement;
- people provided with opportunities to make full use of their skills and abilities;
- people valued and rewarded according to their contribution.

### **The high-commitment management model**

One of the underpinning characteristics of HRM is its emphasis on the importance of enhancing mutual commitment (Walton, 1985b). High-commitment management has been described by Wood (1996) as: A form of management which is aimed at eliciting a commitment so that behaviour is primarily self-regulated rather than controlled by sanctions and pressures external to the individual, and relations within the organization are based on high levels of trust. The approaches to creating a high-commitment organization as defined by Beer et al (1984) and Walton (1985b) are:

- the development of career ladders and emphasis on trainability and commitment as highly valued characteristics of employees at all levels in the organization;
- a high level of functional flexibility with the abandonment of potentially rigid job descriptions;
- the reduction of hierarchies and the ending of status differentials;
- a heavy reliance on team structure for disseminating information (team briefing), structuring work (team working) and problem solving (quality circles). Wood and Albanese (1995) added to this list:
- job design as something management consciously does in order to provide jobs that have a considerable level of intrinsic satisfaction;
- a policy of no compulsory lay-offs or redundancies and permanent employment guarantees, with the possible use of temporary workers to cushion fluctuations in the demand for labour;
- new forms of assessment and payment systems and, more specifically, merit pay and profit sharing;
- a high involvement of employees in the management of quality.

### **High-involvement management**

This approach involves treating employees as partners in the enterprise whose interests are respected and who have a voice on matters that concern them. It is concerned with communication and involvement. The aim is to create a climate in which a continuing dialogue between managers and the members of their teams take place to define expectations and share information on the organization's mission, values and objectives.

This establishes mutual understanding of what is to be achieved and a framework for managing and developing people to ensure that it will be achieved. The following high-involvement work practices have been identified by Pil and McDuffie (1999):

- 'on-line' work teams;
- 'off-line' employee involvement activities and problem-solving groups;
- job rotation;
- suggestion programmes;
- decentralization of quality efforts.

### SHRM vs. Conventional HRM

BASIS FOR COMPARISON	HRM	SHRM
<b>Meaning</b>	Human resource management (HRM) implies the governance of manpower of the organization in a thorough and structured manner.	SHRM is a managerial function which implies framing of HR strategies in such a way to direct employees efforts towards the goals of organization.
<b>Nature</b>	Reactive	Proactive
<b>Responsibility lies with</b>	Staff specialist	Line manager
<b>Approach</b>	Fragmented	Integrated
<b>Scope</b>	Concerned with employee relations	Concerned with internal and external relations
<b>Time horizon</b>	Short term	Long term
<b>Basic factor</b>	Capital and products	People and knowledge
<b>Change</b>	Follows change	Initiates change
<b>Accountability</b>	Cost center	Investment center
<b>Control</b>	Stringent control over employees	It exhibits leniency.



### Key Differences Between HRM and SHRM

1. The governance of manpower of the organization in a thorough and structured manner is called Human Resource Management or HRM. A managerial function which implies framing of HR strategies in such a way to direct employees efforts towards the goals of an organization is known as SHRM.
2. The process of HRM is reactive in nature. On the other hand, SHRM is a proactive management function.
3. In human resource management, the responsibility of manpower lies with the staff specialists, whereas in strategic human resource management, the task of managing the workforce, is vested in the line managers.
4. HRM follows fragmented approach, which stresses on applying management principles while managing people in an organization. As against this, SHRM follows an integrated approach, which involves lining up of business strategy with the company's HR practices.
5. Human resource management emphasizes on employee relations, ensuring employees motivation, and also the firm conforms to the necessary employment laws. Conversely, SHRM focuses on a partnership with internal and external constituent groups.
6. HRM supports short-term business goals and outcomes, but SHRM supports long-term goals and results of business.
7. In human resource management, the human resource manager plays the role of change follower, i.e. he/she responds to change, hence pursues transactional leadership style. As opposed to SHRM, the human resource manager is a change leader, i.e. an imitator, thus seeks transformational leadership.
8. The primary element in HRM is the capital and products, but people and their knowledge are the building blocks of SHRM.



9. If we talk about accountability, a conventional HRM is a cost centre. Unlike a strategic HRM which is an investment centre.
10. In human resource management, stringent control over employees is exercised. As against this, in strategic human resource management, no such control is imposed, rather the rules for managing manpower is lenient.

### **Conclusion**

So, with the above explanation, it might be clear that HRM differs from SHRM in a number of ways. In a human resource management, the division of labour, specialization can be found in the job design, whereas in strategic human resource management flexibility, cross-training and teams can be found in the job design.

### **STRATEGIC HUMAN RESOURCE MANAGEMENT – BENEFITS AND BARRIERS**

Strategy is a multidimensional concept and is usually a broad statement that sets a direction. Strategies are essentially a specific, measurable, obtainable set of plans that are carefully developed to achieve certain specific goals. They are action statements that are linked to an individual or individuals who are accountable as well as empowered to achieve the stated goals.

Strategic human resource management is designed to help organizations best meet their needs that focus on employees as well as to promote organizational goals. It deals with any aspect of a business that affects employees, such as hiring, firing, payrolls, benefits, training and general administration. Strategic human resource management is the proactive management of people. It requires a lot of thinking ahead and planning ways for an organization to better meet the needs of their employees as well as the business itself. It reflects on the way businesses traditionally work and improves everything from traditional hiring practices to employee training programs to employee evaluation techniques. Strategic human resource management is the process of linking human resources with the strategic goals of the organization thereby improving the performance and fostering innovation, flexibility and gaining a competitive advantage.

### **Benefits of SHRM**

- ✚ It provides a clear business strategy and a vision for the future.

- ✦ It helps the human resources department supply competitive intelligence that may be useful in the strategic planning process.
- ✦ It impacts the entire process of recruiting, retaining and motivating employees.
- ✦ It helps identify the external opportunities and threats that may be critical to the company's success.
- ✦ Helps develop and retain highly competitive people.
- ✦ Helps address people development issues systematically.
- ✦ It helps supply information regarding the company's internal strengths and weaknesses.
- ✦ It also helps meet the customer's expectations effectively.
- ✦ Ensures efficiency and greater productivity.

### **Barriers to SHRM**

- ✦ The main barriers to SHRM are the lack of growth strategy and the failure to implement it.
- ✦ Sometimes there is high resistance to changes and lack of cooperation too from existing people and processes.
- ✦ A commitment of the management team is essential.
- ✦ Status quo approach is the greatest hindrance. People who love status quo would not be best suited for such a change or transformation to take place.
- ✦ Many times diverse workforce is considered as a barrier – which is not actually the case – regardless of the workforce SHRM can be implemented.

The leaders should have the vision for the future and include strategic human resource management into the core of the organization.

Well, there are a number of ways to implement such a system. In the simplest terms, it is necessary to include automated software for human resource management. Strategic planning and plotting of accurate data can ensure that you have enough information at hand before you make any strategic decisions for your organization.

### **Linking HR strategy with business strategy**

We have moved into an era where traditional support services – HR, Finance, IT, Administration, Legal etc. – are under increasing daily pressure to produce a more direct

impact on business results. The business rationale for this pressure is easy to understand. Organizations – both public and private – are being pushed by customers, boards of directors, analysts, and investors to do more with the resources they have or - in many cases - do more with less. Deliver more services. Deliver them faster and with more value in more locations. Customize the experience. Gather, analyze and integrate data in a multitude of ways to enhance controls and cross-selling. Provide 24/7 access. Allow flexible work hours. Provide life-long learning and work-life balance. Move everything online – and make it accessible everywhere, with full privacy and security.

You get the picture. And we well imagine that if you are reading this article you are – in many ways – living that picture.

To be taken seriously as HR professionals, we need to be relevant to our audience. To be relevant to the organizational leaders and C-Suite executives we serve, we need to understand and adopt the goals and objectives of the organization and make them our goals and objectives. To do this requires that we directly link our HR strategies to the strategies – and ultimately the success – of the business we are serving.

A strategy is an articulated plan that enables an organization to make optimum use of its people, resources and investments in order to achieve its goals and objectives. In this article we offer a small taste of what it means for HR practitioners to connect their HR strategies to those of the business leaders they serve. Where do you start if you are an HR practitioner who wants a relevant and impactful relationship with the leaders of your business or organization? The following actions can be a start to build those relationships and begin the journey.

### **1. Understand the goals and objectives of the business – and make them your own**

To be relevant we must understand what our business colleagues are working to achieve and the strategies they are employing to achieve them. Read their documented strategies, mark them up, ask clarifying and challenging questions, and discuss the objectives and strategies with your HR team. Most business leaders love to talk about their businesses. Where possible, set up a monthly meeting to go through the strategy and the needs of the business unit. If you are embedded within the unit, analyze their plans and results, attend all the meetings and invite team members to coffee or lunch to soak yourself in what they are trying to accomplish and how you can help.



One challenge you may face is that your organization may not have a written strategy. If that is the case, then use the business ideas below to piece together those areas of strategic focus that will help you to create a deliver a relevant HR strategy. Every organization operates to some strategy, whether they state it or not. Sometimes our job as HR professionals requires that we figure out what that strategy is before we are able to serve it.

## **2. See your HR practices through a business lens.**

**Lens #1:** The first lens focuses on key business drivers. As you work to understand and digest the goals and strategies of the business, remember that business goals can usually be directly connected to one of three primary objectives: revenue growth, cost control, or risk management.

By starting with these primary objectives, you can then trace back the HR practice you are recommending through the value chain to show how it directly impacts that objective. Let's use the example of recruitment and how it might impact a growing sales force. The primary objective of a talented sales force is revenue growth. Our experience shows that a structured recruiting process that combines the candidate's previous sales results with scenario testing and experienced-based interviewing, when conducted in partnership between HR and the sales leader, dramatically improves the sales success of new recruits and helps to drive faster revenue growth. In discussing HR practices, work to tie your story or recommendation back to one – or more – of the three primary objectives – revenue, cost or risk.

**Lens #2:** The second lens for HR professionals to look through is how a customer's needs and how they make decisions are impacted by the business's value proposition. To attract and keep customers, successful businesses create a value proposition designed to satisfy their targeted customers, deliver outstanding value, build loyalty and differentiate the business from its competitors. It is your job as an HR professional to enhance that value proposition with relevant and focused HR practices. For example, in a sales or service organization, compensation plans and training and development programs need to be tailored to specifically build the motivation, skills, knowledge and confidence of the front sales and service staff. In this way, the investment in HR practices can help those staff



members execute the value proposition in a way that creates a unique and positive customer experience.

The leading HR expert Dave Ulrich says this is one of the fundamental mindsets that drives the impact of HR practices in specific organizations; that HR professionals must learn to look at the business from "the outside in"; that we must start with the point-of view of our customer's customer and how those customers make decisions if we want to have a meaningful dialogue with our customers, the leaders of the business.

### **3. Make the connection: Link HR strategy and practices to business results**

Once you understand the goals, objectives and strategy you can work to directly link everything you do to the success of the business. You build your strategy and execute your practices to serve the overall goals of the organization. This is true in commercial, union and public sector organizations. There are sound strategic reasons why the top organizations in the world execute a suite of progressive HR practices, including performance management systems, learning plans, organizational design, change management programs, and employee feedback and engagement initiatives. When they are well designed and professionally delivered, these programs enhance the overall value proposition of the organization and provide a key piston in the engine that drives success.

### **4. Talk their language: Numbers are the language of business**

One of the biggest complaints we hear from business leaders about their HR support teams is that HR practices are rarely discussed in the same financial or numerical manner that other business decisions are discussed. If you want to be relevant with business leaders and C-suite executives, you have to speak their language and their language is numbers: numbers are the language of business.

Numbers come in two forms when looking at business decisions. The first and most obvious one is dollars and cents, the financial impact. Value is measured and decisions are driven by the financial impact that an investment or program can have on a business. We will acknowledge that for many HR practices it is hard to calculate a specific dollar benefit, but we have to at least show estimates and potential impact. Most executives are not draconian about needing a business case for all HR initiatives. They understand that the building of a strong, knowledgeable, informed staff is a key strategic need for success. But our willingness to at least estimate or wrestle with the financial impact of a program shows

them that we understand what they wrestle with in making investment decisions; it places us on their side of the table in looking at the best use of the organization's limited financial resources.

The other numbers you must be familiar with are activity and satisfaction surveys, and operational and change measurements. If your firm runs a balanced scorecard that identifies customer satisfaction, financial results, operational processes and change or learning initiatives, then take the time to study in depth how these numbers (or scores) are derived, how they link to the value proposition, and how the executives who run the business units are shaping their strategies to achieve top scores and thus strengthen the long term sustainability of the business. HR practices can directly influence the majority of the scores that make up a balanced scorecard. But to have an "informed" discussion about how the business units can best take advantage of those practices, you have to understand these numbers and how to impact them.

### **5. Who do you show up as?**

Finally, ask yourself: "Who do I show up as?" for conversations with my organizations leaders. Do you show up as a well-informed business professional who is deeply immersed in their strategy and value proposition? Do you show up as someone who understands how your customers make decisions, and who is willing to have in-depth discussions about the measures of their success? Do you show up as a professional who can help them implement change in a way that maximizes effectiveness and minimizes risk?

### **How to Link HR Strategies with Business Strategies**

Linking company's human resources strategy to overall business strategy is one of the best business decisions one can make. The primary advantage of connecting these two strategies is the competitive advantage gained by making sure that the most qualified people are assigned to critical business functions. The result of this competitive advantage is higher revenues and profitability.

### **Sustainable Advantage**

Business owners realize that rapid change in the marketplace has created the need make sure today's products are not obsolete tomorrow. A company's ability to adjust to change in the marketplace is directly related to its ability to develop HR strategies that support

its competitive advantage. Strategies that enhance the ability to retain the best-qualified employees include incentive pay, competitive wages, paid training opportunities, professional development and promotion from within the company.

### **Sustainable Revenues**

Regardless of whether the company is a manufacturer, a service provider or a retail outlet, the primary business strategy is designed to increase revenues and profitability over time. Consistent growth of cash flow is directly related to the ability of the employees to satisfy the needs and demands of customers. As an example, if a company cannot keep well-qualified people working on the assembly line, it may not be able to bring products to the marketplace of sufficient quality or quantity to meet customer demand.

### **Strategic Connection**

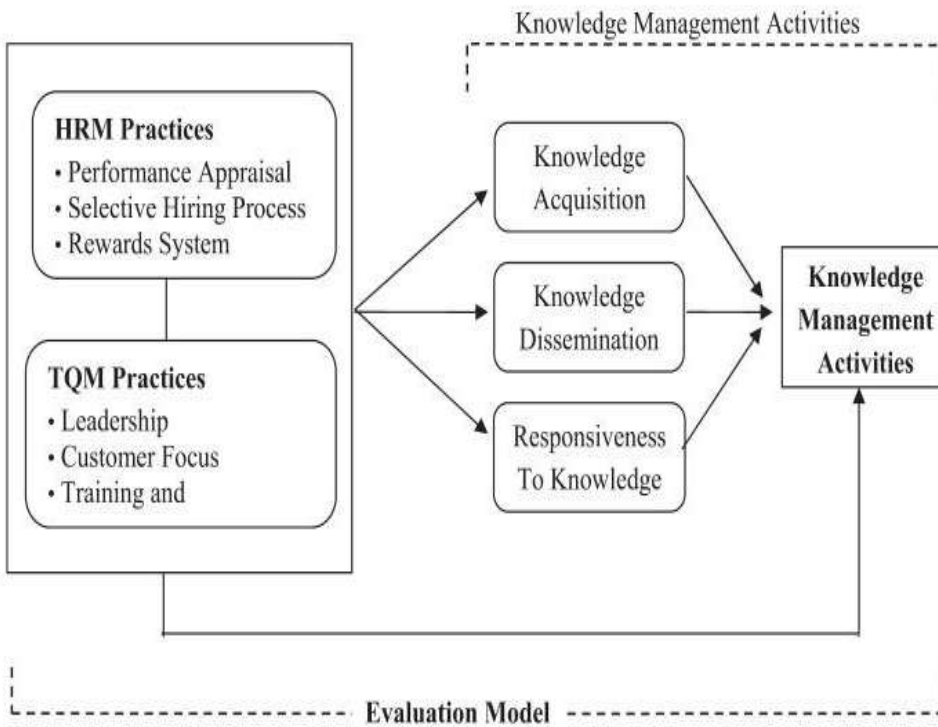
Successful linking of HR and business strategies is evidenced when HR strategy becomes a main driver of business strategy. This is evidenced when a company's commitment to the well-being of its people is at the top of every business decision made. For example, a retailer can demonstrate its commitment to employees when it must close some of its stores in response to change in the marketplace and it makes every effort to reduce any negative impact the closings have on its employees.

### **Optimizing Results**

Business realities of the 21st century are forcing many companies to find ways to accomplish more with fewer resources. This reality is evidenced when business downsizing forces employees to assume increased responsibility because fewer people are available to accomplish necessary business functions. In order to make optimal use of company's employees, while avoiding burnout from overwhelming workloads, the HR and business strategies must come together to find ways to improve conditions for employees, such as restructuring business functions and employee benefits that significantly increase the value of continued employment with the company.

### **HRM Linkage with TQM**





Link is very much clear when Human resources of the company are satisfy they work with their full extent through this the productivity of the company rises and reaches to a higher point and if Human resources are dissatisfy, the

productivity decreases.

Making quality improvements was once thought to be the sole responsibility of specialists (quality engineers, product designers, and process engineers). Today, developing quality across the entire firm can be an important function of the human resource management (HRM) department. A failure on HRM's part to recognize this opportunity and act on it may result in the loss of TQM implementation responsibilities to other departments with less expertise in training and development. The ultimate consequence of this loss is an ineffective piecemealing of the TQM strategy. Thus, HRM act as the pivotal change agent necessary for the successful implementation of TQM.

### **HRM linkage with Productivity**

As the business world continues on a ruthless drive to pick up the pace on a consistent level, the notion of productivity becomes a greater cause for debate and concern.

With reports that most workforces run at about 9% capacity, there's a real spotlight on how we can stimulate greater productivity in order to keep in step with today's faster and more dynamic world.



It's almost an irony that despite the plethora of new world technology making it increasingly easy to keep in touch and connect with our co-workers, that in actual fact, the majority of people consider themselves disconnected from the organization they're a part of. With this in mind, reinstating people as active contributors to a company has to be the key in a demand for increased productivity.

Human resources teams are in a unique position to reach out to the workforce and design measures to increase a sense of inclusion. Working towards bigger goals that relate back to their own jobs along with appropriate reward, can effectively combat the problem of poor productivity.

Numerous studies have focused on these points in recent years, and most come to the same conclusion; that a combination of methods and incentives are required to really tackle this issue. Having a great rewards scheme in place as an example, may be effective to a point and may appeal to a percentage of people, but on its own the cut-through will be limited.

Recruitment and training is undoubtedly another significant part of the puzzle, appropriately, sourcing the right people for the roles and for the culture of the company in question, but also placing serious emphasis on continual development.





## UNIT II

## HUMAN RESOURCE PLANNING

Definition Human resource planning determines the human resources required by the organization to achieve its strategic goals. As defined by Bulla and Scott (1994) it is 'the process for ensuring that the human resource requirements of an organization are identified and plans are made for satisfying those requirements'. Human resource planning is based on the belief that people are an organization's most important strategic resource. It is generally concerned with matching resources to business needs in the longer term, although it will sometimes address shorter term requirements. It addresses human resource needs both in quantitative and qualitative terms, which means answering two basic questions: first, how many people, and second, what sort of people? Human resource planning also looks at broader issues relating to the ways in which people are employed and developed in order to improve organizational effectiveness. It can therefore play an important part in strategic human resource management.

### Hard and soft human resource planning

A distinction can be made between 'hard' and 'soft' human resource planning. The former is based on quantitative analysis in order to ensure that the right number of the right sort of people are available when needed. Soft human resource planning is concerned with ensuring the availability of people with the right type of attitudes and motivation who are committed to the organization and engaged in their work, and behave accordingly. It is based on assessments of the requirement for these qualities, and measurements of the extent to which they exist, by the use of staff surveys, the analysis of the outcomes of performance management reviews and opinions generated by focus groups. These assessments and analyses can result in plans for improving the work environment, providing opportunities to develop skills and careers and adopting a 'total reward' approach which focuses on non-financial 'relational' rewards as well as the financial 'transactional' rewards. They can also lead to the creation of a high commitment management strategy which incorporates such approaches as creating functional flexibility, designing jobs to provide intrinsic motivation, emphasizing team working, de-emphasizing hierarchies and status differentials, increasing employment security,

rewarding people on the basis of organizational performance, and enacting organization-specific values and a culture that bind the organization together and give it focus. As described by Marchington and Wilkinson (1996), soft human resource planning 'is more explicitly focused on creating and shaping the culture of the organization so that there is a clear integration between corporate goals and employee values, beliefs and behaviours'. But as they point out, the soft version becomes virtually synonymous with the whole subject of human resource management.

### **Human resource planning and manpower planning**

Human resource planning is indeed concerned with broader issues about the employment of people than the traditional quantitative approaches of manpower planning. Such approaches, as Liff (2000) comments, derive from a rational top-down view of planning in which well tested quantitative techniques are applied to long term assessments of supply and demand. She notes that 'there has been a shift from reconciling numbers of employees available with predictable stable jobs, towards a greater concern with skills, their development and deployment'.

### **Limitations of human resource planning**

Human resource planning is said to consist of three clear steps:

- Forecasting future people needs (demand forecasting).
- Forecasting the future availability of people (supply forecasting).
- Drawing up plans to match supply to demand.

But as Casson (1978) pointed out, this conventional wisdom represents human resource planning as an 'all-embracing, policy-making activity producing, on a rolling basis, precise forecasts using technically sophisticated and highly integrated planning systems'. He suggests that it is better regarded as, first, a regular monitoring activity, through which human resource stocks and flows and their relationship to business needs can be better understood, assessed and controlled, problems highlighted and a base established from which to respond to unforeseen events; and second, an investigatory activity by which the



human resource implications of particular problems and change situations can be explored and the effects of alternative policies and actions investigated.

He points out that the spurious precision of quantified staffing level plans 'has little value when reconciled with the complex and frequently changing nature of manpower, the business and the external environment'. The typical concept of human resource planning as a matter of forecasting the long term demand and supply of people fails because the ability to make these estimates must be severely limited by the difficulty of predicting the influence of external events. There is a risk, in the words of Heller (1972), that 'Sensible anticipation gets converted into foolish numbers, and their validity depends on large, loose assumptions.' Human resource planning today is more likely to concentrate on what skills will be needed in the future, and may do no more than provide a broad indication of the numbers required in the longer term, although in some circumstances it might involve making short term forecasts when it is possible to predict activity levels and skills requirements with a reasonable degree of accuracy. Such predictions will often be based on broad scenarios rather than on specific supply and demand forecasts.

### **The incidence of and rationale for human resource planning**

Although the notion of human resource planning is well established in the HRM vocabulary, it does not seem to be commonly practised as a key HR activity. As Rothwell (1995) suggests, 'Apart from isolated examples, there has been little research evidence of increased use or of its success.' She explains the gap between theory and practice as arising from:

- the impact of change and the difficulty of predicting the future – 'the need for planning may be in inverse proportion to its feasibility';
- the 'shifting kaleidoscope' of policy priorities and strategies within organizations;
- the distrust displayed by many managers of theory or planning – they often prefer pragmatic adaptation to conceptualization;
- the lack of evidence that human resource planning works.

Be that as it may, it is difficult to reject out of hand the belief that some attempt should be made broadly to forecast future human resource requirements as a basis for planning and action. Heller refers to 'sensible anticipation', and perhaps this is what human resource planning is really about, bearing in mind that major changes in the operations of an organization can usually be foreseen. If that is the case, it does make sense to keep track of developments so that the organization is in a better position to deal with resourcing problems in good time. On the basis of research conducted by the Institute for Employment Studies, Reilly (1999) has suggested a number of reasons why organizations choose to engage in some form of human resource planning. These fall into the following three groups.

- Planning for substantive reasons: that is, to have a practical effect by optimizing the use of resources and/or making them more flexible, acquiring and nurturing skills that take time to develop, identifying potential problems and minimizing the chances of making a bad decision.
- Planning because of the process benefits which involves understanding the present in order to confront the future, challenging assumptions and liberating thinking, making explicit decisions which can later be challenged, standing back and providing an overview, and ensuring that long term thinking is not driven out by short term focus.
- Planning for organizational reasons which involves communicating plans so as to obtain support/adherence to them, linking HR plans to business plans so as to influence them, (re)gaining corporate control over operating units, and coordinating and integrating organizational decision making and actions.

### **The organizational context of human resource planning**

Human resource planning takes place within the context of the organization. The extent to which it is used, and the approach adopted, will be contingent on the extent to which management recognizes that success depends on forecasting future people requirements and implementing plans to satisfy those requirements. The approach will also be affected by the degree to which it is possible to make accurate forecasts. Organizations operating in turbulent environments in which future activity levels are difficult to predict may rely on

ad hoc and short term measures to recruit and keep people. However, even these businesses may benefit from those aspects of human resource planning that are concerned with policies for attracting and retaining key staff.

### **The labour market context**

The context for obtaining the people required will be the labour markets in which the organization is operating which are, first, the internal labour market – the stocks and flows of people within the organization who can be promoted, trained, or redeployed to meet future needs – and second, the external labour market – the external local, regional, national and international markets from which different sorts of people can be recruited. There are usually a number of markets, and the labour supply in these markets may vary considerably. Likely shortages will need to be identified so that steps can be taken to deal with them, for example by developing a more attractive ‘employment proposition’. As part of the human resource planning process, an organization may have to formulate ‘make or buy’ policy decisions. A ‘make’ policy means that the organization prefers to recruit people at a junior level or as trainees, and rely mainly on promotion from within and training programmes to meet future needs. A ‘buy’ policy means that more reliance will be placed on recruiting from outside – ‘bringing fresh blood into the organization’. In practice, organizations tend to mix the two choices together to varying degrees, depending on the situation of the firm and the type of people involved. A highly entrepreneurial company operating in turbulent conditions, or one which has just started up, will probably rely almost entirely on external recruitment. When dealing with knowledge workers, there may be little choice – they tend to be much more mobile, and resourcing strategy may have to recognize that external recruitment will be the main source of supply. Management consultancies typically fall into this category. Firms that can predict people requirements fairly accurately may rely more on developing their own staff once they have been recruited.

### **AIMS OF HUMAN RESOURCE PLANNING**

The aims of human resource planning in any organization will depend largely on its context but in general terms, the typical aims might be to:



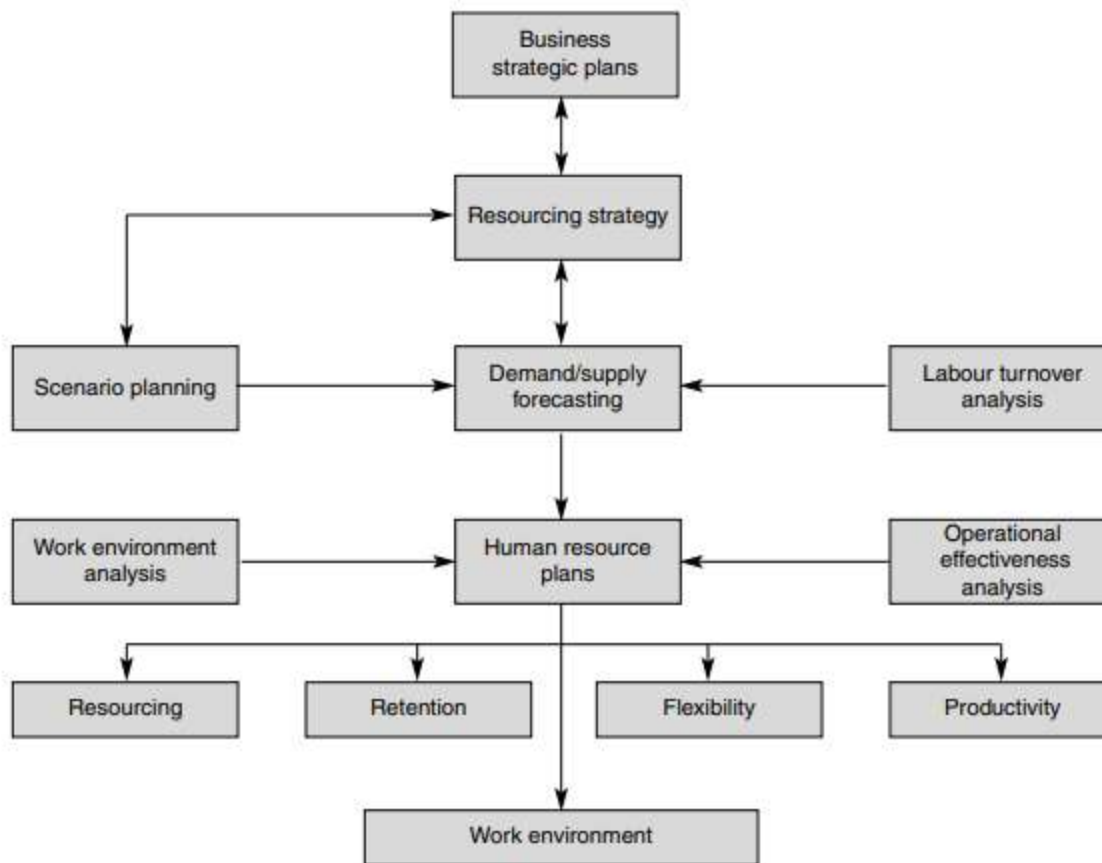
- attract and retain the number of people required with the appropriate skills, expertise and competencies;
- anticipate the problems of potential surpluses or deficits of people;
- develop a well trained and flexible workforce, thus contributing to the organization's ability to adapt to an uncertain and changing environment;
- reduces dependence on external recruitment when key skills are in short supply by formulating retention, as well as employee development strategies;
- improve the utilization of people by introducing more flexible systems of work.

### **The Process of Human Resource Planning**

These processes are summarized below.

- Business strategic plans: defining future activity levels and initiatives demanding new skills.
- Resourcing strategy: planning to achieve competitive advantage by developing intellectual capital – employing more capable people than rivals, ensuring that they develop organization specific knowledge and skills, and taking steps to become an 'employer of choice'.
- Scenario planning: assessing in broad terms where the organization is going in its environment and the implications for human resource requirements.
- Demand/supply forecasting: estimating the future demand for people (numbers and skills), and assessing the number of people likely to be available from within and outside the organization.
- Labour turnover analysis: analyzing actual labor turnover figures and trends as an input to supply forecasts.





### THE PROCESS OF HUMAN RESOURCE PLANNING

#### Work environment analysis:

- ✚ analyzing the environment in which people work in terms of the scope it provides for them to use and develop their skills and achieve job satisfaction.
- ✚ Operational effectiveness analysis: analyzing productivity, the utilization of people and the scope for increasing flexibility to respond to new and changing demands.

#### JOB/ROLE ANALYSIS

Role analysis defined Role analysis is the process of finding out what people are expected to achieve when carrying out their work and the competencies and skills they need to meet these expectations.

### **Role profiles**

The result of role analysis is a role profile, which defines the outcomes role holders are expected to deliver in terms of key result areas or accountabilities. It also lists the competencies required to perform effectively in the role – what role holders need to know and be able to do. Profiles can be individual or generic (covering similar roles).

### **Roles and jobs**

If it is used in its strictest sense, the term 'role' refers to the part people play in their work – the emphasis is on their behavior. For example, a role profile may stress the need for flexibility. In this sense, a role can be distinguished from a job, which consists of a group of prescribed tasks/activities to be carried out or duties to be performed. Job analysis defines those tasks or duties in order to produce a job description. This is usually prescriptive and inflexible. It spells out exactly what job holders are required to do. It gives people the opportunity to say: 'It's not in my job description', meaning that they only feel they have to do the tasks listed there. Increasingly, the practice is to refer to roles, role analysis and role profiles rather than to jobs, job analysis and job descriptions. The latter are no longer in favour because they tend to be prescriptive, restrict flexibility and do not focus on outcomes or the competencies needed to achieve them. Role profiles are preferred because they are concerned with performance, results, and knowledge and skill requirements and are therefore in accord with the present-day emphasis on high-performance working, outcomes and competencies.

### **Purpose of role analysis**

Role analysis aims to produce the following information about a role for use in recruitment, performance management and learning and development evaluation:

- **Overall purpose** – why the role exists and, in essence, what the role holder is expected to contribute.
- **Organization** – to whom the role holder reports and who reports to the role holder.
- **Key result areas or accountabilities** – what the role holder is required to achieve in each of the main elements of the role.

● **Competency requirements** – the specific technical competencies attached to the role; what the role holder is expected to know and to be able to do. For job evaluation purposes, the role will also be analyzed in terms of the factors used in the job evaluation scheme.

### **Employee Hiring: Nature of Recruitment, Sources of Recruitment**

#### **Employee Hiring**

Hiring employees is a process crucial to the success of a business, and as most successful small business owners know, the hiring process does not begin with the interview and end with the job offer. Rather, it involves planning and considering the job prior to an interview, recruiting and interviewing wisely to bring in the right person, and providing new workers with an orientation that enables them to get off to a strong start with the company.

#### **RECRUITMENT**

Recruitment is a process of identifying, screening, short listing and hiring potential resource for filling up the vacant positions in an organization. It is a core function of Human Resource Management.

Recruitment is the process of choosing the right person for the right position and at the right time. Recruitment also refers to the process of attracting, selecting, and appointing potential candidates to meet the organization's resource requirements.

#### **Nature 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.

### Sources of Recruitment

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



### Internal Sources of Recruitment

#### (a) Promotions

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

#### (b) Retirements

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



**(c) Former employees**

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

**(d) Transfer**

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

**(e) Internal advertisement**

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

**Benefits of Internal Sources of Recruitment**

- (i) The existing employees get motivated.
- (ii) Cost is saved as there is no need to give advertisements about the vacancy.
- (iii) It builds loyalty among employees towards the organization.
- (iv) Training cost is saved as the employees already know about the nature of job to be performed.
- (v) It is a reliable and easy process.

**External Sources of Recruitment****(a) Press advertisement**

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

**(b) Campus interviews**

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

**(c) Placement agencies**

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

**(d) Employment exchange**

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

**(e) Walk in interviews**

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

**(f) E-recruitment**

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

**(g) Competitors**

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

**Benefits of External Sources of Recruitment**

- (i) New talents get the opportunity.
- (ii) The best selection is possible as a large number of candidates apply for the job.
- (iii) In case of unavailability of suitable candidates within the organization, it is better to select them from outside sources.

**Employee Selection, Process of Employee Selection**

**Employee Selection** is the process of picking or choosing the right candidate, who is most suitable for a vacant job position in an organization. In others words, selection can also be explained as the process of interviewing the candidates and evaluating their qualities, which are required for a specific job and then choosing the suitable candidate for the position.

The selection of a right applicant for a vacant position will be an asset to the organization, which will be helping the organization in reaching its objectives.

**The Employee Selection Process****Announcing the Job**

The employee selection process usually starts with a manager or boss commissioning human resources to fill a new or vacant position. The manager must first decide what

qualifications she desires in a job candidate. For example, should the person have a college degree, or how many years of relevant experience is necessary? Once the manager establishes the job requirements, the human resources department places ads in the local newspaper and online. Sometimes, human resources uses a headhunter find candidates, someone who often specializes in a certain field, such as sales.

### **Reviewing Applications**

Review resumes and match each candidate's background to the job requirements. Companies sometimes receive hundreds of resumes for an ad. However, human resources may only consider a half dozen. During bad economic periods, a number of candidates may have an education and experience that exceed the qualifications for the job. Contrarily, it may be tougher to find qualified candidates during good economic times. Nevertheless, human resources and the hiring manager must determine how many candidates they can realistically bring in for an interview.

### **Initial Screening**

To save time and money, interviewing may start with a screening interview, especially if a job candidate lives out of town. Human resources will usually conduct the screening interview over the telephone to help narrow the field of candidates. A telephone interview also helps a company determine if the candidate has the necessary qualifications to warrant flying him in for an interview.

### **In-Person Interviewing**

Those who make the cut after the screening interview are asked to come in for face-to-face interviews. Companies have different procedures for personal interviews. Some companies prefer to have all-day interviewing sessions, where job candidates meet with a different person each hour. During this time, companies may have the candidates meet with human resources, the hiring manager and other employees. Another option is having candidates meet with key personnel one day, then inviting them back for second to meet with some executives.

### **Final Selection**

The hiring manager will usually ask for feedback from human resources and other employees who interviewed the job candidates. She may also review her notes and decide which candidate would fit best in the open position. Qualifications are only one



consideration when filling a job opening. The hiring manager will usually select someone with whom she can work, whether it is the candidate's personality or work ethic.

### Testing

Before a candidate is actually hired, many companies require a drug test. Typically, candidates notify the tester of any prescription drugs he is taking, because these will show up in the results. If he tests positively for any other drugs, it could jeopardize his being hired. Employees who work in the insurance industry may need to take a psychological test to determine if insurance is the appropriate career choice for them. After the drug or personality test, the company makes an offer to the chosen candidate.

### Recent Trends in Recruitment

The following are the latest and current trends are being seen in recruitment-

#### OUTSOURCING

In India, the HR processes are being outsourced from more than a decade now. A company may draw required personnel from outsourcing firms. The outsourcing firms help the organization by the initial screening of the candidates according to the needs of the organization and creating a suitable pool of talent for the final selection by the organization.

Outsourcing firms develop their human resource pool by employing people for them and make available personnel to various companies as per their needs. In turn, the outsourcing firms or the intermediaries charge the organizations for their services.

#### Advantages of outsourcing are-

- + Know the Internal Sources of Recruitment
- + Company need not plan for human resources much in advance.
- + Value creation, operational flexibility and competitive advantage
- + Turning the management's focus to strategic level processes of HRM
- + Company is free from salary negotiations, weeding the unsuitable resumes/candidates.
- + Company can save a lot of its resources and time

#### POACHING/RAIDING

"Buying talent rather than developing it) is the latest mantra being followed by the organizations today. Poaching means employing a competent and experienced person



already working with another reputed company in the same or different industry; the organization might be a competitor in the industry. A company can attract talent from another firm by offering attractive pay packages and other terms and conditions, better than the current employer of the candidate. But it is seen as an unethical practice and not openly talked about. Indian software and the retail sector are the sectors facing the most severe brunt of poaching today. It has become a challenge for human resource managers to face and tackle poaching, as it weakens the competitive strength of the firm.

Know the External Sources of Recruitment

### **E-RECRUITMENT**

Many big organizations use Internet as a source of recruitment. E- recruitment is the use of technology to assist the recruitment process. They advertise job vacancies through worldwide web. The job seekers send their applications or curriculum vitae i.e. CV through e mail using the Internet. Alternatively job seekers place their CV's in worldwide web, which can be drawn by prospective employees depending upon their requirements.

Advantages of recruitment are:

- + Low cost.
- + No intermediaries
- + Reduction in time for recruitment.
- + Recruitment of right type of people.
- + Efficiency of recruitment process.



## UNIT III

### **Nature and importance of Training**

“Training is the act of increasing the knowledge and skills of an employee for doing a particular job.” — **Edwin B. Flippo**

Training is an organized activity for increasing the technical skills of the employees to enable them to do particular jobs efficiently. In other words, training provides the workers with facility to gain technical knowledge and to learn new skills to do specific jobs. Training is equally important for the existing as well as the new employees. It enables the new employees to get acquainted with their jobs and also increase the job-related knowledge and skills.

### **Nature and Importance of Training**

The need for training of employees arises due to the following factors

#### **(i) Higher Productivity**

It is essential to increase productivity and reduce cost of production for meeting competition in the market. Effective training can help increase productivity of workers by imparting the required skills.

#### **(ii) Quality Improvement**

The customers have become quality conscious and their requirement keep on changing. To satisfy the customers, quality of products must be continuously improved through training of workers.

#### **(iii) Reduction of Learning Time**

Systematic training through trained instructors is essential to reduce the training period. If the workers learn through trial and error, they will take a longer time and even may not be able to learn right methods of doing work.

#### **(iv) Industrial Safety**

Trained workers can handle the machines safely. They also know the use of various safety devices in the factory. Thus, they are less prone to industrial accidents.

#### **(iv) Reduction of Turnover and Absenteeism**

Training creates a feeling of confidence in the minds of the workers. It gives them a security at the workplace. As a result, labour turnover and absenteeism rates are reduced.

#### **(vi) Technology Update**

Technology is changing at a fast pace. The workers must learn new techniques to make use of advance technology. Thus, training should be treated as a continuous process to update the employees in the new methods and procedures.

### **(vii) Effective Management**

Training can be used as an effective tool of planning and control. It develops skills among workers and prepares them for handling present and future jobs. It helps in reducing the costs of supervision, wastages and industrial accidents. It also helps increase productivity and quality which are the cherished goals of any modern organization.

### **Methods and Types of Training**

Training Methods

On-the-job training Methods

Off-the-job Training Methods

#### **1. On-the-job Training Methods**

Under these methods new or inexperienced employees learn through observing peers or managers performing the job and trying to imitate their behaviour. These methods do not cost much and are less disruptive as employees are always on the job, training is given on the same machines and experience would be on already approved standards, and above all the trainee is learning while earning. Some of the commonly used methods are:

#### **(I) Coaching**

Coaching is a one-to-one training. It helps in quickly identifying the weak areas and tries to focus on them. It also offers the benefit of transferring theory learning to practice. The biggest problem is that it perpetuates the existing practices and styles. In India most of the scooter mechanics are trained only through this method.

#### **(II) Mentoring**

The focus in this training is on the development of attitude. It is used for managerial employees. Mentoring is always done by a senior inside person. It is also one-to-one interaction, like coaching.

#### **(III) Job Rotation**



It is the process of training employees by rotating them through a series of related jobs. Rotation not only makes a person well acquainted with different jobs, but it also alleviates boredom and allows to develop rapport with a number of people. Rotation must be logical.

#### **(IV) Job Instructional Technique (JIT)**

It is a Step by step (structured) on the job training method in which a suitable trainer (a) prepares a trainee with an overview of the job, its purpose, and the results desired, (b) demonstrates the task or the skill to the trainee, (c) allows the trainee to show the demonstration on his or her own, and (d) follows up to provide feedback and help. The trainees are presented the learning material in written or by learning machines through a series called 'frames'. This method is a valuable tool for all educators (teachers and trainers). It helps us:

- ✚ To deliver step-by-step instruction
- ✚ To know when the learner has learned
- ✚ To be due diligent (in many work-place environments)

#### **(V) Apprenticeship**

Apprenticeship is a system of training a new generation of practitioners of a skill. This method of training is in vogue in those trades, crafts and technical fields in which a long period is required for gaining proficiency. The trainees serve as apprentices to experts for long periods. They have to work in direct association with and also under the direct supervision of their masters.

The object of such training is to make the trainees all-round craftsmen. It is an expensive method of training. Also, there is no guarantee that the trained worker will continue to work in the same organization after securing training. The apprentices are paid remuneration according the apprenticeship agreements.

#### **(VI) Understudy**

In this method, a superior gives training to a subordinate as his understudy like an assistant to a manager or director (in a firm). The subordinate learns through experience and observation by participating in handling day to day problems. Basic purpose is to prepare subordinate for assuming the full responsibilities and duties.

#### **Off-the-job Training Methods**

Off-the-job training methods are conducted in separate from the job environment, study material is supplied, there is full concentration on learning rather than performing, and there is freedom of expression. Important methods include:

### **(I) Lectures and Conferences**

Lectures and conferences are the traditional and direct method of instruction. Every training programme starts with lecture and conference. It's a verbal presentation for a large audience. However, the lectures have to be motivating and creating interest among trainees. The speaker must have considerable depth in the subject. In the colleges and universities, lectures and seminars are the most common methods used for training.

### **(II) Vestibule Training**

Vestibule Training is a term for near-the-job training, as it offers access to something new (learning). In vestibule training, the workers are trained in a prototype environment on specific jobs in a special part of the plant.

An attempt is made to create working condition similar to the actual workshop conditions. After training workers in such condition, the trained workers may be put on similar jobs in the actual workshop.

This enables the workers to secure training in the best methods to work and to get rid of initial nervousness. During the Second World War II, this method was used to train a large number of workers in a short period of time. It may also be used as a preliminary to on-the-job training. Duration ranges from few days to few weeks. It prevents trainees to commit costly mistakes on the actual machines.

### **(III) Simulation Exercises**

Simulation is any artificial environment exactly similar to the actual situation. There are four basic simulation techniques used for imparting training: management games, case study, role playing, and in-basket training.

Management Games- Properly designed games help to ingrain thinking habits, analytical, logical and reasoning capabilities, importance of team work, time management, to make decisions lacking complete information, communication and leadership capabilities. Use of management games can encourage novel, innovative mechanisms for coping with stress. Management games orient a candidate with practical applicability of the subject. These games help to appreciate management concepts in a practical way. Different games are

used for training general managers and the middle management and functional heads – executive Games and functional heads.

**Case Study-** Case studies are complex examples which give an insight into the context of a problem as well as illustrating the main point. Case Studies are trainee centered activities based on topics that demonstrate theoretical concepts in an applied setting. A case study allows the application of theoretical concepts to be demonstrated, thus bridging the gap between theory and practice, encourage active learning, provides an opportunity for the development of key skills such as communication, group working and problem solving, and increases the trainees’ enjoyment of the topic and hence their desire to learn.

**Role Playing-** Each trainee takes the role of a person affected by an issue and studies the impacts of the issues on human life and/or the effects of human activities on the world around us from the perspective of that person. It emphasizes the “real- world” side of science and challenges students to deal with complex problems with no single “right” answer and to use a variety of skills beyond those employed in a typical research project. In particular, role-playing presents the student a valuable opportunity to learn not just the course content, but other perspectives on it. The steps involved in role playing include defining objectives, choose context & roles, introducing the exercise, trainee preparation/research, the role-play, concluding discussion, and assessment. Types of role play may be multiple role play, single role play, role rotation, and spontaneous role play.

**In-basket training-** In-basket exercise, also known as in-tray training, consists of a set of business papers which may include e-mail SMSs, reports, memos, and other items. Now the trainer is asked to prioritise the decisions to be made immediately and the ones that can be delayed.

#### **(IV) Sensitivity Training**

Sensitivity training is also known as laboratory or T-group training. This training is about making people understand about themselves and others reasonably, which is done by developing in them social sensitivity and behavioral flexibility. It is ability of an individual to sense what others feel and think from their own point of view.

It reveals information about his or her own personal qualities, concerns, emotional issues, and things that he or she has in common with other members of the group. It is the ability to behave suitably in light of understanding.



A group's trainer refrains from acting as a group leader or lecturer, attempting instead to clarify the group processes using incidents as examples to clarify general points or provide feedback. The group action, overall, is the goal as well as the process.

### **(v) Transactional Analysis**

It provides trainees with a realistic and useful method for analyzing and understanding the behavior of others. In every social interaction, there is a motivation provided by one person and a reaction to that motivation given by another person.

This motivation reaction relationship between two persons is known as a transaction. Transactional analysis can be done by the ego (system of feelings accompanied by a related set of behaviors states of an individual).

### **Types of Training**

Various types of training can be given to the employees such as induction training, refresher training, on the job training, vestibule training, and training for promotions.

Some of the commonly used training programs are listed below

#### **Induction training**

Also known as orientation training given for the new recruits in order to make them familiarize with the internal environment of an organization. It helps the employees to understand the procedures, code of conduct, policies existing in that organization.

#### **Job instruction training**

This training provides an overview about the job and experienced trainers demonstrates the entire job. Addition training is offered to employees after evaluating their performance if necessary.

#### **Vestibule training**

It is the training on actual work to be done by an employee but conducted away from the work place.

#### **Refresher training**

This type of training is offered in order to incorporate the latest development in a particular field. This training is imparted to upgrade the skills of employees. This training can also be used for promoting an employee.

#### **Apprenticeship training**

Apprentice is a worker who spends a prescribed period of time under a supervisor.



## Career Planning

Career Planning encourages individuals to explore and gather information, which enables them to synthesize, gain competencies, make decisions, set goals and take action. It is a crucial phase of human resource development that helps the employees in making strategy for work-life balance.

According to Schermerborn, Hunt, and Osborn, 'Career planning is a process of systematically matching career goals and individual capabilities with opportunities for their fulfillment'.

### Features of Career Planning

- ✦ It is an ongoing process.
- ✦ It helps individuals develop skills required to fulfill different career roles.
- ✦ It strengthens work-related activities in the organization.
- ✦ It defines life, career, abilities, and interests of the employees.
- ✦ It can also give professional directions, as they relate to career goals.

### Objectives of Career Planning

- ✦ The major objectives of career planning are as follows
- ✦ To identify positive characteristics of the employees.
- ✦ To develop awareness about each employee's uniqueness.
- ✦ To respect feelings of other employees.
- ✦ To attract talented employees to the organization.
- ✦ To train employees towards team-building skills.
- ✦ To create healthy ways of dealing with conflicts, emotions, and stress.

### Benefits of Career Planning

- ✦ Career planning ensures a constant supply of promotable employees.
- ✦ It helps in improving the loyalty of employees.
- ✦ Career planning encourages an employee's growth and development.
- ✦ It discourages the negative attitude of superiors who are interested in suppressing the growth of the subordinates.
- ✦ It ensures that senior management knows about the calibre and capacity of the employees who can move upwards.
- ✦ It can always create a team of employees prepared enough to meet any contingency.

- ✦ Career planning reduces labour turnover.
- ✦ Every organization prepares succession planning towards which career planning is the first step.

### **PROMOTION & Transfer of Employees**

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

There can be 'dry promotion' also where an employee is assigned to a higher level job without increase in pay. An example of 'dry promotion' is a University Professor made Head of the Department with no increase in salary.

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

#### **Types of Promotion**

Promotion given to employees in an organization can be classified into three types:

##### **Horizontal promotion**

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

##### **Vertical Promotion**

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

##### **Dry Promotion**

When promotion is made without increase in salary, it is called 'dry promotion'. For example, a lower level manager is promoted to senior level manager without increase in

salary or pay. Such promotion is made either there is resource/fund crunch in the organization or some employees hanker more for status or authority than money.

### **Purpose of Promotion**

The following are the purposes or objectives of promotion:

- ✦ To recognize an employee's skill and knowledge and utilize it to improve the organisational effectiveness.
- ✦ To reward and motivate employees to higher productivity.
- ✦ To develop competitive spirit and inculcate the zeal in the employees to acquire skill, knowledge etc.
- ✦ To promote employees satisfaction and boost their morale.
- ✦ To build loyalty among the employees toward organization.
- ✦ To promote good human relations.
- ✦ To increase sense of belongingness.
- ✦ To retain skilled and talented people.
- ✦ To attract trained, competent and hard working people.10. To impress the other employees that opportunities are available to them too if they also perform well.

### **TRANSFER**

A transfer is a change in job assignment. It is the movement of an employee from one job to another without involving any substantial change in his duties, responsibilities, required skill, status and compensation. A transfer does not imply any ascending (promotion) or descending (demotion) change in status or responsibility.

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

According to Dale Yoder, "A transfer involves the shifting of an employee from one job to another without special reference to changing responsibility or compensation. Transfer may involve promotion, demotion or no change in status and responsibility."

Thus, transfer is a horizontal or lateral movement of an employee from one job, section, department, shift, plant or position to another at the same or another place, where his salary, status and responsibility are the same.

### **Purposes of Transfer**

Transfers are generally resorted to with a view to attain the following:



**To Meet the Organisational Requirements**

Organisational changes may demand the shift in job assignments with a view to place the right man on the right job.

Such changes may be changes in technology, changes in the volume of production, production schedule, product line, quality of products, change in the job pattern, fluctuations in the market conditions, reallocation of or reduction in the workforce due to a shortage or a surplus in same section so that layoffs may be avoided, filling in of the vacancies which may occur because of separations or because of the need for suitable adjustments in business operations.

In short, the purpose of transfers is to stabilize employment in an organization.

**To Meet Employees' Requests**

Sometimes, transfer is done at the request of the employer himself. Employee may need transfer in order to satisfy their desire to work under a different superior in a department/region where opportunities for advancement are bright, in or near their native place or place of interest, doing a job where the work itself is challenging etc.

**To Ensure Better Utilization of the Employees**

An employee may be transferred because the management feels that he is not performing satisfactorily and adequately and when the management feels that he may be more useful or suitable elsewhere, where his capacities would be better utilized.

**To Make the Employees More Versatile**

Employees may be shifted from one job to another to expand their capabilities. Job rotation may prepare the employee for more challenging assignments in future.

**To Adjust the Workforce**

Workforce may be transferred from a plant where there is less work to a plant where there is more work. Thus, the employees who have been in service of an organization are not thrown out of employment but adjusted elsewhere.

**To Provide Relief to the Employee**

Transfers may be made to give relief to employees who are overburdened or doing hazardous jobs for long periods. Transfer may also be made to break the monopoly of the employee. The climate of a place may be unsatisfactory for an employee's health. He may request a transfer to another place, where his health may not be affected by the climate.



**To Reduce Conflicts and Incompatibilities**

Where employees find it difficult to get along with colleagues in a particular section or department, they could be shifted to another place to reduce conflicts.

**To Penalize the Employees**

Transfers may be effected as disciplinary measures to shift employees indulging in undesirable activities to remote, far flung areas.

**To Maintain a Tenure System**

In senior administrative services of the Government and also in industries or where there is a system of annual intake of management trainees, the employee holds a certain job for a fixed tenure but is made to move from job to job with a view to enable him to acquire variety of experience and skills and also to ensure that he does not get involved in politicising informal groups.

**To Accommodate Family Related Issues**

Family related issues cause transfers, specially among female employees. When they get married, the female employees want to join their husbands and this fact necessitates transfers or resignations.

**Types of Transfer of employee**

Transfers may be classified on the basis of purpose or unit

**(A) On the Basis of Purpose****Production Transfers**

A shortage or surplus of the workforce is common in different departments in a plant or several plants in an organization. Surplus employees in a department have to be laid off, unless they are transferred to another department. Transfers effected to avoid such inevitable layoffs are called production transfers.

**Replacement Transfers**

A replacement transfer is the transfer of a senior employee to replace the junior employee or a new employee, when the latter is laid off or shifted to another job. Sometimes, it is a temporary arrangement to make use of the services of die senior personnel.

**Versatility Transfers**

Versatility transfers are effected to make employees versatile and competent in more than one skill. It aims at giving training to the employees of various jobs of similar nature having

different operations. It helps the employees to get themselves prepared for promotions and also helps the employer in developing the effective manpower prepared to handle the higher openings.

### **Shift Transfers**

When the unit runs in shifts, employees are transferred from one shift to another on similar jobs. In some undertakings, where shifts are operated regularly, employees may be recruited permanently for the shift, but in some cases they are rotated from one shift to another as a matter of practice, because many employees dislike second or third shift assignment as it interferes with their social or family engagements.

### **Remedial Transfers**

Remedial transfers are effected at the request of the employees and are, therefore, called personal transfers. Personal transfers take place because the initial placement of an employee may have been faulty or the worker may not get along with his supervisor or with other workers in the department.

He may be getting too old to continue his regular job or working conditions may not be well adapted to his personal health. If the job is repetitive, the employee may stagnate and would benefit by transfer to a different kind of work.

### **Precautionary Transfers**

Such transfers are made as a precautionary measure to avoid the misuse of office or misappropriation of funds by the employees. In some undertakings, there are more chances of misuse of office or misappropriation of funds than others. Generally it is mentioned in the transfer policy of the organisation that an employee cannot stay at one post for more than 3 years or so.

### **(B) On the Basis of Unit**

#### **Sectional Transfers**

These transfers are made within the department from one section to another. The main purpose of such transfers may be to train the workers and prepare them to handle the operations of different sections of the department.

#### **Departmental Transfers**

Transfers from one department to another department within the plant are called departmental transfer. Such transfers are made if the nature of work is same or substantially the same in both the departments such as clerical or routine jobs.

### **Inter-Plant Transfers**

If there are more than one plants under the control of same management, transfer may be made from one plant to another on varied reasons. Such transfers are called inter-plant transfers.

### **Demotion and Separation of Employees**

#### **DEMOTION OF EMPLOYEE**

Demotion is just opposite to promotion. In demotion, the employee is shifted to a job lower in status, grade and responsibilities. "Demotion refers to the lowering down of the status, salary and responsibilities of an employee."

In the words of Dale Yoder, "Demotion is a shift to a position in which responsibilities are decreased. Promotion is, in a sense, an increase in rank and demotion is decrease in rank."

When an employee is demoted, his pride suffers a more severe jolt than it does when he is superseded by his junior. Some managers hesitate to demote a man. They prefer to discharge him rather than to demote him on the lower job because he will not accept the lower job and will turn to be a disgruntled employee and his position will not be good for better industrial relations.

#### **Causes of Demotion**

There are several reasons for demoting a man from his present position.

Inadequacy on the part of the employees in terms of job performance, attitude and capability. It happens when an employee finds it difficult to meet job requirement standards, following his promotion.

Demotion may result from organizational staff reductions. Due to adverse business conditions, organizations may decide to lay off some and downgrade some jobs. Demotions may be used as disciplinary tools against errant employees. If there is a mistake in staffing i.e., a person is promoted wrongly. When, because of a change in technology, methods and practices, old hands are unable to adjust or when employees because of ill health or personal reasons, cannot do their job properly.



**Demotion Policy**

Demotion is very harmful for the employees' morale. It is an extremely painful action, impairing relationships between people permanently. While, effecting demotions, a manager should be extremely careful not to place himself on the wrong side of the fence. It is, therefore, necessary to formulate a demotion policy so that there may be no grievance on the part of the trade unions.

Yoder, Heneman, Turnbull and Stone have suggested a five-fold policy in regard to demotion practice:

A clear list of rules along with punishable offences be made available to all the employees.

Any violation be investigated thoroughly by a competent authority.

In case of violations, it is better to state the reasons for taking such a punitive step clearly and elaborately.

Once violations are proved, there should be a consistent and equitable application of the penalty.

There should be enough room for review.

Demotions have a serious impact on need fulfillment. Needs for esteem and belongingness are frustrated leading to a defensive behaviour on the part of the person demoted. There may be complaints, emotional turmoil, inefficiency or resignation. Hence, demotions are very rarely resorted to by managers. Managers prefer to discharge employees rather than facing the problems arising from demotion.

**SEPARATION OF EMPLOYEE**

It occurs when employees cease to be members of the organization, the service agreement ends and the employee leaves the organization.

**Causes of employee separation****Resignation**

A resignation refers to the termination of employment at the instance of the employees. A resignation may be put voluntarily by the employee. An employee resigns when he secures a better job elsewhere, in the case of a female employee when she marries and has to quit for personal reasons or when an employee suffers from ill health or for any other reasons.

**Dismissal or Discharge**

Dismissal is the termination of the services of an employee as a punitive measure for some misconduct. Discharge also means termination of the service of an employee, but not necessarily as a punishment step. A discharge does not arise from a single irrational act. Dismissal or discharge is a drastic step and should be taken after careful thought.

A dismissal needs to be supported by just and sufficient reasons. Before discharging or dismissing the employee, advance notice of the impending danger must be given and the reasons of discharge must be stated clearly. The employee must be given the opportunity to defend himself.

### **Death**

Some employees may die in service. When the death is caused by occupational hazards, the employee gets compensation as per the provisions of the Workmen's Compensation Act. On compassionate grounds some organizations offer employment to the spouse/child/dependent of the employee who dies in service.

### **Suspension**

Suspension means prohibiting an employee from attending work and performs normal duties assigned to him. This is a serious punishment and is generally awarded only after a proper enquiry has been conducted. During suspension, the employee receives a subsistence allowance. If the charges against the suspended employee are serious and are proved, suspension may lead to termination also.

### **Retrenchment**

Retrenchment, too, results in the separation of an employee from his employer. Retrenchment is generally on account of surplus staff, poor demand for products, general economic slowdown etc. Termination of services on disciplinary grounds, illness, retirement, winding up of a business does not constitute retrenchment.

Retrenchment entitles the employees to compensation which in terms of section 25 (f) of the Industrial Disputes Act 1947, is equivalent to fifteen days average pay for each completed year of continuous service. The principle in the procedure of retrenchment is that the last person employed in each category must be the first person to be retrenched i.e. "last come first go".

### **Lay off**

A lay off is a temporary separation of the employee from his employer at the instance of the latter without any prejudice to the former.

“Lay off means the failure, refusal or inability of an employer on account of coal, power or raw-materials or accumulation of stock, breakdown of machinery or by any other reason to give employment to a workman whose name is borne on the muster roll.”

Thus, lay off is resorted to as a result of some bonafide reasons as factors which are beyond the control of the employers. As the employees are laid off at the instance of the employer, they have to be paid compensation for the period they are laid off. Sec. 25 of the Industrial Disputes Act 1947 makes it mandatory on the part of the employer to pay compensation for all the days of the lay off.

The compensation must be equal to half the normal wages the employee would have earned if he had not been laid off. It goes without saying that employees with the shortest period of service to their credit are first laid off and the older employees are retained as long as conditions permit. Competence as the basis for lay off is not possible in unionized companies because of the outright resistance shown by union leaders.

As soon as the layoff is lifted, the employees should be recalled. The seniority system usually specifies that those who were laid off last will be called back first. However, the management may seek to call junior employees whose skills are essential for the resumption of production.

Because of the heavy costs involved in lay off, employers should take every possible step to avoid the causes of lay off. A possible adjustment of placements of workers such as demotions, transfers etc. should be made.

### **Performance Appraisal**

Performance Appraisal is defined as a systematic process, in which the personality and performance of an employee is assessed by the supervisor or manager, against predefined standards, such as knowledge of the job, quality and quantity of output, leadership abilities, attitude towards work, attendance, cooperation, judgment, versatility, health, initiative and so forth.

It is also known as performance rating, performance evaluation, employee assessment, performance review, merit rating, etc.



Performance Appraisal is carried out to identify the abilities and competencies of an employee for future growth and development. It is aimed at ascertaining the worth of the employee to the organization, in which he/she works.

Different types of performance appraisals help identify different aspects of employee success.

### **Types of Appraisal**

#### **Rating Scale**

A rating scale takes certain behaviors, goals and traits and scores them on a scale. Every employee or team member is graded by the same standards giving insights about key team players not just individuals. Rating scales are usually numerically based, for example using a scale of one to five with five being the best possible performance. It is also possible that rating scales simply rate things as “poor, standard, and excellent,” or even as simple as “acceptable or unacceptable.”

#### **Self-Assessment**

You might not want to waste time on self-assessments if you buy into the false notion that everyone will rate themselves with high scores. Employees are very aware of where they excel and where they struggle. Getting a self-assessment gives you an insight to their thinking. You might not see from a managerial standpoint that a person is struggling with computer skills, but a self-assessment could show you a lack of confidence someone has in this area.

It is useful to have employees rate themselves according to the same scale standards that managers rate them. This helps both leadership and the employee see gaps in performance understanding. As part of the self-assessment, ask employees to set their own goals for the next month or quarter. This helps managers get buy-in regarding goals from employees and also see what employee motivation is for bigger success.

#### **360-Degree Feedback**

This assessment style is more time consuming than other assessment methods, because it requires feedback from everyone an employee works with. The 360-degree feedback method looks at performance by gaining reviews from managers, co-workers, subordinates and other metrics conducted by sales data or customer feedback. It takes a holistic view of

the employee from a performance and behavioral level. This method of review is a good way to see if an employee is a good candidate for promotion and leadership.

### **Management by Objectives (MBO)**

This method of performance appraisal is common among sales staff but isn't limited to that department. MOB reviews performance based on how well the employee meets his goals. Goals could include sales numbers, deadline meetings or new certifications. You can look at goals and see very clearly if an employee is meeting the goals or not. This is a very black and white method of evaluation.

### **Job Evaluation. Meaning & Methods**

#### **JOB EVALUATION**

A job evaluation is a systematic way of determining the value/worth of a job in relation to other jobs in an organization. It tries to make a systematic comparison between jobs to assess their relative worth for the purpose of establishing a rational pay structure. Job evaluation needs to be differentiated from job analysis. Job analysis is a systematic way of gathering information about a job. Every job evaluation method requires at least some basic job analysis in order to provide factual information about the jobs concerned. Thus, job evaluation begins with job analysis and ends at that point where the worth of a job is ascertained for achieving pay equity between jobs and different roles.

There are four basic methods of job evaluation currently in use which are grouped into two categories:

#### **1. Qualitative Methods**

- (a) Ranking or Job Comparison**
- (b) Grading or Job Classification**

#### **2. Quantitative Methods**

- (a) Point Rating**
- (b) Factor Comparison**

#### **Methods of Job Evaluation**

##### **1. Ranking Method**

The ranking method is the simplest form of job evaluation. In this method, each job as a whole is compared with other and this comparison of jobs goes on until all the jobs have

been evaluated and ranked. All jobs are ranked in the order of their importance from the simplest to the hardest or from the highest to the lowest.

Ranking method is appropriate for small-size organizations where jobs are simple and few. It is also suitable for evaluating managerial jobs wherein job contents cannot be measured in quantitative terms. Ranking method being simple one can be used in the initial stages of job evaluation in an organization.

### **Merits of Ranking Method**

- (i) It is the simplest method.
- (ii) It is quite economical to put it into effect.
- (iii) It is less time consuming and involves little paper work.

### **Demerits of Ranking Method**

- (i) The main demerit of the ranking method is that there are no definite standards of judgment and also there is no way of measuring the differences between jobs.
- (ii) It suffers from its sheer unmanageability when there are a large number of jobs.

## **2. Grading Method**

Grading method is also known as 'classification method'. This method of job evaluation was made popular by the U.S. Civil Service Commission. Under this method, job grades or classes are established by an authorised body or committee appointed for this purpose. A job grade is defined as a group of different jobs of similar difficulty or requiring similar skills to perform them. Job grades are determined on the basis of information derived from job analysis.

The grades or classes are created by identifying some common denominator such as skills, knowledge and responsibilities. The example of job grades may include, depending on the type of jobs the organisation offers, skilled, unskilled, account clerk, clerk-cum-typist, stenographer, office superintendent, laboratory assistant and so on.

### **Merits of Grading Method**

- (i) This method is easy to understand and simple to operate.
- (ii) It is economical and, therefore, suitable for small organizations.
- (iii) The grouping of jobs into classifications makes pay determination problems easy to administer.
- (iv) This method is useful for Government jobs.



**Demerits of Grading Method**

- (i) The method suffers from personal bias of the committee members.
- (ii) It cannot deal with complex jobs which will not fit neatly into one grade.
- (iii) This method is rarely used in an industry.

**3. Points Rating**

This is the most widely used method of job evaluation. Under this method, jobs are broken down based on various identifiable factors such as skill, effort, training, knowledge, hazards, responsibility, etc. Thereafter, points are allocated to each of these factors.

Weights are given to factors depending on their importance to perform the job. Points so allocated to various factors of a job are then summed. Then, the jobs with similar total of points are placed in similar pay grades. The sum of points gives an index of the relative significance of the jobs that are rated.

**Merits of Points Rating**

- (i) It is the most comprehensive and accurate method of job evaluation.
- (ii) Prejudice and human judgment are minimized, i.e. the system cannot be easily manipulated.
- (iii) Being the systematic method, workers of the organization favour this method.
- (iv) The scales developed in this method can be used for long time.
- (v) Jobs can be easily placed in distinct categories.

**Demerits of Points Rating**

- (i) It is both time-consuming and expensive method.
- (ii) It is difficult to understand for an average worker.
- (iii) A lot of clerical work is involved in recording rating scales.
- (iv) It is not suitable for managerial jobs wherein the work content is not measurable in quantitative terms.

**4. Factor Comparison Method**

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

**Merits of Factor Comparison Method**

- (i) It is more objective method of job evaluation.

- (ii) The method is flexible as there is no upper limit on the rating of a factor.
- (iii) It is fairly easy method to explain to employees.
- (iv) The use of limited number of factors (usually five) ensures less chances of overlapping and over-weighting of factors.
- (v) It facilitates determining the relative worth of different jobs.

#### **Demerits of Factor Comparison Method**

- (i) It is expensive and time-consuming method.
- (ii) Using the same five factors for evaluating jobs may not always be appropriate because jobs differ across and within organizations.
- (iii) It is difficult to understand and operate.





## UNIT IV



## **Introduction to Compensation Management, Components of employee and Executive Compensation**

In simple terms, compensation is everything that a company offers its employees in return for their talent and time. When organized the right way, compensation dollars can be strategically leveraged to reduce turnover, boost employee engagement and attract top talent. The purpose of compensation management is to make the most of company dollars in a way that rewards employees for their work.

Compensation management is the act of distributing some type of monetary value to an employee for their work by means of the company's policy or procedures. In basic terms, it is paying an employee based upon the decided pay and benefit package for the position. The goal of compensation management is to find quality people who perform quality work and then compensate them in order to retain them and reduce turnover rates. Some different types of compensation include salary, overtime pay, commission, bonuses, and benefits packages that might include health and dental insurance, vacation time, and retirement savings.

### **Importance of Compensation Management**

Compensation management makes a company vigilant. It drives managers to be on the look out for star performers who must be given rewards for their efforts, which ultimately decreases the risk of losing a valuable employee.

It is positive reinforcement. Yes, money doesn't make the world go round and if line managers are not friendly, helpful and supportive retention is difficult. But cash prizes and consistent monetary perks in conjunction with a great work environment allow companies to grow by leaps and bounds through motivated, hard working employees.

Compensation management enhances the company's reputation. When workers are satisfied with their monetary and intangible rewards, they attract better prospects for vacant positions, bringing new, fresh talent to the organization.

### **The basic components of employee**

**Employee compensation and benefits are divided into four basic categories:**

**Guaranteed pay:** A fixed monetary (cash) reward paid by an employer to an employee. The most common form of guaranteed pay is base salary. Guaranteed pay also includes

cash allowances (housing allowance, transport allowance, etc.), differentials (shift differentials, holiday differentials) and premiums (overtime, night shift, etc.)

**Variable pay:** A non-fixed monetary (cash) reward paid by an employer to an employee that is contingent on discretion, performance, or results achieved. The most common forms of variable pay are bonuses and incentives.

**Benefits:** Programs an employer uses to supplement employees' compensation, such as paid time off, medical insurance, company car, and more.

**Equity:** Based compensation – stock or pseudo stock programs an employer uses to provide actual or perceived ownership in the company which ties an employee's compensation to the long-term success of the company. The most common examples are stock options.

### **Components Executive Compensation**

#### **4 Main Components of Executive's Compensation**

##### **A basic salary**

A basic salary this is regarded as a "fixed" element of pay and it does not normally vary in relation to company performance. Since salary establishes the executive's basic standard of living, it is necessary for both high and low-performing firms to pay at the going market rates.

##### **Short-term incentives**

Short-term incentives are generally awarded annually. Award opportunities reflect hierarchical position relationship in most cases with higher opportunities relative to salary for higher-level positions and vice versa.

##### **Long-term incentives**

Long-term incentives generally refer to grants or awards where the payment is based on performance for a period beyond one year.

The chief grant types fall into three broad categories-stock-price appreciation grants, restricted stock or cash grants and performance-based grants.

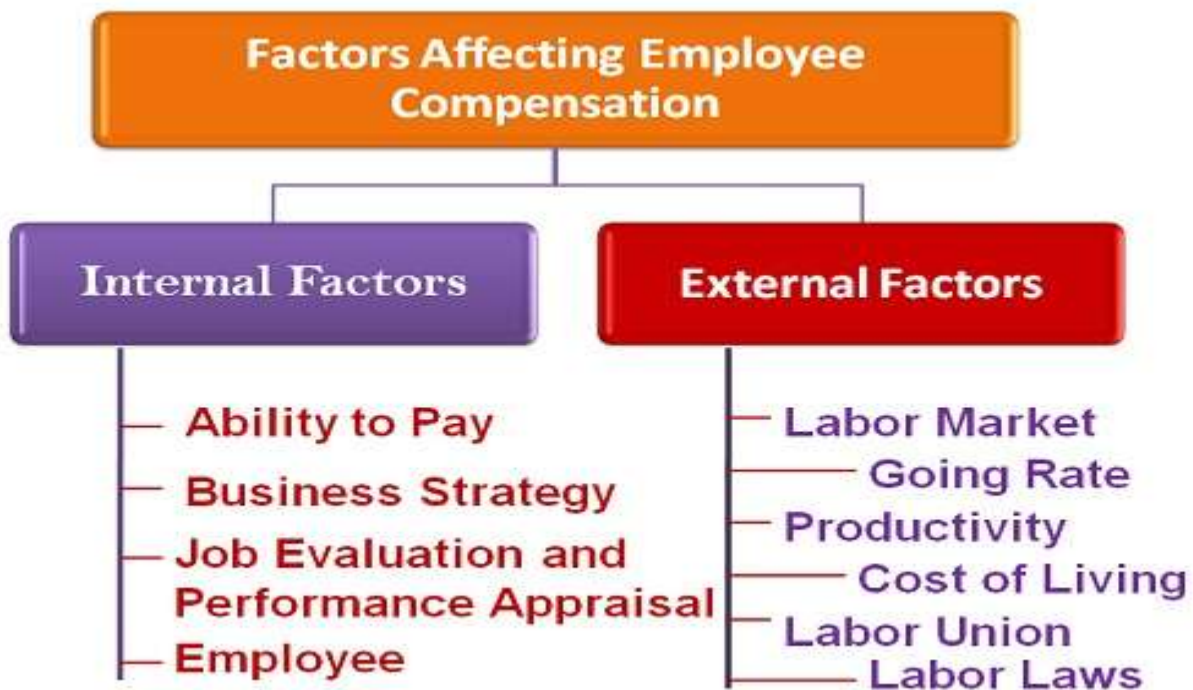
##### **Benefits/Perquisites**

The last component of an executive's total compensation package consists of a wide variety of benefits and perquisites. It is difficult to quantify benefits due to lack of reliability of

data. These benefits include company cars, club membership, spouse travel, housing accommodation etc.

### Factors affecting Employee Compensation

The **Compensation** is the monetary and non-monetary rewards given to the employees in return for their work done for the organization. Basically, the compensation is in the form of salaries and wages. There are several internal and external factors affecting employee compensation, which are discussed in detail below.



#### 1. Internal factors

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

**(i) Ability to Pay-** The prosperous or big companies can pay higher compensation as compared to the competing firms whereas the smaller companies can afford to maintain their pay scale up to the level of competing firm or sometimes even below the industry standards.

**(ii) Business Strategy-** The organization's strategy also influences the employee compensation. In case the company wants the skilled workers, so as to outshine the competitor, will offer more pay as compared to the others. Whereas, if the company wants



to go smooth and is managing with the available workers, will give relatively less pay or equivalent to what others are paying.

**(iii) Job Evaluation and Performance Appraisal-** The job evaluation helps to have a satisfactory differential pays for the different jobs. The performance Appraisal helps an employee to earn extra on the basis of his performance.

**(iv) Employee-** The employee or a worker himself influences the compensation in one of the following ways.

**Performance-** The better performance fetches more pay to the employee, and thus with the increased compensation, they get motivated and perform their job more efficiently.

**Experience-** As the employee devotes his years in the organization, expects to get an increased pay for his experience.

**Potential-** The potential is worthless if it gets unnoticed. Therefore, companies do pay extra to the employees having better potential as compared to others.

## 2. External Factors

The factors that exist out of the organization but do affect the employee compensation in one or the other way. These factors are as follows:

**(i) Labor Market-** The demand for and supply of labor also influences the employee compensation. The low wage is given, in case, the demand is less than the supply of labor. On the other hand, high pay is fixed, in case, the demand is more than the supply of labor.

**(ii) Going Rate-** The compensation is decided on the basis of the rate that is prevailing in the industry, i.e. the amount the other firms are paying for the same kind of work.

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

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

**(v) Labor Unions-** The powerful labor unions influence the compensation plan of the company. The labor unions are generally formed in the case, where the demand is more,

and the labor supply is less or is involved in the dangerous work and, therefore, demands more money for endangering their lives. The non-unionized companies or factories enjoy more freedom with respect to the fixation of the compensation plan.

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

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

### **Employee incentive schemes**

Employee incentive schemes are a great way to motivate and reward staff for their hard work, whilst also boosting productivity and raising morale.

Employee incentives can be defined as a system by which the employees get rewarded for their success and hard work in the workplace. The incentives include various prizes and the recognition among others.

Incentive schemes for employees can vary from business to business and can include both monetary and non-monetary rewards. They are usually implemented within a specific time frame and encourage staff to work towards specific targets.

### **The following are various employee incentives**

#### **Compensation incentives**

The compensation incentives may include bonuses, signing bonus, sharing profit and many other stock options. The compensation incentive as the name itself says is about compensating in terms of anything like extra money, rise in the salary and also sharing the profits of company in the proportion decided by the company in its plan or the schedule.

#### **Recognition incentives**

When the employees are recognized in front of whole staff, it is basically the recognition incentive. It includes the actions like thanking, presenting or praising employees by an achievement certificate. Not just this, the company's manager may even announce the accomplishment of an employee in one of the important meetings.

### **The reward incentives**

The reward incentives would specifically include the awards to be given to the employees. The awards could be in any form like gifts, special certificates, and monetary rewards and so on. Not just this but some companies make use of the employee referral awards which are used to refer the jobs to some employees. The reward incentives encourage the employees and also keep them away from the boredom.

### **Appreciation incentives**

When the employees get appreciated for delivering good results or for achieving the goal, it is referred to as appreciation incentives. But now days the definition of appreciation incentives has changed to larger extent and it means joining the company parties, the birthday, anniversary celebrations, paid group lunches, sporting events, ice cream socials and so on.

### **Offering employee's equity**

Although this is entirely a new concept but many CEO's have found a way out on how to spin the wheel while proving these incentives to the employees.

### **Set up an Employee Incentive Scheme**

Setting up your own employee reward scheme will allow you to be as creative as possible with your employee benefits, as well as specifically tailoring them to the needs of your business. In order to create a successful incentive scheme for employees, there are a few things you need to consider:

#### **(I) Set objectives**

First, decide what it is that you want to gain from the scheme. Whether you want to improve staff skills, increase your margins or lower your employee turnover, be sure to know what it is you want to gain from the incentive scheme. By knowing this at the beginning, you will be in a better position to measure its success.

#### **(ii) Set targets**

You need to set targets that will be specific to each team and/or individual. It's important that everyone feels involved but make sure that you create different schemes tailored to different people or teams. This will ensure no one is left feeling alienated, and that everyone can get the most out of their scheme. A poorly tailored employee reward scheme could lead to employees feeling cheated and dissatisfied, thus not solving the issue.



When you set targets, be sure to communicate them clearly to all employees so they know what they can get from the scheme. Also be aware of the difference between ambitious and achievable targets.

### **(iii) Set a time frame**

Creating a clear time frame not only keeps everyone in the loop but also allows individuals to assess the amount of work that needs to be done. This also means that you can resist the urge to micromanage employees and split long-term goals into shorter ones. By providing short-term goals in this manner, you will be able to better manage the progress towards your long-term goals, without your employees losing focus.

### **(iv) Define rewards**

When it comes to showing your appreciation, be creative with your rewards. Monetary rewards are an easy incentive, but it's still important to ask your employees what they would want. Perhaps give them a few options and let them choose which incentive they would prefer. By selecting an incentive they actually want, they'll be much more motivated to work towards their targets.

Non-monetary rewards are sometimes a better option as they can promote a better work ethic. Examples include;

- + Giving praise
- + Increasing the number of paid holiday days
- + Giving more autonomy in their current role

### **(v) Measure success**

In order to know how well your reward scheme is working, you need to measure its success. You need to make sure that your method of measuring is specifically tailored to your business and your schemes in order to accurately establish whether or not it was worth it

## **RECENT TRENDS IN COMPENSATION MANAGEMENT**

We saw some long-anticipated predictions materialize in 2018. We can expect to see these exciting transitions continue this year as we move into the Fourth Industrial Revolution, which has launched many deep and thoughtful conversations on thriving in a world that is rapidly becoming reliant on digital technology.

## NEW TRENDS IN COMPENSATION MANAGEMENT

- **GROUP MEDICLAIN/INSURANCE SCHEME**
- **PERSONAL ACCIDENT INSURANCE SCHEME**
- **COMPANY LEASED ACCOMMODATION**
- **RECREATIONAL FACILITIES**
- **CORPORATE CREDIT CARD**
- **ELITE CLUB MEMBERSHIPS**

### **FLEXIBILITY**

Today's technology is enabling more and more professionals to change their mindsets about giving up full-time employment for contract-based opportunities that offer greater control over their time, growth, education, and job security. This trend is largely being driven by those with bulkier resumes and longer tenures especially in STEM (science, technology, engineering and mathematics) industries. The job market is filling up with new and exciting endeavours, but there are a limited number of qualified professionals to fill the need.

Managing contractors – who may only be around for 6-12 months – requires a creative and systematic approach to crafting fair pay and benefits arrangements that can attract, motivate, and protect them. Note that a majority of these employees will be in life stages where time for family and personal growth will take priority. But, the returns to reap can be vast and game-changing for your organization.

Engaging contingent workers can reduce overhead costs, especially for tax and infrastructure expenses. Their valuable experiences and insights can introduce much-needed diversity, dynamism, and agility to your business, and provide cost-effective learning and innovation initiatives. Moreover, they could become ambassadors for the culture and brand, which can boost your organization's reputation and staffing objectives.

### **TECHNOLOGY**

The concept of having greater flexibility in the workplace has been brewing for a long time, but the administrative demands for implementing custom arrangements was a minefield.

Nowadays, however, with the world changing at a breakneck speed, organizations have to be ever more robust.

A mere ten years ago, digital spreadsheets and automated charts were all it took to enable pay strategies. Now there are powerful compensation software products to help perform this task. These can not only implement flexible arrangements but more importantly, integrate seamlessly between systems and process, thus enabling linkages between job leveling, market benchmarking, and compensation analytics. This gives compensation professionals increased opportunities to strategize further and determine timely solutions that could give more bang for buck, not to mention save countless hours of manual administration.

### **PERSONALIZATION**

Many of the hybrid jobs that now exist weren't even offered five to ten years ago. These roles will continue to evolve as we speed through the 21st century, which will call for an overhaul of the traditional compensation mindset.

Professionals have previously been content to take their salary and expect an across-the-board approach to pay increases and rewards. But as flexibility in the workplace becomes the norm, employees will also want their compensation and benefits packages to become more personalized.

Organizations will see analytics strongly recommending actions to maximize on human capital by adopting skills-based performance evaluation; customizing pay and benefits to address the employee's life stage and personal needs; and creating alternative paths of career growth.

It will be worthwhile revisiting your Employee Value Proposition (EVP) and to consider creating customized rewards programmes for the top talent that are vital to your organization. Supplementing analytics with employee insights could steer your EVP towards a more meaningful goal for both the business and your workforce.

### **HEALTH AND WELLNESS**

While rapid technological advancements of this era have helped to streamline systems and processes, they have also made the global marketplace even more competitive and demanding. According to our 2016 Staying@Work Survey, over 50% of employees say their jobs are a primary source of stress, especially in companies where there is less regard



or prioritization of personal safety, health, and wellbeing. Numerous studies have linked workplace stress with various medical conditions, including cardiovascular disease, obesity, diabetes, hypertension, certain types of cancer, and mental health issues.

However, many employers still view health and wellness as an individual responsibility, preferring to stick with mostly hands-off approaches like providing medical insurance, sick leaves, and occasional off-site activities.

On the other hand, there is evidence that management-led health and wellness programmes, which are thoughtfully planned and coordinated, result in a happier and healthier workplace – with less distress, higher engagement and increased wellbeing. Productivity can be enhanced, and both hard and soft health care costs would decrease.” Successful health and productivity strategies have resulted in 6.5 fewer missed work days, twice higher engagement on the job, 25% fewer employees with hypertension, 24% fewer employees with high blood sugar levels, and 50% higher revenue per employee, among many other benefits.

### **PAY AND TRANSPARENCY**

Base salary continues to be the number one driver of attraction and retention for employees in Asia Pacific. It is as crucial as ever to not only get your compensation Right: But to ensure you are communicating openly and honestly to your workforce about pay. People now know that performance evaluation is a two-way street

### **Meaning and Nature of Employee Relation and Industrial Relations**

#### **Employee Relation**

The term 'employee relations' refers to a company's efforts to manage relationships between employers and employees. An organization with a good employee relations program provides fair and consistent treatment to all employees so they will be committed to their jobs and loyal to the company. Such programs also aim to prevent and resolve problems arising from situations at work

Employee relations has become one of the most delicate and complex problems of modern industrial society. Industrial progress is impossible without labour management cooperation and industrial harmony. Therefore, it is in the interest of all to create and maintain good relations between employers and employees.

Employer-employee relations mean the relationships between employers and employees in industrial organizations. According to Dale Yoder, the term employer-employee relations refers to the whole field of relationship among people, human relationship that exist because of the necessary collaboration of men and women in the employment process of modern industry.

### **Nature of Employee Relation**

1. Employer-employee relations are the outcome of the employment relationship in industry. These relations cannot exist without the two parties—employer and employees.” It is the industry which provides the setting for employer-employee relations.
2. Employer-employee relations include both individual relations as well as collective relations. Individual relations imply relations between employer and employees. Collective relations mean, relations between employers’ associations and trade unions as well as the role of the State in regulating these relations.
3. The concept of employer-employee relations is complex and multi-dimensional. The concept is not limited to relations between trade unions and employer but also extends to the general web of relationships between employers, employees and the Government. It covers regulated as well as unregulated, institutionalized as well as individual relations. These multi-pronged relationships may be in organized or unorganized sector.
4. Employer-employee relations is a dynamic and developing concept. It undergoes change with changing structure and environment of industry. It is not a static concept. It flourishes or stagnates or decays along with the economic and social institutions that exist in a society. The institutional forces give content and shape to employer-employee relations in a country.
5. Strictly speaking a distinction can be made between human resource management and employer-employee relations. Human resource management deals mainly with executive policies and activities regarding the human resource aspects to the enterprise while employer-employee relations are mainly concerned with employer-employee relationship. Human resource management refers to that part of employment relations which is concerned with employees as individuals, collective or group relationship of

employees and employers constitute the subject matter of employer-employee relations.

6. Employer-employee relations do not function in a vacuum. These are rather the composite result of the attitudes and approaches of employers and employees towards each other. Employer-employee relations are an integral part of social relations. According to Dr. Singh (Climate for Industrial Relations, 1968) the employer-employee relations system in a country is conditioned by economic and institutional factors.

Economic factors include economic organizations (capitalist, socialist, individual ownership, company ownership, and Government ownership), capital structure and technology, nature and composition of labour force, demand and supply of labour. Institutional factors refer to state policy, labour legislation, employers' organizations, trade unions, social institutions (community, caste, joint family, and religions), attitudes to work, power and status systems, motivation and influence, etc.

7. Several parties are involved in the employer-employee relations system. The main parties are employers and their associations, employees and their unions, and the Government. These three groups interact within the economic and social environment to shape the employer-employee relations system.
8. The main purpose of employer-employee relations is to maintain harmonious relationships between management and labour. The focus in these relationships is on accommodation. The parties involved develop skills and methods of adjusting to or cooperating with each other. They also attempt to solve their problems through collective bargaining. Every employer-employee relations system creates a complex set of rules, regulations and procedures to govern the workplace.

### **Industrial Relations (IR)**

The term industrial relations explain the relationship between employees and management which stem directly or indirectly from union-employer relationship. Industrial relations are the relationships between employees and employers within the organizational settings.

Basically, IR sprouts out of employment relation. Hence, it is broader in meaning and wider in scope. IR is dynamic and developing socio-economic process. As such, there are as many as definitions of IR as the authors on the subject. Some important definitions of IR are produced here.



According to Dale Yoder', IR is a designation of a whole field of relationship that exists because of the necessary collaboration of men and women in the employment processes of Industry".

Encyclopedia Britannica defined IR more elaborately as "The concept of industrial relations has been extended to denote the relations of the state with employers, workers, and other organizations. The subject, therefore, includes individual relations and joint consultation between employers and workers at their places of work, collective relations between employers and trade unions; and the part played by the State in regulating these relations".

### **Nature of Industrial Relation**

- (i) To create healthy relations between employees and employers.
- (ii) To minimize industrial disputes.
- (iii) To generate harmonious relations among all concerned with production process.
- (iv) To improve the productivity of workers.
- (v) To provide workers their appropriate position by considering them partners and associating them with management process.
- (vi) To provide the workers their due profit share, improve their working conditions and thereby eliminating the chances of strikes and lockout etc



# UNIT V

## **Basics of Ethics and Fair Treatment at Work**

**Human resource policies** and procedures affect employees' jobs and their future employment potential. HR managers, which in the case of a small business can mean the business owner, must continually balance the need to ensure the business meets its objectives but also ensure that the business follows and maintains ethical employment practices and standards. Among these is a key concept relating to an employee's right to justice and fair treatment.

### **The Ethics of Behavior**

Ethics are the moral principles that govern business behavior. It's critical for HR personnel to understand that compliance with federal and state employment regulations doesn't necessarily mean the business is practicing ethical behaviors. One problem is that while laws and regulations create definite standards of behavior, the concept of ethics is more subjective and perceptions about what constitutes ethical behavior often differs between individuals. To build an ethical behavior framework, HR employment practices must not only adhere to legal guidelines but also model and adhere to the business's core values.

### **HR Ethical Issues**

The lack of or a loosely enforced small-business ethics policy often leads to business owners continually struggling with a multitude of common fair-treatment issues. These include — but aren't limited to — favoritism in hiring practices, employee training and promotion, and inconsistent disciplinary measures, which may lead to increased instances of workplace harassment. Other issues include a lack of confidentiality surrounding an employee's personal and performance information, wage discrimination and basing annual reviews on factors unrelated to an employee's role.

### **Trust and Mutual Respect**

HR can foster an environment where justice and fair treatment is the norm by creating and living up to an expectation of trust and mutual respect. Trust is fostered when information-sharing is accurate, timely and complete, and when clear, specific and measurable goals are set for the business and its employees, and employees at all levels are encouraged to share their ideas and concerns. Mutual respect develops when dignity is a behavioral standard,



when the business owner and management team encourage initiative and creativity, and when diversity isn't simply tolerated but appreciated and promoted.

### **Maintaining an Ethical Environment**

HR has the power to influence the company culture. It often takes more, however, than creating and adhering to a company ethics policy. Ongoing and open communication is essential to maintaining an environment that promotes ethical behaviors such as justice and fair treatment. After setting ethical behavioral expectations, a next step is the establishment of a communication platform, such as an open-door policy and focus group meetings, that ensures a forum for discussing ethical issues exists

## **MEASURES AND POLICIES FOR EMPLOYEE SAFETY AT WORK**

### **WORKPLACE SAFETY MEASURES**

It's not always easy being a health and safety professional. Safety, although it directly affects your employees, is not always their first priority when performing their daily activities. It can be hard to get your workforce to adopt some of the workplace safety practices that you know will help to keep them safe.

Unless enforced, many workplace safety measures that you establish may fall through the cracks. Safety professionals must prioritize best practices based on their importance in order to effectively provide the required protection for employees. If nothing else, as the safety professional, you should be sure that your employees are observing the following essential safety practices.

#### **Scheduled Breaks**

Fatigue can result in slower reactions, reduced ability to process information, memory lapses, absent-mindedness, decreased awareness, lack of attention, underestimation of risk and reduced coordination., It's absolutely essential that employees take regularly scheduled breaks. Not only can this help to avoid exhaustion and injuries that are associated with mind and body fatigue, but it can also reduce stress. Stress can be a large contributing factor to incidents of workplace violence, so any opportunity to lower employee stress levels should be taken.

#### **Inform Management of Potential Safety Hazards**

An unfortunate reality for those responsible for employee safety is that while they may be trained to locate and alleviate safety risks, they often still have limited knowledge about certain workplace hazards. This is due to the fact that many workplace hazards are not apparent unless you run into them while carrying out your duties. Since employees know more than anyone about the types of things they may run into on the job, they should play an integral role in locating and alleviating such risks. These employees should be taught to actively look for risks and report them to management.

### **Maintain Responsibility for the Company's Health and Safety Policy**

As the person in charge of safety at your company, you are responsible for the Health and Safety as well as Lone Worker Policies. However, these policies also come with responsibilities for your workforce. All your employees should be thoroughly versed and trained on all health and safety matters and updated whenever you make policy changes. This is so appropriate actions are taken in the event of an emergency because when seconds count, they should not be waiting for instructions.

### **WORKPLACE POLICIES**

Your workplace policies help you build a lawful and pleasant workplace where your employees can thrive. We crafted a template to help you communicate your basic workplace policies pertaining to confidentiality, health & safety and anti-violence practices.

- ✚ Harassment and violence
- ✚ Workplace harassment
- ✚ Workplace violence
- ✚ Workplace safety and health
- ✚ Preventative action
- ✚ Emergency management
- ✚ Smoking
- ✚ Drug-free workplace

### **Confidentiality and data protection**

We want to ensure that private information about clients, employees, partners and our company is well-protected. Examples of confidential information are:

- ✚ Employee records
- ✚ Unpublished financial information

- ✦ Data of customers/partners/vendors
- ✦ Customer lists (existing and prospective)
- ✦ Unpublished goals, forecasts and initiatives marked as confidential

### **Harassment and violence**

To build a happy and productive workplace, we need everyone to treat others well and help them feel safe. Each of us should do our part to prevent harassment and workplace violence.

#### **Workplace harassment**

Harassment is a broad term and may include seemingly harmless actions, like gossip. We can't create an exhaustive list, but here are some instances that we consider harassment:

- ✦ Sabotaging someone's work on purpose.
- ✦ Engaging in frequent or unwanted advances of any nature.
- ✦ Commenting derogatorily on a person's ethnic heritage or religious beliefs.
- ✦ Starting or spreading rumors about a person's personal life.

#### **Workplace violence**

Violence in our workplace is a serious form of harassment. It includes physical and sexual assault, destruction of property, threats to harm a person or property and verbal and psychological abuse. We want to avoid those incidents altogether, but we also want to be ready to respond if needed.

#### **Workplace safety and health**

Our company is committed to creating a hazard-free workplace. To this end, we will ensure workplace safety through preventative action and emergency management.

#### **Preventative action**

Preventative actions are any actions we take to avoid injuries or illnesses related to the workplace. We will periodically conduct risk assessments and job hazard analyses [through a workplace safety committee] to uncover health risks to employees. And we will establish preventative measures to address risks accordingly.

- ✦ Hold employee training sessions on safety standards and procedures.
- ✦ Make sure employees who work in dangerous locations are safe.
- ✦ Provide protective gear like gloves, protective uniforms and goggles.



- ✦ Direct inspectors and quality control employees to evaluate equipment and infrastructure regularly.

### **Emergency management**

Emergency management refers to our plan to deal with sudden catastrophes like fire, floods, earthquakes or explosions. Our emergency management provisions include:

- ✦ Functional smoke alarms and sprinklers that are regularly inspected.
- ✦ Technicians (external or internal) available to repair leakages, damages and blackouts quickly.
- ✦ Fire extinguishers and other fire protection equipment that are easily accessible.
- ✦ An evacuation plan posted on each floor and online.
- ✦ Fire escapes and safety exits that are clearly indicated.

### **Smoking**

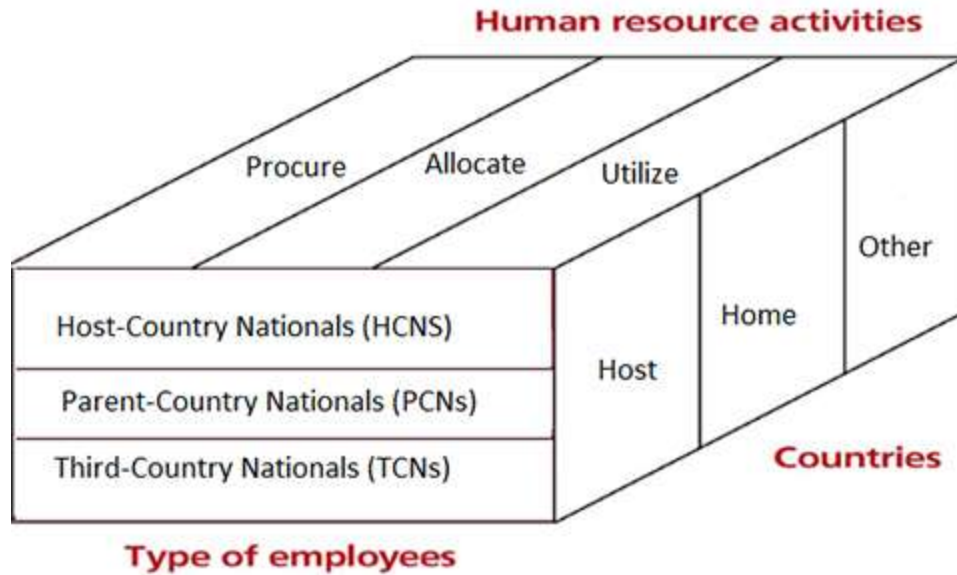
[Company's name] is a smoke-free workplace. You can smoke in [designated smoking areas, balconies, open-air verandas and outer premises, like gardens and sidewalks.] Any other area in our workplace (like restrooms, lobby, offices, staircases, warehouses) is strictly smoke-free to protect non-smokers.

- ✦ Extinguish your cigarettes and discard them in [outdoor ashtrays, cigarette burns.
- ✦ Avoid smoking when you have scheduled meetings with clients or vendors.
- ✦ Avoid smoking near flammable objects and areas.

### **Basic Principles Governing International Human Resource Management and the role of Culture**

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 03 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.

### **Basic Principles Governing International Human Resource Management**

#### **Cultural Factors**

Culture means shared beliefs, values, norms, and moral by the people. Organisational culture means a pervasive underlying set of beliefs, assumptions, values, shared feelings and perceptions, which influence the behaviour of people in the organization. The same distinguishes one organization from another.

Similarly, at macro level too, wide ranging cultural differences exist across the nations/countries. For example, the eastern culture widely varies from the western one. Just to quote, the incentive plans in Asia (Japan) tend to focus on the work group, while in the west the more usual prescription is still to focus on individual worker incentives'.

The research work of Geert Hofstede' undertaken into IBM using the responses of managers from 66 different countries produced some interesting evidences on cultural

differences. In his study Hofstede found that societies differ on four primary dimensions which he called: power distance (PDI), uncertainty avoidance (UAI), individuality (INV) and masculinity (MASC).

### **A brief discussion of these follows**

#### **(I) Power Distance (PDI)**

By power distance Hofstede means the extent to which members of a society accept that power in institutions and organizations is and should be distributed equally. Accordingly, the distance between the government and the governed is narrower in democratic societies like India than in dictatorial ones like Philippines. This means, Hofstede concludes, the workers in India will have far more chances of influencing decisions of the government than would the workers in Philippines. According to him, the same applies to organizations also.

#### **(II) Uncertainty Avoidance (UAI)**

In simple terms, uncertainty avoidance means the creation of set of rules and structures to eliminate ambiguity in organizations and support those beliefs that are promising for certainty and conformity. Differences abound among countries from this point of view also. For example, while at work place, the Indians, Germans and the French feel a much greater need for rules and regulations than do the Swedes and the British. The attitude of uncertainty avoidance is much frowned on in high PDI countries like Philippines and Germany.

#### **(III) Individualism (INV)**

In simple terms, individualism means the degree of preference of individuals expected to look after themselves and their immediate families. Just reverse is collectivist. From this stand point, USA and Britain score high on the individual index and Indonesia and Pakistan score low. What these mean is the preference for living and working in individual and collectivist ways respectively.

#### **(IV) Masculinity (MASC)**

By masculinity, Hofstede means the extent to which the society values assertiveness (masculinity) and caring (femininity). In simple terms, masculinity pertains to those societies in which social gender roles are clearly distinct, that is, men are supposed to be



assertive tough and focused on material success. Femininity pertains to societies in which women are supposed to be more modest, tender and caring for the quality of life.

As per this index, Japan and Australia ranked high in masculinity, while Denmark and Sweden ranked low. It is also important to note that in Japan, the most masculine country, women seem to retain their feminine values. However, in Sweden, the least masculine country as per the index, feminine values applies also to men.

### **Economic Conditions**

Like cultural differences, there abound economic differences among nations/countries. Differences in economic conditions or systems cause inter-country differences in HR practices. For example, in case of a country with free enterprise systems, the need for efficiency tends to favour HR practices and policies that encourage productivity, efficient workers, etc. On the other side, when one moves along the scale toward more socialist systems, HR practices tend to shift toward different direction like preventing unemployment. It may do so even at the expense of sacrificing efficiency.

### **Labour Cost Factors**

HR practices are also influenced by differences in labour costs existed in different countries. If the labour cost is high, it can require more focus on labour efficiency which, in turn, can influence HR practice to shift toward improving labour performance. Labour may get remuneration as per performance i.e., pay-for-performance.

Evidences are available to mention the inter-country differences in labour costs. Labour cost is quite more in U.K. than in India, for example. Wide gaps in hours worked also exist among the countries which also need to be considered while studying HR practices in a particular country.

Intra-country differences in hours worked exist across organizations. For example, in India, there is 5 days week (work) in the central government departments, while its 6 days week in the state government departments. This affects HR practices such as vacations between the two types of organizations in the same country.

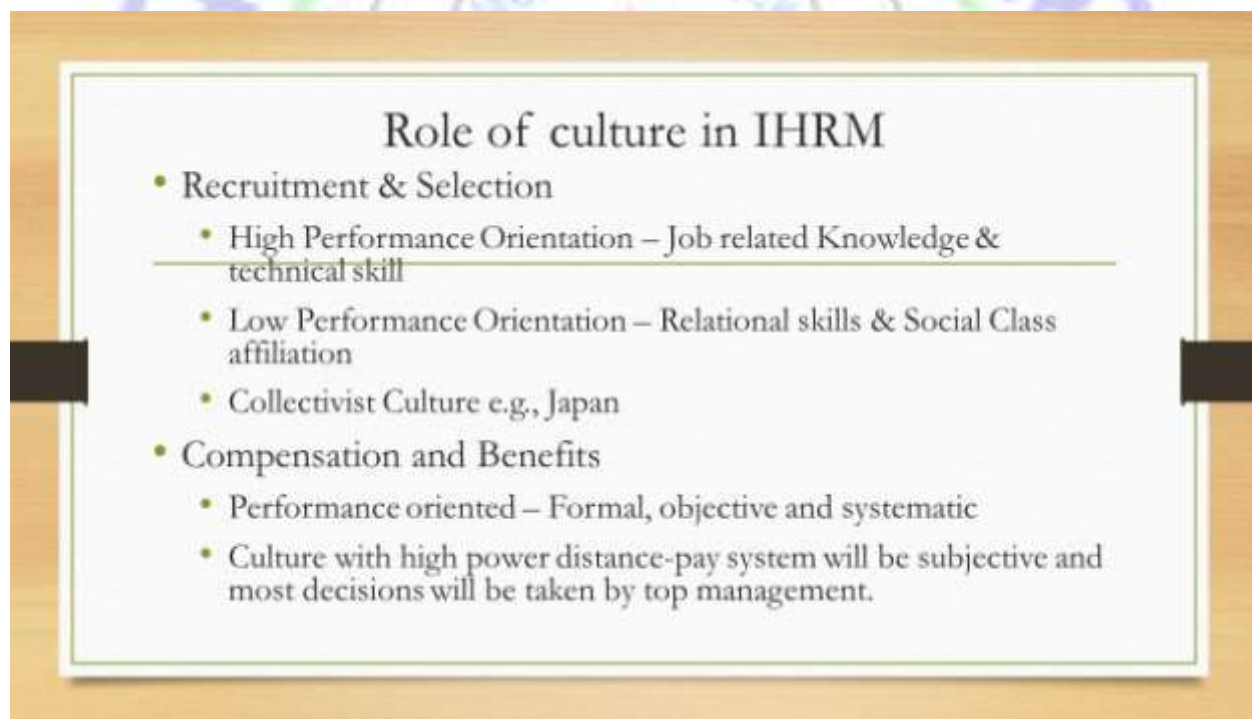
### **Labour Relations Factors**

Labour relations or industrial relations i.e., relationship between employees, employers and the government that vary from country to country and have an enormous bearing on

affecting HR practices. For instance, in Germany, codetermination is the rule. Here, the employees enjoy legal right to have their voice in the matters of their company.

On the other hand, in India and many countries, the State has its role to play in the relations between employees and employers. In India, for instance! HR policies on most matters such as compensation (wages/salary) and retirement benefits are set by the government. The government does so by enactment of the various Acts such as the Minimum Wages Act, 1948, The Payment of Gratuity Act, 1972, the Payment of Bonus Act, 1965, etc. The HR policies are determined accordingly. As seen above, wide inter-country differences in culture, economic systems, labour costs, and industrial relations systems affect HR practices. Hence, HR managers need to consider these impacts and evolve HR practices for business operations conducted globally. The subsequent section deals with the same.

### **ROLE OF CULTURE IN IHRM**



#### Role of culture in IHRM

- Recruitment & Selection
  - High Performance Orientation – Job related Knowledge & technical skill
  - Low Performance Orientation – Relational skills & Social Class affiliation
  - Collectivist Culture e.g., Japan
- Compensation and Benefits
  - Performance oriented – Formal, objective and systematic
  - Culture with high power distance-pay system will be subjective and most decisions will be taken by top management.