

HUMAN RESOURCE MANAGEMENT MODULE

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HUMAN RESOURCE MANAGEMENT

COURSE OBJECTIVE

The course Human Resource management discusses the nature and basic concepts of human resource and how to use the valuable talents, skills and abilities of employees so as to make non human resources much more productive. It also briefly explains how to control and appraise employee's performance to reduce performance variability.

Therefore, after completing the course, you will be able to:

- Gain an insight about the operative functions of personnel management
- Understand the importance and significance of human resource as an asset
- Acquire a broader perspective on managing human resource effectively.
- equip with a realistic over view of major principles and techniques of human resource management system
- understand the dynamic nature and applications of human resource management in business and other organizations
- aware of the environmental influence experiencing human resource and how to deal with these factors
- have a clear understanding of human resource handling mechanism

INTRODUCTION

Human resource is the most indispensable asset to any firm. Without sound management of human resources nothing can add value to firm's profitability. For this reason, managers of every organization designs different course of actions to get used human talents, skills and abilities to the possible extent

Hence, this module, 'human resource management' is produced to enable you get an insight to what do mean by human resource and what are the challenges in getting the desired behavior of employees to wards the job; And how to manage employees performance to get work done?.

This module contains ten chapters: chapter one introduces basic concepts and definition of human resource management. In chapter two you will learn issues of human resource management environment. Chapter three provides methods job analysis & human resource planning. In chapter four you will focus on recruitment and selection. In chapter five you will see

about training and development. Chapter six emphasized on employee performance appraisal. Chapter seven focuses on employee benefits and compensation packages. In chapter eight you will learn about industrial relation. Chapter nine deals with the issues of promotion, demotion, transfer and separation. The last chapter introduces about sexual harassment in work place, e-human resource management & empowerments.

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CHAPTER ONE

OVERVIEW OF HUMAN RESOURCE MANAGEMENT

Chapter Outline

- 1.1. Definition and back ground
- 1.2. Importance of Human resource management
- 1.3. Evolution and Development of Human resource Management
- 1.4. Human Resource management objectives

Chapter Objective

At the end of this chapter, students should be able to:

- Define what human resource management mean.
- Identify the role of human resource management
- Describe evolution and development of human resource management
- Identify human resource management objectives in the organization

1. Introduction

Personnel management, in the sense of human resource management, can be said to be part of the role of every person who is responsible for the work of others. However, the HRM approach implies a very broad meaning of ‘personnel management’ and does not tell us anything about the particular areas of work in which personnel specialists make a distinctive contribution to an organization. In this lesson the expression ‘Personnel management’ refers to the duties and activities of personnel specialists.

1.1. Definitions:

- a) HRM is that part of management concerned with people at work and with their relationships within an enterprise. It is to bring together and develop into an effective organization the men and women who make up an enterprise and, having regard for the well being of the individual and of working groups, to enable them to make their best contribution to its success. (Graham et al).

- b) HRM refers to the concept or techniques needed to carry out the people or personnel aspects of a management position including recruiting screening training rewarding and appraising (Dessler,)
- c) Human resource management is the process of accomplishing organizational objectives by acquiring, retaining, terminating, developing and properly using the human resources in an organization. (Ivnkevich)
- d) HIRM is the planning, organizing, directing and controlling of the procurement development, compensation, integration, maintenance, and separation of human resources to the end that individual organizational, and societal objectives are accomplished (Flippo)

In the above definition Flippo has tried to point out that a personnel/human resource manager is a manager who exercises authority and leadership over other personnel and thus must perform the basic function of management. This holds true to all functional managers (such as Marketing, Operations, production, Human Resource, etc managers)

Functions of Human Resource Management

The main functions of human resource management are classified into two categories:

- (a) Managerial Functions and
- (b) Operative Functions

(a) Managerial Functions Following are the managerial functions of Human Resources Management.

- 1. Planning:** The planning function of human resource department pertains to the steps taken in determining in advance personnel requirements, personnel programs, policies etc. After determining how many and what type of people are required, a personnel manager has to devise ways and means to motivate them.
- 2. Organization:** Under organization, the human resource manager has to organize the operative functions by designing structure of relationship among jobs, personnel and physical factors in such a way so as to have maximum contribution towards organizational objectives. In this way a personnel manager performs following functions:
 - preparation of task force;
 - allocation of work to individuals;
 - integration of the efforts of the task force;
 - coordination of work of individual with that of the department.
- 3. Directing:** Directing is concerned with initiation of organized action and stimulating the people

to work. The personnel manager directs the activities of people of the organization to get its function performed properly. A personnel manager guides and motivates the staff of the organization to follow the path laid down in advance.

4. **Controlling:** It provides basic data for establishing standards, makes job analysis and performance appraisal, etc. All these techniques assist in effective control of the qualities, time and efforts of workers.

(b) Operative Functions: The following are the Operative Functions of Human Resource Management

1. **Procurement of Personnel :** It is concerned with the obtaining of the proper kind and number of personnel necessary to accomplish organization goals. It deals specifically with such subjects as the determination of manpower requirements, their recruitment, selecting, placement and orientation, etc.
2. **Development of Personnel :** Development has to do with the increase through training, skill that is necessary for proper job performance. In this process various techniques of training are used to develop the employees. Framing a sound promotion policy, determination of the basis of promotion and making performance appraisal are the elements of personnel development function.
3. **Compensation of Personnel :** Compensation means determination of adequate and equitable remuneration of personnel for their contribution to organization objectives. To determine the monetary compensation for various jobs is one of the most difficult and important function of the personnel management. A number of decisions are taken into the function, viz., job-evaluation, remuneration, policy, incentive and premium plans, bonus policy and co-partnership, etc. It also assists the organization for adopting the suitable wages and salaries, policy and payment of wages and salaries in right time.
4. **Maintaining Good Industrial Relation :** Human Resource Management covers a wide field. It is intended to reduce strife's, promote industrial peace, provide fair deal to workers and establish industrial democracy. If the personnel manager is unable to make harmonious relations between management and labor, industrial unrest will take place and millions of man-days will be lost. If labor management relations are not good the moral and physical condition of the employee will suffer, and it will be a loss to an organization vis-a-visa nation.

Hence, the personnel manager must create harmonious relations with the help of sufficient communication system and co-partnership.

5. Record Keeping : In record-keeping the personnel manager collects and maintains information concerned with the staff of the organization. It is essential for every organization because it assists the management in decision making such as in promotions.

6. Personnel Planning and Evaluation : Under this system different type of activities are evaluated such as evaluation of performance, personnel policy of an organization and its practices, personnel audit, morale, survey and performance appraisal, etc.

1.2.Importance of Human Resources Management

Human Resource Manager is an individual who normally acts in an advisory or “staff” capacity, working with other managers to help them deal with human resource matters. Now days, HRM has a great deal of contribution in strategic decision making involving the HR perspective. They play a major role in strategic decision making.

Employees do have direct relationship with their line managers and thus their day-to-day activities, needs and aspirations are left to be dealt with their immediate superiors. However, the HRM should develop HR policies and programs to be implemented by the line manager and function as a catalyst and energizer of the relationship between the employees and the line managers.

For example, a line manager may seek an able person for a vacant position in his/her department. This information (with all the requirements including qualifications, years of experience, etc) will be communicated to the human resource manager who takes the responsibility of placing an ad and start the recruitment process based on the specified requirements and arrange an interview or any other selection mechanism. Usually, an interview, as a selection mechanism, is done in the presence of the hiring department to ensure that potential candidates are asked appropriate and job related questions during the interview. Once the selection is done, HRM will proceed with the placement process including orientation of the new employee. Again, orientation is done by both HRM and the hiring manager. Usually, the kind of orientation provided by the hiring department is job specific and will not cover other parts of human resource related policies in the organization. This task of familiarizing new employees with company policy and other aspects are covered by HRM.

Everything that is done by the HRM is done with a support from the other line departments and what HRM does supports the line managers in effectively executing their tasks.

Basically, the HRM performs three major roles functions:

a) **A Service Function:** According to the needs of the other departments, the HRM is required to render coordinating services such as

- Posting job advertisement
- Organizing Training Courses
- Keeping personnel records
- Operating wage/salary systems
- Looking after the firms health and safety arrangements at work, etc

b) **Control Function:**

- Analyzing key operational indices in personnel field like labor turnover, wage costs, absenteeism, etc.
- Monitoring labor performance
- Recommending appropriate remedial action to line managers.

Example: identifying training needs, change of work methods, improved work environments, etc.

c) **Advisory Function:** Offers expert advice on personnel policies and procedures such as:

- Which employees are ready for promotion (as per the policy of the organization, e.g. Based on number of years of service, etc.)
- Who should attend certain training course?
- How a grievance procedure should be operated.
- Interpretation of contracts of employment, health and safety regulation, etc.
- Ensuring equal employment opportunity etc.

Because of the diverse activities performed by the HRM and the fact that both external and internal factors affect its movement, the human resource manager is required to have general knowledge of what goes on inside or outside the organization.

Check Point

Dear Learner:

- ❖ *List down roles played by human resource manager?*
-

1.3.Evolution and Development of Human resource Management

HRM appears to have its origin in the United States in the 1950s. It did not gain wide recognition until the beginning of 1980s, and in the UK until the mid to late 1980s. The major reasons for its emergence are;

1. Major pressures experienced in the product markets during the recession of 1980-82.
2. In USA, trade union influence in collective employment was reaching fewer employees.
3. US economy was being challenged by overseas competitors, mainly Japan.
4. Declining rate of innovation in American industries.
5. Adoption of management styles and concepts – employee commitment and empowerment

The evolution of the concept of Human Resource Management is presented below

Period before industrial revolution – The society was primarily an agriculture economy with limited production. Number of specialized crafts was limited and was usually carried out within a village or community with apprentices assisting the master craftsmen. Communication channel were limited.

Period of industrial revolution (1750 to 1850) – Industrial revolution marked the conversion of economy from agriculture based to industry based. Modernization and increased means of communication gave way to industrial setup. A department was set up to look into workers' wages, welfare and other related issues. This led to emergence of personnel management with the major task as

- Worker's wages and salaries
- Worker's record maintenance
- Worker's housing facilities and health care

An important event in industrial revolution was growth of Labour Union (1790) – The works working in the industries or factories were subjected to long working hours and very less wages. With growing unrest, workers across the world started protest and this led to the establishment of Labor unions. To deal with labor issues at one end and management at the other Personnel Management department had to be capable of politics and diplomacy, thus the industrial relation department emerged.

Post Industrial revolution – The term Human resource Management saw a major evolution after

1850. Various studies were released and many experiments were conducted during this period which gave HRM altogether a new meaning and importance.

A brief overview of major theories release during this period is presented below

Frederick W. Taylor gave principles of scientific management (1857 o 1911) led to the evolution of scientific human resource management approach which was involved in

- Worker's training
- Maintaining wage uniformity
- Focus on attaining better productivity.

Hawthorne studies, conducted by Elton Mayo & Fritz Roethlisberger (1927 to 1940).Observations and findings of Hawthorne experiment shifted the focus of Human resource from increasing worker's productivity to increasing worker's efficiency through greater work satisfaction.

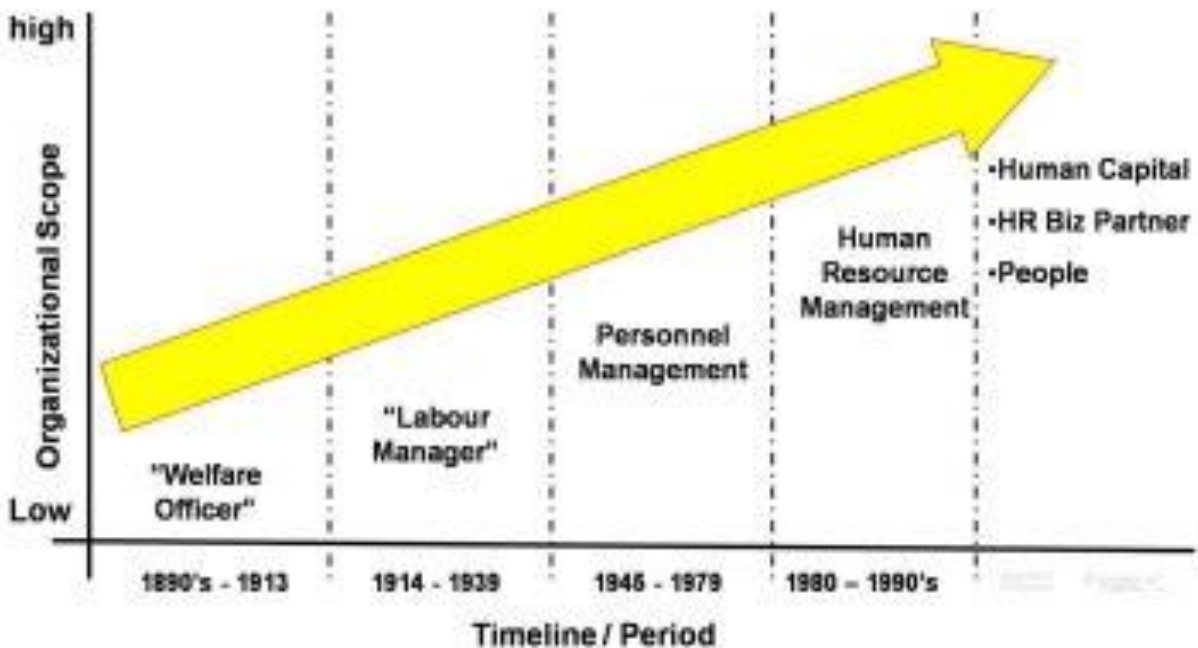
Douglas McGregor Theory X and Theory Y (1960) and Abraham Maslow's Hierarchy of needs (1954) – These studies and observations led to the transition from the administrative and passive Personnel Management approach to a more dynamic Human Resource Management approach which considered workers as a valuable resource.

As a result of these principles and studies, Human resource management became increasingly line management function, linked to core business operations.

Strategic Human Resource Management Approach

With increase in technology and knowledge base industries and as a result of global competition, Human Resource Management is assuming more critical role today. Its major accomplishment is aligning individual goals and objectives with corporate goals and objectives. Strategic HRM focuses on actions that differentiate the organization from its competitors and aims to make long term impact on the success of organization.

Evolution of HRM ...



Personnel Management VS Human Resource Management

Some experts assert that there is no difference between human resources and personnel management. They state that the two terms can be used interchangeably, with no difference in meaning. In fact, the terms are often used interchangeably in help-wanted ads and job descriptions.

For those who recognize a difference between personnel management and human resources, the difference can be described as philosophical. Personnel management is more administrative in nature, dealing with payroll, complying with employment law, and handling related tasks. Human resources, on the other hand, is responsible for managing a workforce as one of the primary resources that contributes to the success of an organization.

When a difference between personnel management and human resources is recognized, human resources is described as much broader in scope than personnel management. Human resources is said to incorporate and develop personnel management tasks, while seeking to create and develop

teams of workers for the benefit of the organization. A primary goal of human resources is to enable employees to work to a maximum level of efficiency.

Personnel management can include administrative tasks that are both traditional and routine. It can be described as reactive, providing a response to demands and concerns as they are presented. By contrast, human resources involve ongoing strategies to manage and develop an organization's workforce. It is proactive, as it involves the continuous development of functions and policies for the purposes of improving a company's workforce.

Personnel management is often considered an independent function of an organization. Human resource management, on the other hand, tends to be an integral part of overall company function. Personnel management is typically the sole responsibility of an organization's personnel department. With human resources, all of an organization's managers are often involved in some manner, and a chief goal may be to have managers of various departments develop the skills necessary to handle personnel-related tasks.

As far as motivators are concerned, personnel management typically seeks to motivate employees with such things as compensation, bonuses, rewards, and the simplification of work responsibilities. From the personnel management point of view, employee satisfaction provides the motivation necessary to improve job performance. The opposite is true of human resources. Human resource management holds that improved performance leads to employee satisfaction. With human resources, work groups, effective strategies for meeting challenges, and job creativity are seen as the primary motivators.

When looking for a job in personnel management or human resources, it is important to realize that many companies use the terms interchangeably. If you are offered a job as a personnel manager, you may be required to perform the same duties as a human resource manager, and vice versa. In some companies, a distinction is made, but the difference is very subtle.

Human Resource Management (HRM) differs from Personnel Management (PM) both in scope and orientation. HRM views people as an important source or asset to be used for the benefit of organizations, employees and society. It is emerging as a distinct philosophy of management aiming at policies that promote mutuality-mutual goals, mutual respect, mutual rewards and mutual responsibilities. The belief is that policies of mutuality will elicit commitment, which in turn, will yield both better economic performance and greater Human Resource Development (HRD). Though

a distinct philosophy, HRM cannot be treated in isolation. It is being integrated into the overall strategic management of businesses. Further, HRM represents the latest term in the evolution of the subject.



1.4.Objectives of Human Resource Management

Objectives are pre-determined goals to which individual or group activity in an organization is directed. Objectives of personnel management are influenced by organizational objectives and individual and social goals. Institutions are instituted to attain certain specific objectives. The objectives of the economic institutions are mostly to earn profits, and of the educational institutions are mostly to impart education and/or conduct research so on and so forth. However, the fundamental objective of any organization is survival. Organizations are not just satisfied with this goal. Further, the goal of most of the organizations is growth and/or profits.

Institutions procure and manage various resources including human to attain the specified objectives. Thus, human resources are managed to divert and utilize their resources towards and for the

accomplishment of organizational objectives.

Therefore, basically the objectives of HRM are drawn from and to contribute to the accomplishment of the organizational objectives. The other objectives of HRM are to meet the needs, aspirations, values and dignity of individual employees and having due concern for the socio-economic problems of the community and the country.

The objectives of HRM may be as follows:

- To create and utilize an able and motivated workforce, to accomplish the basic organizational goals.
- To establish and maintain sound organizational structure and desirable working relationships among all the members of the organization.
- To secure the integration of individual or groups within the organization by co-ordination of the individual and group goals with those of the organization.
- To create facilities and opportunities for individual or group development so as to match it with the growth of the organization.
- To attain an effective utilization of human resources in the achievement of organizational goals.
- To identify and satisfy individual and group needs by providing adequate and equitable wages, incentives, employee benefits and social security and measures for challenging work, prestige, recognition, security, status.
- To maintain high employees morale and sound human relations by sustaining and improving the various conditions and facilities.
- To strengthen and appreciate the human assets continuously by providing training and development programs.
- To consider and contribute to the minimization of socio-economic evils such as unemployment, under-employment, inequalities in the distribution of income and wealth and to improve the welfare of the society by providing employment opportunities to women and disadvantaged sections of the society.
- To provide an opportunity for expression and voice management.
- To provide fair, acceptable and efficient leadership.
- To provide facilities and conditions of work and creation of favorable atmosphere for maintaining stability of employment.

Management has to create conducive environment and provide necessary prerequisites for the attainment of the personnel management objectives after formulating them. The primary objectives of HRM are to ensure the availability of competent and willing workforce to an organization. Apart from this, there are other objectives too. Specifically, HRM objectives are of four fold: societal, organizational, functional and personal.

Societal Objectives

The Societal Objectives are socially and ethically responsible for the needs and challenges of society. While doing so, they have to minimize the negative impact of such demands upon the organization. The failure of the organizations to use their resources for society may limit human resources decisions to laws that enforce reservation in hiring and laws that address discrimination, safety or other such areas of societal concern.

Organizational Objectives

The Organizational Objectives recognizes the role of human resources management in bring about organizational effectiveness. Human resource management is not an end itself; it is only a mean to assist the organizations with primary objectives.

Functional Objectives

Functional Objectives try to maintain the departments' contribution at a level appropriate to the organizational needs. Human resources is to be adjusted to suit the organizational demands. The department's level of service must be tailored to fit the organization it serves.

Personal Objectives

Personal objectives assist employees in achieving their personal goals, at least in so far as these goals enhance the individuals' contribution to the organization. Personal objectives of employees must be met if they are to be maintained, retained and motivated. Otherwise, employees' performance and satisfaction may decline giving rise to employee turnover.

Check Point

Dear Learner: Try the following questions:

- *Explain the activities performed by human resource manager.*
 - *Please state the objectives of human resource management.*
-

1.5.The nature and Challenges of HRM

HRM is one of the most complex and challenging field of management. A human resource manager is responsible for fulfilling the requirement of the firm for an effective workforce and also be greatly concerned with the expectation of both employees and society at large.

The role of the personnel manager has thus changed through time. At first, the dominant role was to satisfy top management in processing and maintaining a workforce that would be instrumental to organizational productivity. As knowledge expanded in executing this role, the manager began to understand the necessity for ascertaining and accommodating to the needs of the employees who constituted that work force. Trying to satisfy employee's needs and interests are seldom the same. Although vast majority of people work to support themselves and their families, some work for various reasons such as:

- To keep busy and feel useful
- To create and achieve something
- To gain recognition and achieve status (ambitious to gain power and prestige)
- To test and stretch their capabilities

Thus among other things, human resource management faces several challenges. The following are some of the factors contributing to the challenges of HRM.

- a) Multifarious (diverse) needs of employees as individuals, as groups and also the organization.
- b) The rise of modern labor union.
- c) The increasing level of educational level of societal members. Such work force seems to have higher expectations about the work they are willing to perform, the degree of autonomy they expect in making decision, and sharing financial gains achieved by the organization.
- d) The increasing size and complexity of the organizations
- e) Changes in the demographics of the workforce. Composition of the workforce in terms of sex (more women in the workforce), age (more younger and educated workforce), ethnic groups (more and more minorities), religion, whether or not the work force constitutes dual-career families or single-parent families, etc.

- f) Increasing government regulation involving employment relation. Example. Equal employment opportunity.
- g) Technological advancement such as office automation (computers, word processing, and management information systems) will change the work environment by decreasing labor-intensive jobs and clerical functions. On the other hand it increases technical, managerial, and professional functions. One other significant technological advancement is in telecommunicating where by communication within organizational units has become so easy that it is now very common for employees to work from work.

Summary

Human resource is the most indispensable asset to any firm. Without sound management of human resources nothing can add value to firm's profitability. For this reason, managers of every organization designs different course of actions to get used human talents, skills and abilities to the possible extent.

Different authors defined the term human management in different way and words but, the common points for all of the authors focused on managing the human side of the organization for the effective utilization and maximizing the benefits from theme.

Function of human resource management can be categorized under two basic group such as, managerial function and operative function. Effective human resource management plays a central role for organizational competitiveness and success. Generally human resource manager plays three basic roles such as; service function, control function and advisory functions in a given organization. The evolution of human resource management starts from 1950's in USA and other part of the world. From 1890-1913 the basic objective was welfare aspect of the worker, from 1914-1939 the intention were shift to labour management, from 1946-1979 organizations accepted the concept personal management. Starting from 1980's it is accepted as human resource management. Human Resource Management (HRM) differs from Personnel Management (PM) both in scope and orientation. HRM views people as an important source or asset to be used for the benefit of organizations, employees and society.

** Self-check Questions 1**

1. Among the following alternatives which one is differ from others;
 - A. Planning
 - B. Organizing
 - C. Compensation of personnel
 - D. Directing
2. _____ is concerned with the obtaining of the proper kind and number of personnel necessary to accomplish organization goals.
 - A. Development of personnel
 - B. Procurement of personnel
 - C. Personnel planning and evaluation
 - D. Personnel record keeping
3. All of the following alternatives are the roles which are expected to be played by HRM manager except;
 - A. Posting job advertisement
 - B. Keeping personnel records
 - C. Monitoring labor performance
 - D. Ensuring equal employment opportunity
 - E. All of the above
 - F. None of the above
4. _____ are pre-determined goals to which individual or group activity in an organization is directed.
5. What we mean human resource management?

6. Explain the difference between personnel management and human resource management.

7. Mention at least five basic objectives for HRM

CHAPTER TWO

Human Resource Management Environments

Chapter Outline:

- 2.1. The external environment
- 2.2. The internal environment
- 2.3. Human resource management model

Chapter Objectives;

At the end of this chapter, students should be able to:

- Identify internal and external environments which affecting human resource management practice
- Describe human resource management models

Introduction

Human resource management (HRM) is a subset of the study of management that focuses on how to attract, hire, train, motivate, and maintain employees.

Strong employees become a source of competitive advantage in a global environment facing change in complex ways at a rapid pace.

As part of an organization, HRM must be prepared to deal with the effects of these changes. This means understanding the implications of globalization, technology changes, workforce diversity, labor shortages, changing skill requirements, continuous improvement initiatives, the contingent workforce, decentralized work sites, company mergers, offshore sourcing of goods and services, and employee involvement. Let's look at how these changes are affecting HRM goals and practices in organizations functioning in a global environment.

2.1 The external environment affecting HRM

A. Economic Conditions

- **The population and the Labor Force:** The qualification, attitude, career interest and motivations of people in the available workforce will influence human resource activities and ultimately the effectiveness of the organization.

First, we need to clarify what we mean by available work force.

Population: Includes all the people

Those eligible to work + those ineligible to work because of age or institutionalization.
(Below age of 14 and those in prison or hospital)

Eligible to work = Labor reserve + total labor force

Labor reserve: those not working for economic gain even though they are eligible to work.
(Homemakers, college students, and retirees).

Total Labor force = Armed forces + civilian labor force

Civilian Labor Force = Unemployed + Employed

Impact of the labor force on the human resource function of an organization may include

- Percent of minorities and women in the workforce influences equal employment opportunity decisions.
 - Qualifications and skills in the workforce influence need of training programs, design of jobs, etc.
 - Availability of various skills and demand for these skills by employers influence salary and compensation decisions.
 - The demand of the workforce for full-time or part-time jobs affects decision on work schedule.
- **Labor Market Conditions:** The labor market involves the job opportunities and compensation offered by employers and the skills and contributions offered by employees. The scope of the labor market is influenced by three factors:
 - **Occupation:** The skills and qualifications required in an occupation. This refers to required training, education, or even licensing requirement to perform a given type of job. E.g. accountant, medical doctors, lawyers, etc. this may limit mobility among occupations.
 - **Geography:** Distance employees are willing to relocate or commute. Supply of labor force could be limited to a specific geographic area or region. Example, supply of qualified human resource is very limited in some regions of Ethiopia.

- **Industry:** The industry in which the organization competes for labor and sells its products/services is also important. The more competition an organization faces in the industry the more it is expected to offer employees better compensation for their contribution. This becomes even more important if the supply of qualified employees is very limited.
- **Product/Service Market:**
 - **Demands for products and services:** The quality and quantity of people an organization hires and its ability to pay its employees is affected by the changes that occur in the product/service market. For instance, in times of market growth, organizations increase employment levels while in times of market decline, organizations economize their use of human resources.
 - **Inflation:** It is the rate of change in prices we pay for goods and services. A change in inflation rate affects human resource management especially on cost-of-living adjustments (COLA) to salaries and pension plans. It also has impact on cost of recruiting interviewing, and training employees.
 - **Technology:** Changes in technology will influence the nature of jobs to be performed and consequently the qualifications and skills of people required to perform them.

B. Government Influences: Government regulations have direct impact on human resource management decisions by regulating terms and conditions of employment. Involvement and intervention of government in employee and employer relations is increasing over time. Some are of legislation and regulation includes:

- Equal employment opportunity: it affects recruiting, selection, evaluation, and promotion directly and employment planning, orientation, career planning, training, and development indirectly.
- Sex and age discrimination.
- Compensation regulation: specifying the minimum pay for any job, for employees with a certain educational level, etc.
- Hours of work, national holidays, etc.

- **Benefit Regulations:** In some countries government requires employs to have basic medical insurance plans for its employees.
- **Worker's safety laws:** affects health and safety programs in organizations.
- **Privacy laws** protecting employees' personal information.
- **Labor relations laws and regulations:** affects the conduct of collective bargaining.

C. Union Expectations and power: Labor unions exist to protect employees' right in a more organized and effective way. Union's interest, expectation and power differ from one union to another. It depends on the kind of industry they are in, the number and involvement of its members and the response of the management to the demands and questions of the unions. However the case may be, the presence of a union directly affects most aspects of human resource management-recruiting selection, performance evaluation, promotion, compensation, and benefits, among other things.

2.2 Internal Environmental Conditions

A. Strategies and Operational Objectives: Organizations have strategic and operational objectives determining the direction of the business. When organizations change their strategies, they are determining the direction that is should take. Consequently, all plans that follow the strategic decisions will also change including the human resource requirement in terms of quantity, skill and experience.

B. Financial Condition and Flexibility: Financial status of an organization has a particularly critical influence on personnel activities. If an organization is in a good financial condition, it is likely to increase the quantity of its employees or even offer higher salary increments to its employees. However, if the organization is not in a good financial condition, it is most likely to reduce its employees. This is especially true for those labor intensive organizations such as education, health care, and government institutions where majority of the budget is assigned to cover salaries and other benefits.

C. Nature of the Task

The kind of employees found in a given organization is highly influenced by the kind of tasks/activities performed. Some of the issues relevant for employees in choosing to work for a certain organization include degree of physical exertion required, degree of environmental

unpleasantness, physical location of work, time dimension of work, human interaction on the job, and degree of autonomy in the task.

D. Culture and Philosophy of Organizations

Organizational culture refers to the “values, beliefs and traditions shared by all members in an organization.” If an organization has a well defined and practiced culture its employees should be able to feel comfortable to operate in that environment and adhere to the established culture

E.g. Culture of Productivity through people-described as

“Treat employees as the root source of quality and productivity gain.” Or “Respect for the individual.”

Culture of Autonomy and Entrepreneurship-“Foster many leaders and innovators through the organization”

Check Point

- ❖ *What are the factors in internal & external environment which affecting human resource management?*
-

2.3 Human resource management model

▪ 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 2.1), which consists of four generic processes or functions that are performed in all organizations. These are:

1. *selection* – matching available human resources to jobs;
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

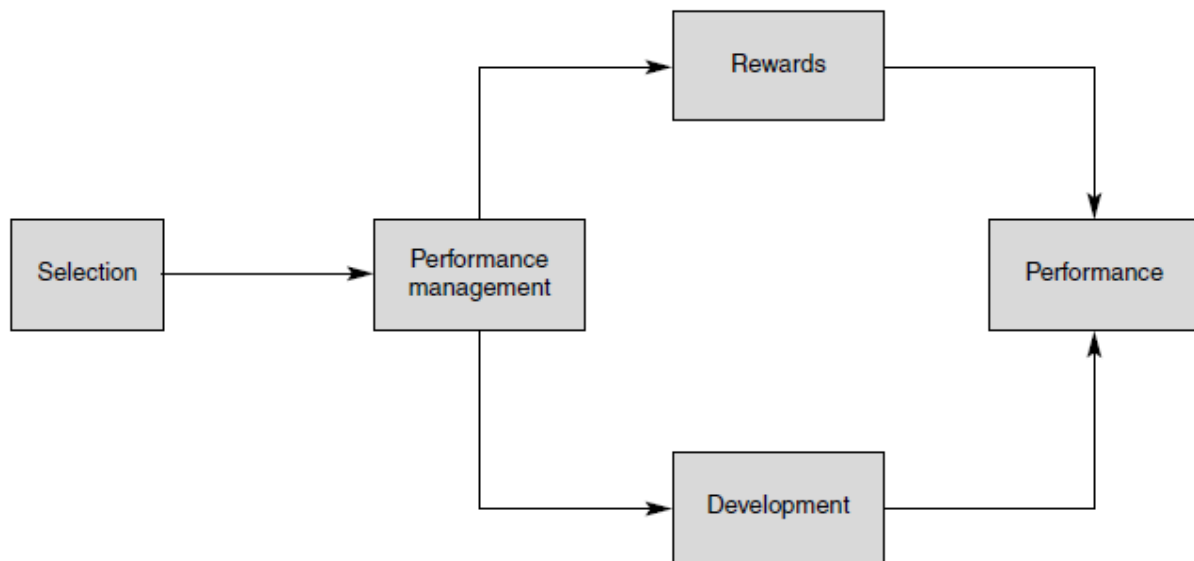


Fig. 2.1. The human resource cycle (source:- Michael Armstrong – A hand book of Human resource management practice 10th ed. PP 30)

▪ 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 modeled by Beer *et al* is shown in Figure 2.2.

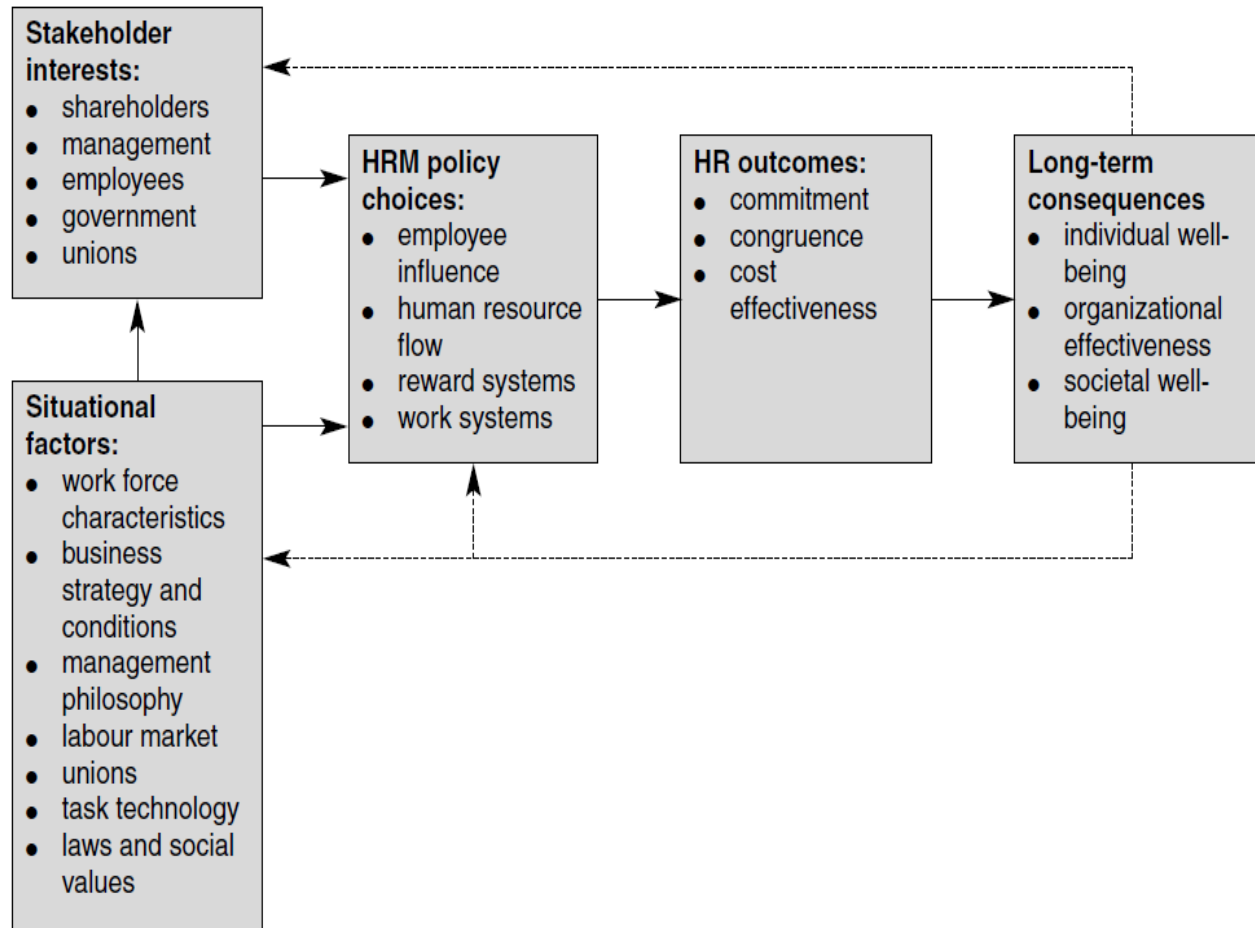


Fig. 2.2.- The Harvard Framework for human resource management

Employees are significant stakeholders in an organization. They have their own needs concerns along with other groups such as shareholders and customers.

The Harvard framework outlines four HR policy areas;

- **Employee influence:-** delegated levels of authority, responsibility, power
- **Human resource flow:-** recruitment, selection, promotion, appraisal, termination, etc
- **Reward system:-** pay system, motivation, etc
- **Work system:-** design of work and alignment of people

Which in turn lead to the four “C’s” or HR policies that have to be achieved:

- Commitment
- Congruence
- Competence
- Cost effectiveness

Beer et al (1984) proposed that long-term consequences both benefits and cost of human resource policies should be evaluated at three levels; individual, organizational, and societal. These in turn should be analyzed using the four C’s.

Summary

Since organizations are within the environment and HRM is part of an organization, HRM activities must be prepared to deal with the effects of these changes. We can categorize the environmental factors which affecting HRM activities under two broad groups;

1. The external environment:- includes variables like;

B. Economic Conditions

- The population and the Labor Force, Labor Market Conditions, Product/Service Market

C. Government Influences:- Some of government legislation and regulation which may affecting HRM function includes;

- Equal employment opportunity, Sex and age discrimination, Compensation regulation, Hours of work, national holidays, and Worker's safety laws etc.

D. Union Expectations and power:- Labor unions exist to protect employees' right however, the presence of a union directly affects most aspects of human resource management- recruiting selection, performance evaluation, promotion, compensation, and benefits, among other things.

2. Internal Environmental:- this factors includes;

- Strategies and operational objectives, financial condition and flexibility, nature of the task, culture and philosophy of organizations.

There are two basic models in human resource management;

A. The matching model of HRM :- They explained that there is a human resource cycle, which consists of four generic processes or functions that are performed in all organizations. These are: *selection, development, rewards, and appraisal*

- B. **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.*

Self-check Questions 2

1. _____ those not working for economic gain even though they are eligible to work.
 - A. Ineligible to work
 - B. Labor reserve
 - C. Total labor force
 - D. All of the above
2. Impact of the labor force on the human resource function of an organization may include;
 - A. The question of equal employment opportunity for women & minority groups.
 - B. Need of training programs to improve skill & knowledge
 - C. The demand for flexible work hour by different groups
 - D. Value, perception, & attitude variations among the work force & administering it.
 - E. All of the above
3. Among the following alternative one is not under the category of external environment affecting HRM function.
 - A. Economic Conditions
 - B. Government Influences
 - C. Financial status of an organization
 - D. Union Expectations and power

4. _____ is values, beliefs and traditions shared by all members in an organization.
5. The _____ model of HRM held that HR systems and the organization structure should be managed in a way that is congruent with organizational strategy.

CHAPTER THREE

JOB ANALYSIS & Human Resource Planning

Chapter Outline:

- 3.1. Meaning and definition of job analysis
- 3.2. Steps in job analysis
- 3.3. Methods of collecting job analysis information
- 3.4. Importance of job analysis information
- 3.5. Potential problems with job analysis
- 3.6. Meaning and definition of Human resource planning
- 3.7. Importance of human resource planning
- 3.8. Steps [procedures] in human resource planning
- 3.9. Factors affecting human resource planning

Chapter objectives

Up on the completion of this chapter, students will be able to:

- ✓ Define what we mean job analysis
- ✓ Describe steps in job analysis
- ✓ Identify importance of job analysis information
- ✓ Explain the nature and characteristics of human resource planning
- ✓ Describe the importance of human resource planning
- ✓ Identify problems of human resource planning
- ✓ Identify factors and components of human resource planning
- ✓ Show human resource planning processes

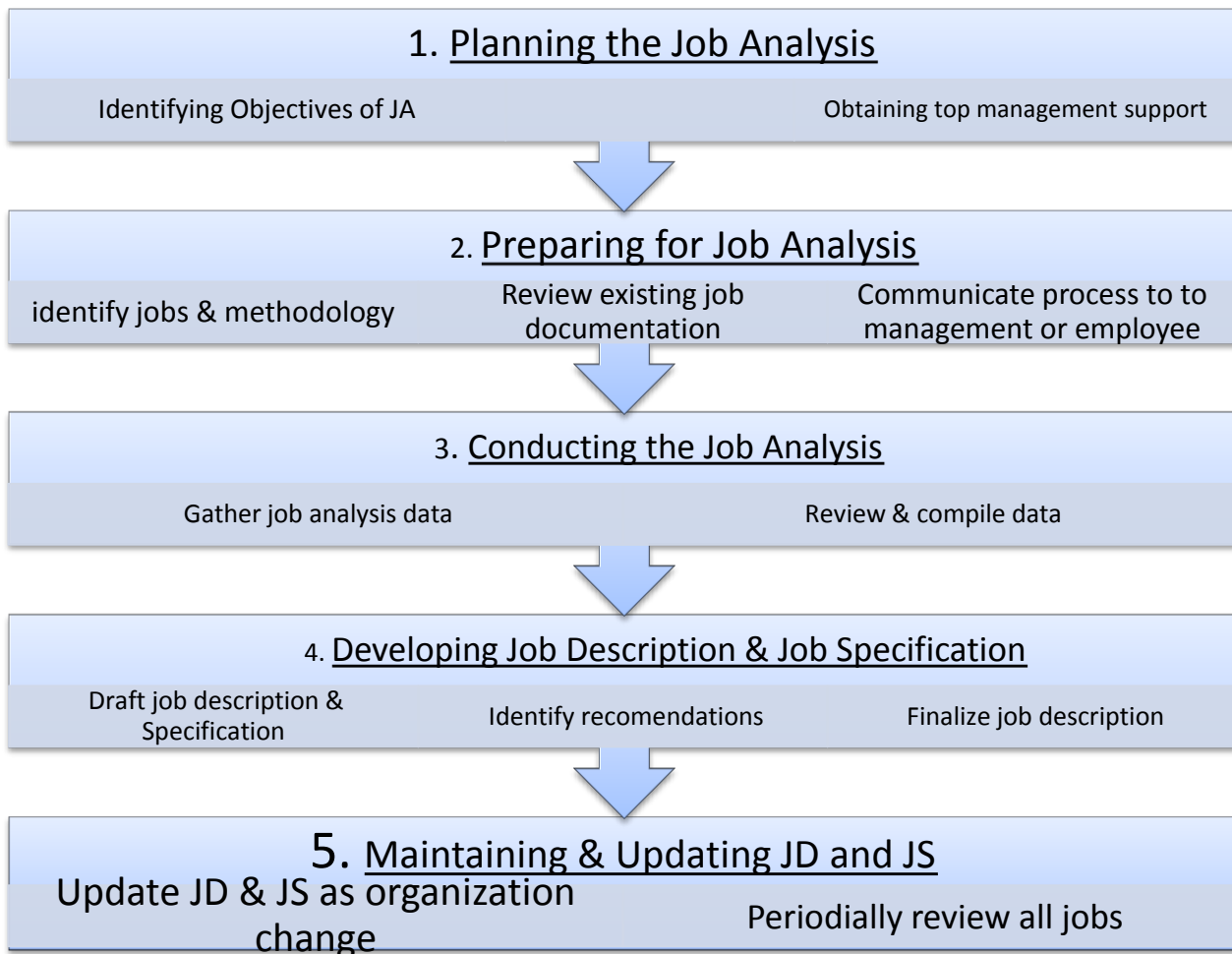
3.1. Meaning and definition of job analysis

A **job analysis** is a systematic exploration of the activities within a job. It is a technical procedure used to define a job's duties, responsibilities, and accountabilities. This analysis “involves the identification and description of what is happening on the job accurately and precisely identifying the required tasks, the knowledge, and the skills necessary for performing them, and the conditions under which they must be performed.”

Job analysis provides information about jobs currently being done and the knowledge, skills, and abilities that individuals need to perform the jobs adequately

3.2. Steps in job analysis

Job analysis begins with a clear understanding of the job and its link to organizational strategy. HR next determines the tasks necessary to successfully complete the job, and then determines the skills necessary to complete those tasks. Workers and supervisors need to be involved in the process.



Source;- Mathis & Jackson (2003)- HRM , PP 184

3.3. Methods of collecting job analysis information

The basic methods by which HRM can determine job elements and the essential knowledge, skills, and abilities for successful performance include the following.

- **Observation Method**

Provides information about jobs currently being done and the knowledge, skills, and abilities that individuals need to perform the jobs adequately. Using the observation method, a job analyst watches employees directly or reviews films of workers on the job. Although the observation method provides firsthand information, workers rarely function most efficiently when they are being watched, and thus distortions in the job analysis can occur. This method also requires that the entire range of activities be observable, which is possible with some jobs, but impossible for many others—for example, most managerial jobs.

- **Individual Interview Method**

Meeting with an employee to determine what his or her job entails. The individual interview method assembles a team of job incumbents for extensive individual interviews. The results of these interviews are combined into a single job analysis. This method is effective for assessing what a job entails. Involving employees in the job analysis is essential.

- **Group Interview Method**

Meeting with a number of employees to collectively determine what their jobs entail. The group interview method is similar to the individual interview method except that job incumbents are interviewed simultaneously. Accuracy is increased in assessing jobs, but group dynamics may hinder its effectiveness.

- **Structured Questionnaire Method**

A specifically designed questionnaire on which employee's rate tasks they perform in their jobs. The structured questionnaire method gives workers a specifically designed questionnaire on which they check or rate items they perform in their job from a long list of possible task items. This technique is excellent for gathering information about jobs. However, exceptions to a job may be overlooked, and opportunity may be lacking to ask follow-up questions or to clarify the information received.

- **Technical Conference Method**

A job analysis technique that involves extensive input from the employee's supervisor. The technical conference method uses supervisors with extensive knowledge of the job, frequently called subject matter experts. Here, specific job characteristics are obtained from the experts. Although a good data-gathering method, it often overlooks the incumbent workers' perceptions about what they do on their job

- **Diary Method**

A job analysis method requiring job incumbents to record their daily activities. The diary method requires job incumbents to record their daily activities. This is the most time consuming of the job analysis methods and may extend over long periods of time—all adding to its cost.

These six methods are not mutually exclusive; nor is one method universally superior. Even obtaining job information from incumbents can create a problem, especially if these individuals describe what they think they should be doing rather than what they actually do. The best results, then, are usually achieved with some combination of methods—with information provided by individual employees, their immediate supervisors, a professional analyst, or an unobtrusive source such as filmed observations.

Check point!

✓ *Explain benefits of different sources of information for job analysis*

3.4. Importance of job analysis information

1.1 No matter what method you use to gather data, the information amassed and written down from the conceptual, analytical job analysis process generates three tangible outcomes: ***job descriptions, job specifications, and job evaluation***. Let's look at them one by one.

A. Job Descriptions

Job description is a written record of the duties, responsibilities and requirements of a particular job. It is concerned with the job itself and not with the worker. It is a statement describing the job in such terms as its title, location, duties, working conditions and hazards. In other words, it tells us what is to be done and how it is to be done and why. It is a standard of function, in that it defines the appropriate and authorized contents of a job.

Job description contains the following:

1. Job identification, which includes the job title, alternative title, department, division, plant and code number of the job. The job title identifies and designates the job properly. The department division, etc. indicate the name of the department where it is situated. (eg. whether it is the maintenance department, mechanical shop etc.) The location gives the name of the place.

2. Job Summary serves two important purposes. First it provides a short definition which is useful as additional identification information when a job title is not adequate. Second, it serves as a summary to orient the reader toward understanding of detailed information which follows. It gives the reader a — quick capsule explanation of the content of a job usually in one or two sentences.

3. Job duties give us a comprehensive listing of the duties together with some indication of the frequency of occurrence or percentage of time devoted to each major duty. It is regarded as the heart of a job.

4. Relation to other jobs: This helps us to locate the job in the organization by indicating the job immediately below or above it in the job hierarchy. It also gives us an idea of the vertical and horizontal relationships of work flow and procedures.

5. Supervision: Under it is given the number of persons to be supervised along with their job titles, and the extent of supervision involved – general, intermediate or close supervision.

6. Working conditions usually give us information about the environment in which a job holder must work. These include cold, heat, dust, wetness, moisture, fumes, odor, oily conditions, etc. obtaining inside the organization.

A job description enables us to frame suitable questions to be asked during an interview. It is particularly helpful when the application form is used as a tool for eliminating the unfit personnel. A job description helps us in:

Job grading and classification;

- Transfers and promotions;
- Adjustments of grievances;
- Defining and outlining promotional steps;
- Establishing a common understanding of a job between employers and employees;
- Investigating accidents;
- Indicating faulty work procedures or duplication of papers;

- Maintaining, operating and adjusting machinery;
- Time and motion studies;
- Defining the limits of authority;
- Indicating case of personal merit;
- Facilitating job placement;
- Studies of health and fatigue;
- Scientific guidance;
- Determining jobs suitable for occupational therapy;
- Providing hiring specifications; and
- Providing performance indicators.

B. Job Specifications

The **job specification** states the minimum acceptable qualifications that the incumbent must possess to perform the job successfully. Based on information acquired through job analysis, the job specification identifies pertinent knowledge, skills, education, experience, certification, and abilities. Individuals possessing the personal characteristics identified in the job specification should perform the job more effectively than those lacking these personal characteristics. The job specification, therefore, is an important tool for keeping the selector's attention on the list of necessary qualifications and assisting in determining whether candidates are essentially qualified.

Job specifications relate to:

- a) **Physical characteristics**, which include health, strength, endurance, age-range, body size height, weight, vision, voice, poise, eye, hand and foot co-ordination, motor co-ordination, and color discrimination.
- b) **Psychological characteristics** or special aptitudes which include such qualities as, mechanical aptitude, ingenuity, judgment, resourcefulness, analytical ability, mental concentration and alertness.
- c) **Personal characteristics** traits of temperament such as personal appearance, good and pleasing manners, emotional stability, aggressiveness or submissiveness, extroversion; or, introversion, leadership, cooperativeness, initiative and drive, skill in dealing with others, unusual sensory qualities of sight, smell, hearing, adaptability, conversational ability, etc.

- d) Responsibilities which include supervision of others, responsibility for production, process and equipment; responsibility for the safety of others; responsibility for generating confidence and trust; responsibility for preventing monetary loss.
- e) Other features of a demographic nature, which are age, sex, and education experience and language ability.

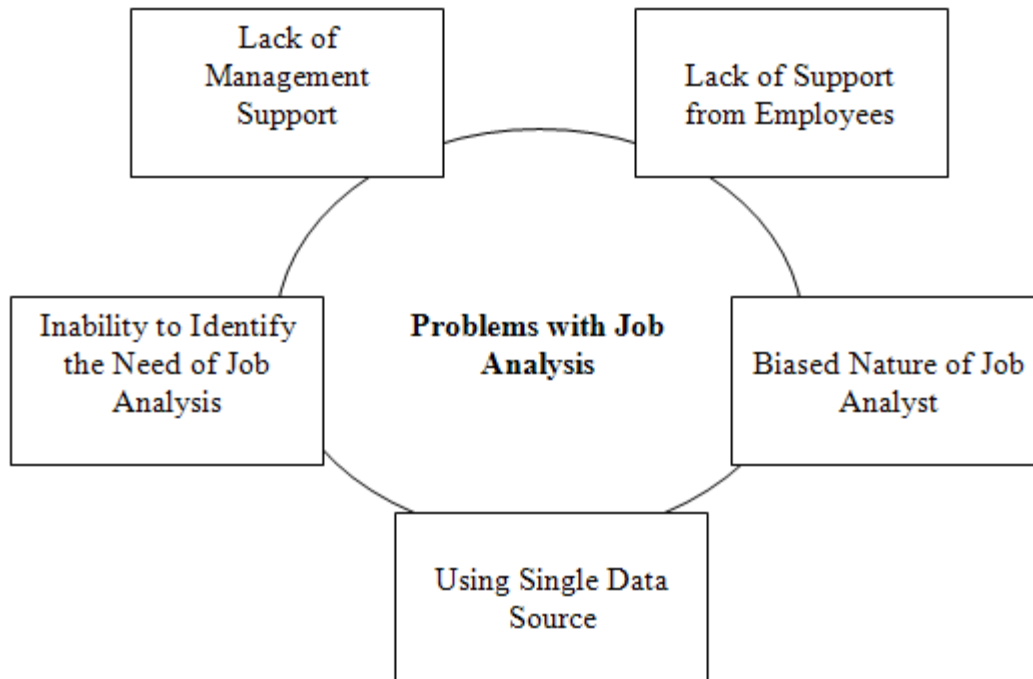
Check point!

✓ *Explain the difference between job description & job specification*

3.5. Potential problems with job analysis

No process can be entirely accurate and fully serves the purpose. Job analysis is no exception to it. The process involves a variety of methods, tools, plans and a lot of human effort. And where there people are involved, nothing can be 100 percent accurate. However, they may be appropriate considering various factors including organizational requirements, time, effort and financial resources. Since the entire job analysis processes, methods and tools are designed by humans only, they tend to have practical issues associated with them. Human brain suffers with some limitations, therefore, everything created, designed or developed by humans too have some or other constraints.

Coming back to the subject, even the process of job analysis have lot of practical problems associated with it. Though the process can be effective, appropriate, practical, efficient and focused but it can be costly, time consuming and disruptive for employees at the same time. It is because there are some typical problems that are encountered by a job analyst while carrying out the process. Let's discuss them and understand how the process of job analysis can be made more effective by treating them carefully

Problems with Job Analysis

- **Lack of Management Support:** The biggest problem arises when a job analyst does not get proper support from the management. The top management needs to communicate it to the middle level managers and employees to enhance the output or productivity of the process. In case of improper communication, employees may take it in a wrong sense and start looking out for other available options. They may have a notion that this is being carried out to fire them or take any action against them. In order to avoid such circumstances, top management must effectively communicate the right message to their incumbents.
- **Lack of Co-operation from Employees:** If we talk about collecting authentic and accurate job-data, it is almost impossible to get real and genuine data without the support of employees. If they are not ready to co-operate, it is a sheer wastage of time, money and human effort to conduct job analysis process. The need is to take the workers in confidence and communicating that it is being done to solve their problems only.
- **Inability to Identify the Need of Job Analysis:** If the objectives and needs of job analysis process are not properly identified, the whole exercise of investigation and

carrying out research is futile. Managers must decide in advance why this process is being carried out, what its objectives are and what is to be done with the collected and recorded data.

- **Biasness of Job Analyst:** A balanced and unbiased approach is a necessity while carrying out the process of job analysis. To get real and genuine data, a job analyst must be impartial in his or her approach. If it can't be avoided, it is better to outsource the process or hire a professional job analyst.
- **Using Single Data Source:** A job analyst needs to consider more than one source of data in order to collect true information. Collecting data from a single source may result in inaccuracy and it therefore, defeats the whole purpose of conducting the job analysis process.

However, this is not the end. There may be many other problems involved in a job analysis process such as insufficient time and resources, distortion from incumbent, lack of proper communication, improper questionnaires and other forms, absence of verification and review of job analysis process and lack of reward or recognition for providing genuine and quality information.

3.6. Meaning and definition of Human resource planning

Human Resource Planning is concerned with planning the future manpower requirements in the organization. HR manager ensures that the company has the right type of people in the right number at the right time and place, who are trained and motivated to do the right kind of work at the right time. Obviously, human resource planning primarily makes appropriate projections for future manpower needs of the organization or envisions plan for developing the manpower to suit the changing needs of the organization from time to time, and foresees how to monitor and evaluate the future performance. It also includes the replacement plans and managerial succession plans.

Meanings and Basic Concepts

- ❖ Human resource planning is the process by which an organization ensures that it has the right number and kinds of people, at the right places, at the right time, Capable of efficiently and effectively completing those tasks that will help the organization achieve its over all objectives (Decenzo & Robbins)

- ❖ Human resource planning can be defined as "a process by which an organization should move from its current man power position to its desired man power position"(E.W. Petter). Through planning management strives to have the right number and right kind of people, at the right places, at the right time, doing things, which result in both the organization and the individual receiving maximum long-term benefits.
- ❖ According to Leon C. Meggision, human resource planning is "an integrated approach to perform the planning aspects of the personnel function in order to have a sufficient supply of adequately developed and motivated people to perform the duties and tasks required to meet organizational objectives and satisfy the individual needs and goals of organizational members.

In this definition, human resource planning is valued as foreseeing the human resource requirements of an organization and the future supply of human resources and, making necessary adjustments between these two and organizational plans; and foreseeing the possibility of developing the supply of human resources in order to match it with requirements by introduction of necessary changes in the functions of human resources management.

In general, HRP translates the organizations objectives and plans in to the number and type of workers needed to meet those objectives. Without clear-Cut planning, estimation of organization's human resource need is reduced to mere guesswork. After the short-term and long-term objectives are determined, organizations engage in human resource planning to ensure that people are available to provide the continued smooth development of an organization.

Check point

- ✓ *Explain the concept of human resource planning as discussed by Decenzo & Robbins*
- ✓ *Discuss the objectives of human resource planning*
- ✓ *Discuss how human resource planning help managers to have basis for human resource development*

3.7. Importance of human resource planning

HRP is important for a nation, organization and employees.

National importance of HRP

At the national level it helps the government to forecast the demand and supply of human resource for the country and to take steps to adjust the demand by altering its economic, industrial and agricultural policies and adjust the supply through its population policy, family planning, and educational policy. It also serves the government to plan for occupational distribution, sectoral and regional allocation of human resources.

Organizational importance

HRP anticipates not only the required kind and number of employees but also determines the action plan for all functions of HRM. These action plans serve the organization in different ways. The major payoffs of HRP are:

- ❖ It checks the corporate plan of the organization. The corporate plan of the organization regarding expansion, diversification, technological change, etc., should be packed up by the availability of human resources. If it is anticipated that the required manpower will not be available, then the HRP suggests the need for modification of corporate plans.
- ❖ It offsets uncertainty and change. HRP offsets uncertainties and changes to the maximum extent possible and enables the organization to have right men at the right time and the right place. Without the HRP, everything regarding requirement, availability, and internal movements of human resources would be in a liquid state and all managers will be in a dilemma about securing suitable manpower.
- ❖ It helps in anticipating the cost of salary, benefits, and all other human resource functions and this in turn facilitates the formulation of budget on an organization.
- ❖ It tries to foresee the need for redundancy and plan to solve it or to provide for alternative employment in consultation with trade unions, other organizations, and government through remodeling organizational, industrial and economic plans. This helps maintain good industrial relation.
- ❖ Avoidance of disruption in production. Through well-developed recruitment and training policy, HRP estimates the future human resources needs that production or other activities of organization will not be interrupted.

- ❖ Promotes equal employment opportunity. HRP helps organizations to cope with different labor laws and respond satisfactorily to the information demands of different legal institutions.
- ❖ It gives an idea of the type of tests, interviews, and other techniques of selection based on the level of skills, qualifications, intelligences etc., of future human resource.
- ❖ Serve as a guide for coordination of different personnel programs such as recruitment, selection, training and development of employees
- ❖ It facilitates the control of all the functions, operations, contribution and cost of human resource.

Employee importance

- ❖ Creates more satisfied and better-developed employees: HRP provides scope for advancement and development for employees through training, development and succession planning. Thus employees are likely to feel their talents are important to the employer, and they have better chance to utilize their talents. This situation often leads to greater employee satisfaction and its consequences like lower absenteeism, lower turn over, fewer accidents, higher quality of work etc.
- ❖ It helps to satisfy the individual needs of the employees for promotions, transfers, salary enhancement, better benefits etc.

Check point

- ✓ *Hello dear learner! Have you go through the contents of the above topic? Good! So please discuss the national, organizational, and individual importance of human resource planning.*
-

3.8. Steps [procedures] in human resource planning

The following figure illustrates the steps involved in human resource planning

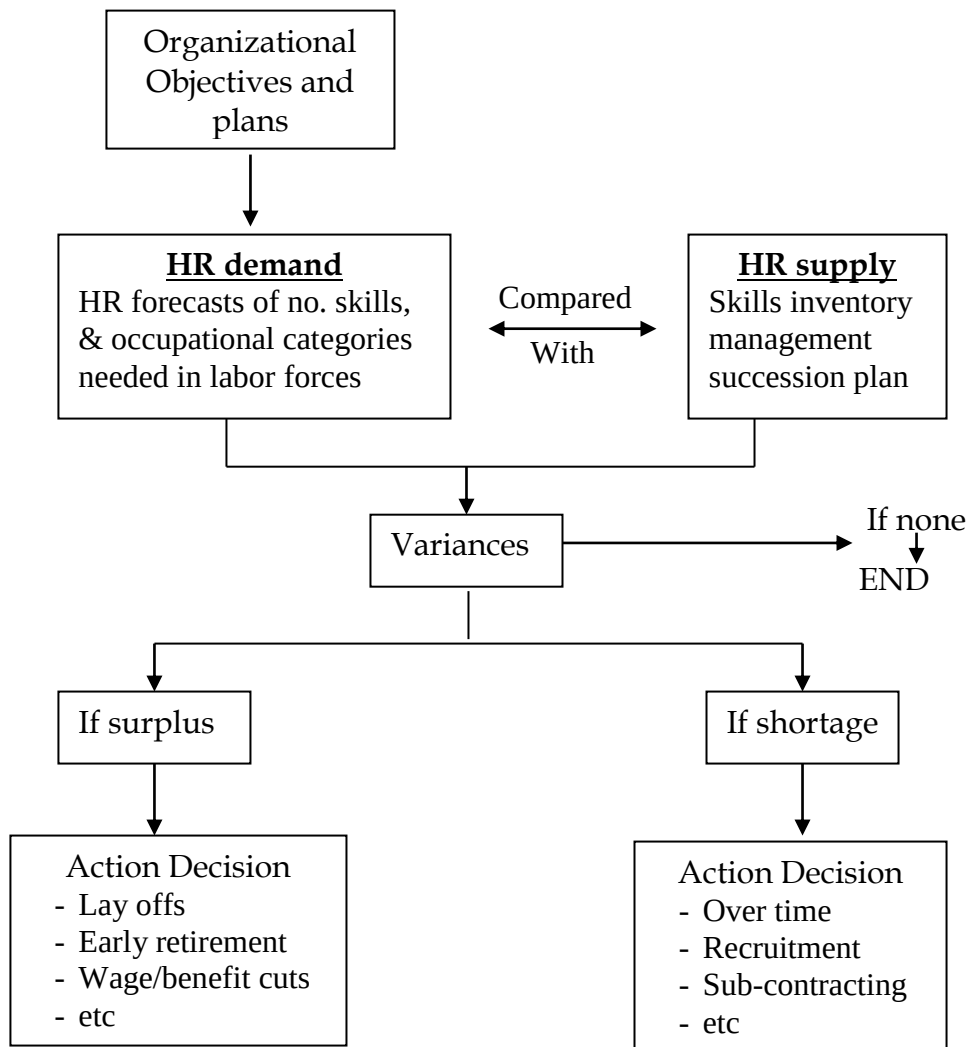


Figure 3.1: Human Resource Planning Process

The process of HRP broadly involves the following process stages.

1. Analysis of Organizational Plans and Objectives:

Human resource planning is a part of overall plan of organization. Plans concerning technology, production, marketing, finance, expansion and diversification give an idea about the volume of future work activity. Each plan can further be analyzed into sub-plans and detailed programs. It is also necessary to decide the time horizon for which human resource plans are to be prepared.

The future organization structure and job design should be made clear and changes in the organization structure should be examined so as to anticipate its manpower requirements.

2. Forecasting Demand for Human Resources:

Estimation of future demand for human resources is the core of any organizations human resource planning process. Most organizations predict their future employee needs, at least informally, even if they do not estimate their sources of supply. Demand forecasting is the basis on which manpower planning is built. Almost all HRP begins by determining future human requirements.

HR demand forecasting is the process of estimating as closely as possible, how many and what type of employees the organization will need in each job category by the end of the planning period to do the work that will have to be done.

The logical place to begin this process is with an organization's business plans. Some organizational plans to be considered include: Sales and production volume, financial levels, expansion programs, market coverage and other strategies.

The basic fact to be remembered is that the estimation at this stage is a rough projection as HR in an organization constantly changes in terms of quantity and quality. Therefore, the net requirement (the real shortage or surplus) may be found out after matching adjustments to changes in manpower due to increase or decrease in internal mobility, losses due to separation, and changes in qualities and attitude of the existing employees during the planning period.

3. Forecasting supply of human resource

Once future demand for manpower is projected, the next major concern is how to fill projected openings.

There are two major sources of supply of manpower for an organization. These are:

I. Internal source of supply- includes present employees who can be promoted, transferred, or demoted to fill external openings

II. External source of supply - consist of people who do not work for the organization currently like employees of other organization and the unemployed group of the society.

Requirements for human resource supply forecasting

To begin planning how to satisfy manpower the planner should have:

- ❖ A clear picture of forward manpower requirements in each category (may be based on function, level of position, skill level, age etc)

- ❖ A clear picture of current manpower inventory in each category, using the same basis
- ❖ Data on manpower flows through the structure, loss rates, additions and other factors result in change in current inventory
- ❖ Data on availability of various skills and experience required to be recruited from external sources (external supply analysis)

4. Estimating Manpower Gaps:

Net human resource requirements or manpower gaps can be identified by comparing demand and supply forecasts. Such comparison will reveal either deficit or surplus of human resources in future. Deficits suggest the number of persons to be recruited from outside whereas surplus implies redundant to be redeployed or terminated. Similarly, gaps may occur in terms of knowledge, skills and aptitudes. Employees deficient in qualifications can be trained whereas employees with higher skills may be given more enriched jobs.

Thus, the **possible outcomes** of this stage can be.

a. Future supplies more or less matches future demand: In this case, the result of net human resource equals zero. However, such situation really exists in reality, unless the organization is small, stagnant, the workforces and the environment is stable.

b. Future supply exceeds future demand for human resource: In this case the result of net human resource requirements will be negative, which indicates that there is surplus / excess manpower in an organization.

This situation is more likely if there are downsizing and contraction of a business may be due to bad economic situation, competition or legal restrictions.

c. Future supply falls short of /less than future demand for manpower: This indicates shortage in manpower. Shortage in manpower is likely to occur in large and expanding organization, where there is high turnover, and stiff competition for labor.

5. Matching Demand and Supply:

It is one of the objectives of human resource planning to assess the demand for and supply of human resources and match both to know shortages and surpluses on both the side in kind and in number. This will enable the human resource department to know overstaffing or understaffing. Once the manpower gaps are identified, plans are prepared to bridge these gaps. Plans to meet the surplus manpower may be redeployment in other departments and retrenchment in consultation, with the trade unions. People may be persuaded to quit through voluntarily retirement. Deficit can be met through

recruitment, selection, transfer, promotion, and training plans. Realistic plans for the procurement and development of manpower should be made after considering the macro and micro environment which affect the manpower objectives of the organization.

Options to address shortages

Short -term options

- Increase overtime or part time
- Increase contract works
- Increase productivity through training
- Buy back vacations and holydays
- Temporary assignments
- Transfer work -out temporarily

Long-term options

- Recall form leaves
- New hires
- Permanent transfer in worker
- Training and development
- Transfer work -out permanent

Options to Address Surplus

Short -term options

- ❖ Freeze hires
- ❖ Reduce part-time or part-time
- ❖ Transfer work -in tempera rely
- ❖ Reduce work weeks
- ❖ Temporary shutdown or layoff
- ❖ Excuse absenteeism
- ❖ Temporary assignment to other units
- ❖ Retrain or train

Long-term options

- ❖ Freeze hires
- ❖ Encourage attrition
- ❖ Permanent transfer -out of worker
- ❖ Retrenchment

- ❖ Provide incentive for early retirement
- ❖ Transfer work-in

Check point

- ✓ *After estimating the demand and supply of human resources, management should determine the net human resource requirements in terms of different factors. What are these factors*
 - ✓ *Discuss the possible relationships that are helpful for determining the net requirements of human resource*
 - ✓ *Discuss the long and short term option to cope up with surplus*
-

3.9. Factors Affecting Human Resource Planning

Human resource planning process can be affected by different factors. The process of estimating demands and supplies of manpower as well as the action programs to be implemented are influence by various factors. These factor can be broadly categorized as External and internal.

3.9.1. External Factors

External factors are forces outside the organization, which directly or indirectly affect the HRP process of an organization. Some of these external forces include.

1. Government: a major element that affects labor demand and supply is the government. Today managers are confronted with an expanding and often bewildering array of government rules as regulations of HR activities has steadily increased. As a result, HR planning must be done by individuals who understand the legal requirements of various government regulations.

Some of these laws may include:

- Trade policies and restrictions such as closed-import and open -import policies
- Taxation policies
- Wage and work hours laws
- Pension provisions and social security legislation.
- Employee health and safety laws

E.g. America workers compensation (WC) Act which demands benefits to employees that suffered a work related illness or injury.

2. Economic Conditions: Economic conditions like business cycle, interest rate, inflation, economic growth rate, per capita income etc, determines the plans and objectives of the organization and

consequently the requirements and availability of workers. Decision on wages, hiring, training and development, lay-off workers all hinge on economic condition.

Example, in good economic conditions organizations can pay better salaries and able to attract qualified individual.

As the economy changes from expansion to contraction during a course of a business cycle, organizations must modify their plans. These changes in the business cycle demand that human resource planners assist their organizations in meeting their new plans. When the economy expands, new employees and training program are needed; voluntary departures by employees, employee's benefits, and improved work conditions also grow. When the business cycle turns-down, overstaffing, excess benefits, higher wages become serious problems.

Recession in business results in reducing labor costs, reduce working hours, lay-off workers and so on. These in turn affects the HRP process.

3. Social Conditions: - The society is the sources of manpower. Thus the diversity of the workforce is the result of social conditions. The major social factors are the culture and the demography.

- **Societal culture:** refers to the belief and customs of a society that affect the attitude, the behavior and ethics of a workforce. The changing attitudes, beliefs and viewpoints have confronted personnel departments in the form of requests for longer vacations, more holydays and non-traditional work schedules. In addition, attitude about honesty, commitment to work, believe on teamwork, attitudes toward HIV / AIDS victims are the results of societal culture and attitude. It is impossible to identify every changing value in society that may affect HRM in general & HRP in particular. Nonetheless, as society becomes more diverse in its attitude, culture and other dimensions, HR planners must try to anticipate the impact of these changes on HR demand and supply.
- **Demography:** defines composition of workforce in terms of educational level, ethnicity, age, sex, population number, birth rate, death rate, percentage of population participating in the workforce and other characteristics. Changes in workforce demographics usually occur slowly but it can relatively be measured and anticipated by demographers.

4. Technological challenges: - Technology impacts HRM by changing the product, production technique, or the skills required.

The innovation of computer and robotics are some of the results of technological changes. The introduction of computers changed employment needs. Before the invention of computers, organizations recruited large number of unskilled and semi-skilled clerks to perform routine works like payroll filing etc. The introduction of computer however, reduced the number of unskilled labor, and introduced the need for highly skilled programmers and system analysts. Thus, this changed the techniques of recruitment, training and compensation programs. Technology in general complicates human resource planning because of the tendency to reduce employment in one department like filing while increases employment in other departments like computer operation.

5. Competition for labor: The existence of other employers in the area can greatly expand or diminish the labor supply. The Opening of a new business in the area may decrease the supply of potential employees in a labor market. Sometimes, however, other competing business can be a source for especially contingent employees. As a result, failure to consider the competitive labor market and to offer pay scales and benefits which is competitive with those organizations in the same general industry and geographic location may cost a company dearly in the long-run. Underpaying or under competing may result in a much lower quality workforce.

In addition to local competition, **international competition** is also part of external environment. A global competition for labor shifts jobs and workers around the world. Without effective human resource planning and subsequent attention to employee recruitment, selection, placement, development, and career planning, the growing competition for international professionals may lead to expensive and strategically disruptive turnover and loss of important individuals.

Check Point

- ✓ *Please discuss the external factors that affect the normal operation of a given companies human resource planning function*
 - ✓ *Explain how government affects the human resource functions of planning*
 - ✓ *Technology impacts HRP by changing the product, production technique, or the skills required. Discuss these challenges using related examples*
-

3.9.2 Internal Factors

These are factors that emanate from within the organization. These factors reflect the weaknesses and strengths of an organization. Some of these factors include:

1. Organization's strategies and objectives: the long -range objectives of an organization like growth rates, new product development, and enlargement of market coverage, diversification and so on affect HRP. If long term objectives are to be met, personnel specialists must develop human resource plans that accommodate the strategic plan. In the short run, planners find that strategic plans become operational in the form of budgets.

e.g. If a retail company faces a sharp decline in sales volume due to recession, the management will be forced to freeze new hiring and reduce the existing employees.

In addition, expansion and entering new venture through acquisition or merger cause an immediate revision of human resource demand.

2. Organizational size and structure: the size of the organization (whether it is large or small) determines the manpower needs of an organization. Jobs are the basic units of organizational structure. Thus, the characteristics, the number and relationships among jobs affects number and type of employees required. Re-organization after a merger or acquisition can radically alter human resource needs. Likewise, the redesign of jobs changes the skill level required of the workers e.g. Job enrichment. At a time when companies are constantly merging, spinning off divisions, entering new businesses, and getting out of old ones, management should consider its HR. The type of structure, organizational hierarchy, level of centralization and decentralization all affects HRP.

3. Organization culture and management philosophy: an organizational culture is a predominant system of beliefs and values held in an organization by its members.

It is a pattern of basic assumptions which has been considered valid and taught to new members as the correct way to perceive, think, and behave in relation to some problems.

E.g. it may be the culture of the organization to promote employees based on seniority.

Further, management philosophy (mgt assumption about human behavior) and Consequent Leadership they follow affects manpower plan.

E.g. Democratic leaders can produce better and productive workforce than autocratic leaders.

4. Work force factors: the demand for human resources is modified by such employee actions as retirements, terminations, death, leaves of absence, lateness and so on. The rate of maternity leave,

sick leave, workers' death due to spread of epidemic & HVI/AIDS will significantly affect more and more organizations and their human resource plans.

5. Labor union: labor union is a group of employees acting collectively to promote their common interest. In a unionized company, the employer and the labor union sign a collective agreement that specifies recruitment issues, compensation, hours of work, the working condition, promotion, transfer etc. Thus, this agreement affects HRP.

6. Organizations financial ability: the financial strength of an organization to pay compensation to the existing workers and to attract additional workers affects its HRP.

7. Organization of HRP activities: This shows to whom HRP responsibilities are assigned and how it is carried out. HRP can be carried out and line departments may be given an authority to prepare their manpower plan. In general, HRP may take top down or button- up approach, or preferably the combination of the two. The possible conflict between the two approaches is that top management try to squeeze the number of future employees where as line managers try to provide them selves with extra manpower. Therefore, negotiation and compromise are necessary.

If the top-down view is tough (prevails), it may result in understaffing of many works, inadequate time to prepare and delay in staffing where as the dominance of bottom-up approach results in overstaffing and unnecessary cost.

8. The nature of the jobs & tasks: - the simplicity/ complexity of the tasks in the job and other aspects affect HRP

Check Point!

- ✓ *Dear distance learner, as you read from the above paragraphs, the mentioned factors are called “internal”, please explain the why they we call these factors internal*
- ✓ *Discuss how organizational structure and size affect the human resource functions of a given organization*

Problems of human resource planning

Though HRP is beneficial to the organization, employees and labor unions, some problems may crop up in the process of HRP. Some of these are:

1. Uncertainties due to changes. Human resource planning suffers problem of preparing long range forecasts accurately due to uncertainties in future turnover, recruitment etc, and changes in economic, technological, marketing, legal and labor conditions. These changing conditions make long-term forecasting unreliable.
2. Inadequacies of information system. HRP requires a well-developed Human Resource Information System (HRIS). However, this has not yet fully developed in most organizations (in developing countries) due to the level of technology, low status given to HR department, and less importance attached to HRP. Further, the reliable data and information about the economy, other industries, and labor market etc is not available.
3. Resistance by employers. Many employers resist HRP as they think that it increases the cost of manpower as trade unions demand for employees based on the plan, more facilities and benefits including training and development. Further, in a situation when there is high unemployment, managers feel that HRP is not necessary as candidates are available when required.
4. Resistance by trade unions and employees. Trade unions and employees also resist HRP as they view that it increases the workload of employees and prepares programs for securing the human resources mostly from outside. The other reason for their resistance is that HRP aims at controlling employees through improved performance, productivity maximization etc.

In addition to the above problems, HRP may suffer from the following specific problems:

- Lack of top managements support. Sometimes, HRP activities don't enjoy top management support and thus human resource specialist find it difficult to obtain information on various vital inputs and get frustrated.
- Difficulty to coordinate HRP and other human resource activities.
- Impediments to strike harmonious balance between quantitative and qualitative aspects of HRP. Greater emphasis on the quantitative aspect may force the organization to discount the more important qualitative aspect.

- Skepticism and growing mistrust from the side of operating managers. HRP requires active participation and coordinated efforts of operating managers.
- Human resource specialists' has lack of proper understanding of the HRP. Human resource planners may not fully understand the HRP, and suffers from identity crises and they fail to develop a strong sense of purpose.

Organizing human resource planning

HRP is not the sole responsibility of one department rather every line manager, the top management and human resource department participate in the process.

- The top management is responsible for preparation of organizational strategic plan in consultation with other managers
- Every line manager is then responsible for planning manpower of his respective department based on the overall objectives of the organization.
- The personnel department supplies different information and data to all the line managers and help them regarding interdepartmental transfers, promotions, demotions etc.
- The personnel departments help the organization in forecasting manpower using different techniques
- The department also forecasts surplus or deficit of human resources for the organization and prepares action plans regarding redeployment, redundancy, employment, development and internal mobility and submits the plans to top management.
- The top management then reviews departmental plans and the overall plans (either by him/herself or by appointing committee) and makes necessary adjustments and modification on the plans.
- Personnel department in its turn prepares modified plans for the departments based on the finalized overall plan and communicates them to respective heads of department.
- Finally, personnel department may coordinate the control activity of HRP and sends report to top management for actual review, control, and monitor the human resource system.

The top management then appoints a committee consisting of different individuals (like heads of departments, and external experts or specialists) to suggest the management regarding identification of deviations, reasons for deviations, and steps to be taken to correct the deviations.

Check point

- ✓ *Dear learner I urge you to stop here and discuss the following points!*
 - ✓ *Importance of Human Resource Information System for sound HR.*
 - ✓ *Common problems of human resource planning*
 - ✓ *Responsibilities of different management levels and departments for sound HRP.*
-

Summary

Job analysis is a systematic exploration of the activities within a job. It is a technical procedure used to define a job's duties, responsibilities, and accountabilities. It should have pass through the following five basic phases; *planning the job analysis, preparing for job analysis, conducting job analysis, developing job description & job specification, and maintaining & updating job description & job specification.*

Information which is required in order to conduct job analysis can be collected through by using one of the following methods;

- **Observation Method:-** Using the observation method, a job analyst watches employees directly or reviews films of workers on the job.
- **Individual Interview Method:-** this method assembles a team of job incumbents for extensive individual interviews.
- **Group Interview Method:-** this method is similar to the individual interview method except that job incumbents are interviewed simultaneously.
- **Structured Questionnaire Method:-** this method gives workers a specifically designed questionnaire on which they check or rate items they perform in their job from a long list of possible task items.

- **Technical Conference Method:-** technical conference method uses supervisors with extensive knowledge of the job, frequently called subject matter experts.
- **Diary Method:-** A job analysis method requiring job incumbents to record their daily activities.

The result of job analysis can be used for the following two basic things;

- A. Job Descriptions:-** is a written record of the duties, responsibilities and requirements of a particular job. It is a statement describing the job in such terms as its title, location, duties, working conditions and hazards. In other words, it tells us what is to be done and how it is to be done and why.
- B. Job Specifications:-** it states the minimum acceptable qualifications that the incumbent must possess to perform the job successfully. Individuals possessing the personal characteristics identified in the job specification should perform the job more effectively than those lacking these personal characteristics.

Job analysis faced to the following basic problems; lack of management support, lack of co-operation from employees, inability to identify the need of job analysis, biasness of job analyst, and using single data source.

Organizations are required to plan their human resource requirement according to the overall plan of the organization. Human resource planning is valued as foreseeing the human resource requirements of an organization and the future supply of human resources and, making necessary adjustments between these two and organizational plans.

Human resource planning is important for national strategies towards human resource development, organizational plans at different level and Creates more satisfied and better-developed employees.

As any other process, HRP pass through the following five steps;

- Analysis of Organizational Plans and Objectives
- Forecasting Demand for Human Resources
- Forecasting supply of human resource
- Estimating Manpower Gaps
- Matching Demand and Supply

Human resource planning process can be affected by different factors. These factor can be broadly categorized as External and internal. External factors are forces outside the organization. eg. Government, economic condition, social condition, and technological condition. On the

other, internal factors are factors that emanate from within the organization. Some of internal factors are; Organization's strategies and objectives, Organizational size and structure, Organization culture and management philosophy, Organizations financial ability, labor union, etc.

Self-check Questions 3

1. Define what we mean job analysis.

2. Describe steps through which the process of job analysis implements.

3. List and explain at least four methods of collecting job analysis information.

4. What are the major problems which are associated with job analysis?

5. The importance of HRP can be classified based on the audience it targeted, list out these audiences

6. Put down the major problems of HRP

7. Write the major external factors that affect the operation of HRP

8. Please write factors that affect HRP processes which are internal to the organization

9. What options are available to tackle the problem of HR surplus in the short run & long run.

10. Please put down the options available to solve the problem of HR shortage long run & short run.

CHAPTER FOUR

RECRUITMENT AND SELECTION

Chapter Outline:

4.1. Employee Recruiting

4.1.1. Features of recruitment

4.1.2. Purpose of recruitment

4.1.3. Factors governing recruitment

4.1.4. Sources and methods of recruitment

4.2. Employee Selection

4.2.1. Selection criteria

4.2.2. The selection process

4.2.3. Factors governing selection

4.3. Orientation [induction]

4.3.1. Purpose of orientation

4.3.2. Levels of orientation

Chapter objective:

At the end of this chapter, students should be able to understand and appreciate

- The concept of recruitment and selection
- Sources of recruitment
- Methods of recruitment and
- Process of employee selection
- Method of employee orientation (induction)

4.1. Employee Recruiting

Successful employment planning is designed to identify an organization's human resource needs. Once these needs are known, an organization will strive to meet them. The next step in staffing, then—assuming, of course, that demand for certain skills, knowledge, and abilities is greater than

the current supply—is recruiting. The company must acquire the people necessary to achieve the goals of the organization.

4.1.1. Features of recruitment

Recruiting is the process of discovering potential candidates for actual or anticipated organizational vacancies. Or, from another perspective, it is a linking activity that brings together those with jobs to fill and those seeking jobs. Recruitment involves seeking and attracting a pool of people from which qualified candidates for job vacancies can be chosen. In effect, it involves:

- Identifying the sources where the required number and kind of employees are/will be available.
- Developing suitable techniques to attract the desirable candidates
- Stimulating as many candidates as possible and be able to attract large number of candidates. The higher the number of applicants the better chance of being selective in the hiring process.

In short, its basic purpose is to develop a group of potentially qualified people. The term “qualified” indicates the difficulty involved in the recruitment process. The ideal recruitment process will attract a large number of qualified applicants who will take the job if offered. The most effective way of making sure unqualified applicants are not attracted to a job is by providing adequate information about the nature of the job so that unqualified applicants may self-select themselves out of the job candidacy. This dual objective minimizes the cost of recruiting unqualified candidates.

4.1.2. Purpose of recruitment

1. To attract people with multi-dimensional skills and experiences that suits the present and future organizational strategies.
2. To induct outsiders with a new perspective to lead the company.
3. To infuse fresh blood at all levels of the organization.
4. To develop an organizational culture that attracts competent people to the company.
5. To search or head hunt people whose skills fit the company's values.
6. To devise methodologies for assessing psychological traits.
7. To seek out non-conventional development grounds of talent.
8. To search for talent globally and not just within the company.

9. To design entry salary that competes on quality but not on quantum.
10. To anticipate and find people for positions that does not exist yet.

4.1.3. Factors governing recruitment

Recruitment is not a simple task and like most of the human resource functions, it is affected by both internal and external environmental factors. These factors could facilitate or limit the recruitment process in attracting large number of qualified candidates. Among the factors influencing effective recruitment are the following:

Internal Factors:

- Working Conditions
- Promotional Opportunities
- Salary levels, type and extent of benefits
- Other personnel policies and practices
- Image of the organization
- Ability and skill of the management to stimulate the candidates
- Quality of the recruitment process

External Factors:

- Personnel policies and practices of other organizations regarding working conditions, salary, benefits, promotional opportunities, employee relations, etc.
- Career opportunities in other organizations
- Government regulations

4.1.4. Sources & methods of recruitment

A. Sources of recruitment

There are two sources of recruitment-Internal and External sources

1. Internal Sources:

Vacant positions in organizations could be filled by those existing employees through transfers, promotions and recall from lay-off. Most large organizations attempt to develop their own employees for positions beyond the lowest level.

The internal source is most effective if the organization has been effective in recruiting and selecting employees in the past and has a strong employee development program. This source of recruitment has its own advantages and disadvantages.

Advantages:

- a. The company has better knowledge of the strength and weakness of job candidates. If accurate information is gathered about an employee under consideration through qualification inventory, performance evaluation, interview with prior and present supervisors of the employee, there is a high chance of recruiting the best employee from within the organization.
- b. Inside job candidates have better knowledge of the organization and its operations. Thus, they require less orientation and training than outsiders. Moreover, the likelihood of inside candidates having inaccurate expectations and/or becoming dissatisfied with the organization is very low.
- c. Employees see that competence is rewarded and moral and performance may thus be enhanced. Recruiting from within an organization creates promotion opportunities to employees. Thus, organizations providing first job opportunity to their employees are likely to win the loyalty and good performance of their employees.
- d. The return on investment that an organization has on its present work force is increased. Most organizations spend sizable amount of investment on their employees in a form of short term trainings, fringe benefits, etc. Being able to use this workforce to its maximum capability is considered as a return on investment to the organization.

Disadvantages:

- a. People can be promoted to the point where they cannot successfully perform the job. An organization can suffer if it uses inferior internal sources just for the reason of boosting the morale of its employees.
- b. Infighting for promotions can negatively affect morale. Competition among employees for promotions may be very intense to the extent of damaging the morale of employees.
- c. Inbreeding of ideas can stifle new ideas and innovations. When an entire management team has been brought up through trends, there may be a tendency to make decisions “by the book” and to maintain the status quo. It is, therefore, necessary to take into consideration external sources in order to bring “new blood” from the external sources.

2. External Sources

External sources provide a larger pool of candidates. It is often needed by organizations that are growing rapidly or have a large demand for technical and skilled managerial employees.

Advantages:

- a. The pool of talent is much larger. Internal source may not lead to large number of possible candidates for a given open position. Thus, using external sources provides the advantage of choosing from among large pool of candidates.
- b. New insights and perspectives can be brought to the organization Expertise, excellence and experience in other organization can be easily brought into the organization.

Disadvantages:

- a. Attracting, contacting, and evaluating potential employees is more difficult. This is especially more difficult for higher level jobs
- b. Adjustment or orientation time is longer for external candidates. As a result, it might take sometime before they can perform with their full potential.
- c. Morale problem can develop among internal employees who feel qualified to do the job. Current employees might feel neglected and their level of performance may be affected.

Check Point

Dear Learner: Answer the following question;

- *Define recruitment mean.*
 - *Explain source of recruitment*
 - *What are the advantages and disadvantages of external source of recruitment*
 - *Describe factors affecting recruitment.*
-

B. Methods of Recruitment

a. Job posting: It means posting notices of job openings on organization bulletin boards for recruiting possible internal candidates. Accordingly, interested employees could apply for the job. Job posting usually not used when promotion to a supervisory position is involved, since management often prefers to select personnel itself for promotion to management levels.

Some organizations develop implementation policies for job posting to be successful.

This may include

1. Posting for a specific period of time before going to external sources
2. Set eligibility rules and communicate it to the employees
3. Specify standards that may be required for the job.

b. Skill inventory: it is an internal recruitment method to identify employees with the attributes needed for a particular job. It is the systematic record, either manual or computerized, listing employee's education, career and development interests, languages, special skills, etc.

c. Job Advertisement: It is a widely used recruitment method in order to reach relatively large numbers of potential applicants. Advertisements are commonly placed in daily newspapers, trade and professional newspapers, and occasionally on radio, TV, and billboards. However, the choice of appropriate media for a specific advertisement should depend on the type of job and the required degree of coverage.

In addition to the media used, the construction of the advertisement is also important. There are four basic guidelines job advertisements should follow:

- **Attract intention:** using wider borders or a lot of empty space around it might help the advertisement to stand out by itself.
- **Develop/ Create interest in the job:** Mentioning some key aspects of the job that might spark interest of potential applicants. (Location and exciting and challenging assignments, etc.)
- **Create desire:** amplifying on the interest factors and other benefits that may part of the job (job satisfaction, career development, travel, etc.)
- **Instigate action:** adding phrases such as “call today,” “write today for more information,” etc. Could make potential applicants take action towards applying.

Generally, if advertising is to be used as a primary method of recruitment, planning and evaluation of the advertising program should be a primary concern of the human resource department.

Advantages and Disadvantages of some Major Types of Media

Type of medium	Advantages	Disadvantages	When to use
News papers	Short deadlines ad size flexibility Circulation concentrated in specific geographic areas Classified sections well organized for easy access by active job seekers	Easy for prospects to ignore. Considerable competitive clutter. Circulation not specialized you must pay for great amount of unwanted readers. Poor printing quality	When you want to limit recruiting to a specific area when sufficient numbers of prospects are clustered in a specific area. When enough prospects are reading help wanted ads to fill hiring needs.
Magazines	Specialized magazines reach pinpointed occupation categories. Ad size flexibility. High quality printing. Long life-prospects keep magazines and reread them.	Wide geographic circulation usually cannot be used to limit recruiting to specific area. Long lead time for ad placement.	When job is specialized When time and geographic limitations are not of utmost importance. When involved in ongoing recruiting programs.

Radio and TV	Can reach prospects that are not actively looking for a job better than newspapers and magazines. Can be limited to a specific geographic area. Creatively flexible. Can dramatize employment story more effectively than printed ads. Little competitive recruitment clutter.	Only brief uncomplicated messages are possible. Lack of permanence; prospect cannot refer back to it. (Repeated airings necessary to make impression). Creation and production of commercials particularly TV can be time consuming and costly. Lack of special interest selectivity; paying for waste circulation	In competitive situations when not enough prospects are reading your printed ads when there are multiple job opening and there are enough prospects in specific geographic area. When a large impact is needed quickly. Useful to call attention to printed ads.
Point-of-purchase” (promotional materials at recruiting location)	Calls attention to employment story at time when prospects can take some type of immediate action. Creative flexibility	Limited usefulness; prospects must visit a recruiting location before it can be effective.	Posters, banners, brochures, audiovisual presentations at special events such as job fairs, conventions, as part of an employee referral program, at placement offices, or whenever prospects visit an organization facilities

- d. **College recruiting:** It involves recruitment from educational institutions that offer opportunities to recruit recent graduates. Educational institutions are particularly excellent source of potential employees for entry-level positions in organizations. It could also be an important source of professional and technical employees.
- e. **Employment Agencies:** There could be public or private employment agencies. These agencies have information on job seekers in terms of qualifications, skills, interests, etc. and can be a good source of employment by organizations. Public agencies are a major source of both blue-collar and white-collar works while private agencies are important sources of clerical, white-collar, and managerial personnel.

Some specific situations in which employment agencies become handy:

- ✓ The organization does not have its own human resource department
- ✓ A particular opening must be filled quickly
- ✓ If there is a need to attract a greater number of minority and female applicants

These agencies usually pre-screen applicants for the organization. Although it is advantageous to have part of the recruitment process done by specialists, it could sometimes result in allowing poor applicants bypass the preliminary stages or blocking qualified applicants from entering the final recruitment stage. To avoid such problems, organizations are advised to do the following:

- Give the agency an accurate and complete job description
- Specify the devices or tools that the employment agency should use in screening potential applicants
- Where possible, periodically review data on accepted or rejected candidates
- If feasible, develop a long-term relationship with one or two agencies.

- f. **Employee referrals:** Some organizations encourage their employees to refer potential applicants to an open position. Announcements of openings and requests for referrals are made in the organization's bulletin and posted on bulletin boards. Prizes could be offered for those referrals that result in hiring. This method of recruiting potential employees can cut recruiting costs by eliminating advertising and agency fees. It can also result in higher quality candidates since most employees would not recommend someone unless he/she believes that the individual can perform effectively.

However, there are some possible problems among those recommenders that confuse friendship with job performance and competence. As a result, employee referral method may result in nepotism and sometimes violate equal employment opportunity laws (one group favoring each other).

- g. **Executive Recruiters (“head hunters”)**: There are people who are exclusively known for seeking out top management talent for their clients. Executive recruiters could be a very expensive method of recruitment but their services might result in obtaining highly qualified personnel for crucial executive and technical positions. These groups have many contacts and are especially skilled in contacting qualified candidates who are employed and not actively looking to change jobs.
- h. **Walk-ins/Write-ins or Unsolicited Applicants**: Unsolicited applications whether they reach the employer by letter, telephone, or in person, can be a source of prospective applicants. Such applications are kept in file if there are no particular openings at that time. Qualification of unsolicited applicants is dependant on economic conditions, the organization’s images, and the job seeker’s perception of the types of jobs available.

Check Point

Dear Learner: Try the following question;

- *How are employees to be recruited?*
 - *What inducements does the organization have to attract qualified candidates?*
-

4.2. Employee Selection

Definition

It is the process of choosing the individual who can most successfully perform the job from the pool of qualified candidates. This process follows an effective recruitment program which should result in supplying enough job applicants to a given vacant position.

Employee selection is important for the following key reasons:

- Employees who do not have the right abilities won’t perform effectively and thus have an impact on the success and image of the organization

- There is a very high cost associated with recruitment and hiring process especially when hiring people for high level positions
- There are legal implications associated with the effectiveness of the selection procedures. Selection procedures need to be evaluated to ensure that potential applicants are not discriminated on the basis of race, sex, etc.

4.2.1. Selection criteria

Unless the criteria against which applicants will be measured are made explicit, it is impossible to make credible selection decisions. It will be difficult to select the most appropriate selection procedure and approach, and it will be difficult to validate the selection process. Selection criteria are typically presented in the form of a person specification representing the ideal candidate, and cover such areas as skills, experience, qualifications, education, personal attributes, special attributes, interests and motivation (IRS 2003a).

Three perspectives can be used to determine selection criteria – *organizational fit, team/functional fit and job fit*.

Fit with the organization

The organizational criteria are those attributes that an organization considers valuable in its employees and that affect judgments about a candidate's potential to be successful within an organization. For example, the organization may be expanding and innovating and require employees who are particularly flexible and adaptable. Previously, these organizational criteria were rarely made explicit and they were often used at an intuitive level.

Functional and team fit

Between the generality of the organizational criteria and the preciseness of job criteria there are functional criteria, such as the definition of appropriate interpersonal skills for all members of the HR department. Criteria may also be important when the new appointee will have to fit into a pre-existing work team.

Individual job criteria

Individual job criteria contained in job descriptions and person specifications are derived from the process of job analysis. Although it is reasonably easy to specify the factors that should influence the personnel specification, the process by which the specification is formed is more difficult to describe.

4.2.2. The selection process

A series of steps are normally followed in processing an applicant for a job. Each step in the process seeks to expand the organization's knowledge about the applicant's background, abilities, and motivation and it increases the information from which decision makers will make their predictions and final choice. The selection process used by organizations may vary depending on the size of the organization, the type of jobs to be filled and also the number of people to be hired. The basic selection process involves the following steps:

a. Application Form

It provides basic employment information to be used at a later stage of the selection process and also to screen out unqualified applicants. It involves basic questions ranging from simple name and address kind of question to extended personal history profile. Questions that do not relate to the job at hand or open for discrimination should be avoided. Such questions like race, religion, etc. are irrelevant unless they have direct impact on the job or are going to be used strictly for statistical purposes.

b. Preliminary Interview

It is used to get necessary information from the prospective applicants and to assess the applicant's suitability to the job. The information obtained may be related to the job or personal specifications regarding education, experience, salary expected, aptitude towards the job, age, physical appearance and other physical requirements. This may help to find out, at an early stage, inappropriate applicants as a result of inadequate experience or education.

At this step, the organization could also provide information to applicants regarding the job, the work environment, salary range, etc. to help them make decisions if they still want the job or not.

c. Employment Tests

The next step is to conduct various employment tests to gather further information about applicants and thus be able to assess their suitability to the job. Some of the employment tests used by organizations include the following:

i. Aptitude tests

Measure a person's capacity or potential to learn and perform a job. Some of the tests that measure a person's aptitude include:

Verbal ability-ability to use words in communicating, planning, etc.

Numerical tests-ability to add, subtract, etc.

Perception speed test-ability to recognize similarity and differences

Spatial tests-ability to visualize object in space and determine their relationships

Reasoning tests-ability to analyze oral or written facts and make correct judgment concerning these facts on the basis of logical implications.

ii. Job Knowledge and proficiency Test

Job knowledge tests are used to measure the job related knowledge possessed by the applicant (either written or oral). It may include questions that differentiate experienced worker from inexperience ones.

Proficiency test on the other hand measures how well the applicant can do a sample of the work that is to be performed. The typical example is typing test for a secretarial position. Another example could be a case study to a managerial position.

iii. Interest Test

These are designed to determine how a person's interests compare with the interest of successful people who do the same type of job. For example, tests that measure a person's interest in a situation that require him/her to work with the people or deal with people could measure a person's interest a sales person's position. The basic assumption underlying this test people perform better if places in a position that interests them.

iv. Personality Test

It measures the basic aspect of an applicant's personality such as introversion, stability, and motivation. They are expressed as self-confidence, tact, emotional control, optimism, decisiveness, conformity, objectivity, patience, fear, distrust, initiative, judgment, dominance, impulsiveness, sympathy, integrity and stability.

d. Compressive Interview

It is used to supplement information gained in other steps in the selection process. It is designed to probe in to areas that cannot be addressed by the application forms or tests. Questions to be asked in this interview should be job related. The interview is usually done by a panel of interviewers consisting of human resource personnel, potential supervisor, and other executives that may be of relevance in assessing the applicant's qualification.

The interview could be structured or unstructured. The structured interviews are preferred in a situation where it is important to cover certain basic questions related with the job to all applicants. It also increases the accuracy and reliability of questions.

Problems in conducting Interviews

- Interviewers may be favorably or unfavorably impressed with job applicant for the wrong reasons.
- Interviewers may have personal biases. Example: way of dress, hairstyle, etc.
- Interviewers may allow a simple characteristic to dominate judgment of all traits. For example, an applicant with a pleasant personality may affect the fair judgment of the interviewer. In this case other work related traits may be overlooked.

In order to avoid these problems, interviewers should be acquainted with the basics of conducting effective interviews. The following guidelines could help in ensuring effective interviews

- Interviewers should be carefully selected and trained
- Interviews should be planned by outlining the information that is to be obtained and questions to be asked.
- The interviewers should put the interviewee at ease unless it is a part of the interview process
- The fact obtained by the interview should be recorded immediately
- Effectiveness of the interview process should be evaluated

e. Reference checking/Background Investigation

It involves contacting individuals who are listed as references to the applicant. It may include contacting former employers to confirm the candidate's work record and performance level, contacting other job related, personal, and educational references to verify accomplishments shown

in the application. In some cases, this step may extend to the level of doing a background investigation on the applicant.

f. Physical Examination

It is given to determine whether an applicant is physically capable of performing the job and also to determine the applicant's eligibility for group life, health and disability insurance.

Physical examination requests should be directly related to the job in order to avoid any possible discrimination against disabled or handicapped applicants. Since medical examination is very expensive, this step is usually the last step before the final decision.

In some cases, however, this step is done after the final employment decision is completed. This is a situation where the physical/medical examination is used to determine the eligibility of the person for various insurance benefits extended by the organization.

g. Final employment Decision

If the above steps successfully accomplished, the best qualified individual can be identified. This decision is made by the hiring department as per the qualifications set up for to be filled.

Basic Testing Concepts

a. Reliability

For any predictor to be useful, the scores it generates must possess an acceptable level of reliability or consistency of measurement. This means that the applicant's performance on any given selection device should produce consistent scores each time the device is used. For example, if your height was measured every day with a wooden yardstick, you would get highly reliable results, but if it was measured daily by an elastic tape measure, there would probably be considerable disparity between your height measurements from one day to the next. Your height does not change from day to day – the variability is due to the unreliability of the measuring device.

Similarly, if an organization uses tests to provide input to the selection decision, the tests must give consistent results. If the test is reliable, any single individual's score should remain fairly stable over time, assuming that characteristic it is measuring is also stable. An individual's intelligence, for example, is generally a stable characteristic, and if we give applicants an IQ test, we should expect that someone who scores 110 in March would score close 110 if tested again in July. If, in July, the same applicant scored 85, the reliability of the test would be highly questionable. On the

other hand, if we were measuring something like attitude or mood, we would expect different scores on the measure, because attitude and moods change.

b. Validity

Validity refers to how well the criterion predictor actually predicts the criterion of job success. A test's answers the question: "What does this test measure?" with respect to testing employee selection, the term validity refers to evidence that the test is job related. For example, just because a test score is consistent is no indication that it is measuring important characteristics relate to the job behavior, it must also differentiate between satisfactory and unsatisfactory performance on the job. We should be aware of three specific type of validity: content, construct and criterion- related.

Content Validity: It is the degree to which the content of the test or question about job tasks, as a sample, represent the situation on the job. It shows that the test constitutes a fair sample of the content of the job. It requires identification of the most critical aspect of the job in terms of performance and including the sample of those tasks and behavior in the test. All candidates for that job are given the same test or questions so that the applicants can be properly compared.

Construct validity: It is the degree to which a test measures a particular trait related to successful performance on the job. These traits are usually abstract in nature, such as the measure of intelligence, and are called constructs. Construct validity is complex and difficult.

Criterion Related Validity: is the degree to which a particular selection device accurately predicts the level of performance or important elements of work behavior. This validation strategy shows the relationship between some predictor (test score, for example) and a criterion, job performance, (e.g. production output or managerial effectiveness). It involves demonstrating that those who do well on the test also do well on the job, and those who do poorly on the test do poorly on the job.

Check Point

Dear Learner's Please answer the following questions:

- *What do mean by employee selection?*
 - *State the steps involved in employee selection.*
 - *List the possible problems during employee interview.*
-

4.3. Orientation [induction]

Definition

It is the introduction of new employees to the organization, work unit, and job. This can be done by oral or written communications like manual, guidelines, etc

Following the final employment selection decision, one job candidate will be hired in an organization. This, however, does not ensure the employee's successful performance in the organization. The degree of the new employee's knowledge about an organization affects his/her level of performance on the job... at least in the first few months.

When should it be given?

Before or during the selection process followed by a formal orientation period once an individual is hired.

Who does the orientation?

Major responsibility of orientation falls on the human resource department, especially as it relates to the general information concerning the organization. HRD is also responsible for initiating and coordinating both the general and job/ department specific orientations.

The new employee's immediate supervisor takes the responsibility of job/department orientation as he /she is likely to give accurate and relevant information.

4.3.1. Purpose of orientation

New-employee **orientation** covers the activities involved in introducing a new employee to the organization and to the individuals in his or her work unit. It expands on information received during the recruitment and selection stages and helps reduce the initial anxiety employees usually feel when beginning a new job. For example, an orientation program should familiarize the new member with the organization's objectives, history, philosophy, procedures, and rules; communicate relevant HRM policies such as work hours, pay procedures, overtime requirements, and company benefits; review the specific duties and responsibilities of the new member's job; provide a tour of the organization's physical facilities; and introduce the employee to his or her manager and co-workers.

4.3.2. Levels of Orientation

There are two basic level of orientation.

A. General Company orientation: it covers topics of relevance and interest to all employees. Some issues likely to be covered include:

Overview of the organization: like founding, growth, goals, priorities, problems, etc.

Traditions and customs, organizational structure and relationships of various parts of the organization, community relations, expectations and activities

Key Policies and Procedures

Compensation: pay rates, how pay is received, advance on payment, loans from credit unions, etc.

Fringe Benefits: Insurance, holidays and vacations, sick leave, maternity, etc. , retirement plans and options, training opportunities, recreation and social activities, etc..

Safety and Accident prevention: health and first aid clinic, safety precaution, fire prevention and control, etc.

B. Departmental and Job Orientation

It refers to orientation that covers topics that are specific to the new employees department and job. It is usually given by the new employee's supervisor or assigned co-worker qualified to give the orientation. The content depends on the specific requirement of the department and the skill and the experience of the employee. Some of the topics covered include:

Department Functions: Goals and current priorities, department structure, department's relationship with other departments.. etc.

Job Duties and Responsibilities: detailed explanation of the job description, common problems and ways to over come them, explanation on where and how to get materials, have equipment maintained and repaired, overtime needs and requirements, etc.

Policies, Procedures, Rules and Regulations: Rules unique to the department, safety precaution, tour of the department and other facilities, etc.

For an orientation to be effective it should be supported by a written document incorporating basic policies and procedures all new employees need to know. Such document is usually prepared by Human Resource Department and has relevance to all employees.

Some of the information included:

- Organization Chart
- Copy of policies and procedures handbook
- List of holidays and other benefits
- Copies of performance evaluation forms, dates, and procedures, telephone numbers, etc.

In General, any orientation program should be carefully planned, be conducted by a well trained individual and also be evaluated at least annually to ascertain way to make improvements. Feedback can be gathered from employees on the effect of the orientation program on their performance and general attitude towards the organization.

Check Point

Dear Learner's: Try the following questions:

- *Why new employee's given orientation?*
 - *Who should induct employees?*
 - *Explain the level of orientation given to employees.*
-

Summary

- ✓ Recruitment involves seeking and attracting a pool of people from which qualified candidates for job vacancies can be chosen.
- ✓ There are two sources of recruitment-Internal and External sources

Internal Sources: Vacant positions in organizations could be filled by those existing employees through transfers, promotions and recall from lay-off. Most large organizations attempt to develop their own employees for positions beyond the lowest level.

External sources: Provide a larger pool of candidates from central labor market such academic institutions and others. It is often needed by organizations that are growing rapidly or have a large demand for technical and skilled managerial employees.
- ✓ Selection is the process of choosing the individual who can most successfully perform the job from the pool of qualified candidates. Employee selection is important for the following key reasons:
 - Employees who do not have the right abilities won't perform effectively and thus have an impact on the success and image of the organization
 - There is a very high cost associated with recruitment and hiring process especially when hiring people for high level positions
 - There are legal implications associated with the effectiveness of the selection procedures. Selection procedures need to be evaluated to ensure that potential applicants are not discriminated on the basis of race, sex, etc.
- ✓ A series of steps are normally followed in processing an applicant for a job:
 - Application Form
 - Preliminary Interview
 - Employment Tests
 - Compressive Interview
 - Reference checking/Background Investigation
 - Physical Examination
 - Final employment Decision

- ✓ Orientation is the introduction of new employees to the organization, work unit, and job. This can be done by oral or written communications like manual, guidelines, etc
- ✓ There are two basic level of orientation.
 - A. General Company orientation:** it covers topics of relevance and interest to all employees. Some issues likely to be covered include: overview of the organization: like founding, growth, goals, priorities, problems, etc.
 - B. Departmental and Job Orientation:** It refers to orientation that covers topics that are specific to the new employees department and job. It is usually given by the new employee's supervisor or assigned co-worker qualified to give the orientation

 Self-check Questions 4

1. The process of recruitment involves;
 - A. Discovering potential candidates for actual or anticipated organizational vacancies.
 - B. Identifying the sources where the required number and kind of employees are/will be available.
 - C. Developing suitable techniques to attract the desirable candidates.
 - D. Brings together those with jobs to fill and those seeking jobs.
 - E. All of the above
2. Which one of the following is not among the purpose of recruitment;
 - A. To attract people with multi-dimensional skills and experiences
 - B. To impart fresh blood in to the organization.
 - C. To develop an organizational culture that discourages competent people.
 - D. To search for talent globally
 - E. None of the above
3. Which one of the following is not among the internal factors which govern recruitment process;
 - A. Government regulation
 - B. Image of the organization
 - C. Salary levels, type and extent of benefits
 - D. Quality of the recruitment process
4. All are merits of internal source of recruitment except;
 - A. The company has better knowledge of the strength and weakness of job candidates
 - B. Facilitate infusion of fresh blood with new ideas into the enterprise.
 - C. Inside job candidates have better knowledge of the organization and its operations.
 - D. The return on investment that an organization has on its present work force is increased
5. _____ indicates posting notices of job openings on organization bulletin boards for recruiting possible internal candidates.
 - A. Job Advertisement
 - B. College recruiting
 - C. Job posting
 - D. Employee referrals

6. Which one of the following is among the criteria's for employee selection
- A. Organizational fit,
 - B. Team/functional fit
 - C. Job fit.
 - D. None of the above
 - E. All of the above except "D"
7. Among the following, which one is a guideline for effective interview?
- A. Interviewers should be carefully selected and trained
 - B. Interviewers should put the interviewee at ease
 - C. The fact obtained by the interview should be recorded immediately
 - D. Effectiveness of the interview process should be evaluated
 - E. All of the above
8. List down the selection process from initial to final, respectively.

9. What is the difference between validity and reliability?

CHAPTER FIVE

HUMAN RESOURCE TRAINING AND DEVELOPMENT

Chapter outline:

- 5.1. Introduction
- 5.2. Objectives of training and development
- 5.3. Process of training and development
- 5.4. Training methods
- 5.5. Career development

Chapter objectives:

After studying this chapter you should be able

- ✓ To explain training & development in the organization
- ✓ To describe training & development process
- ✓ To know major training and development techniques
- ✓ To know the methods to measure the effectiveness of training and development
- ✓ To decide who should deliver training and development programs

5.1. Introduction

No organization can function without people; in fact no organization can function without developed people. Appropriately trained and developed HR can mean the difference between organizational success and failure. Organizations are in a constant state of change: production process change in order to improve the quality and output of products, systems change in order to improve the flow of inputs and outputs. If employee skills and knowledge are not also updated, then employees will be unable to adapt to these changes.

Concepts of Training and development

What is Training?

Training is defined as any attempt to improve employee performance on a currently held job or one related to it. This usually means changes in specific knowledge, skills, attitudes, or behaviors. From childhood we learn to cope with living is this training or education these terms are often using as if they were synonymous. They are not, and understanding of the difference between them is important to an

understanding of the training process in business organizations. Both are processes which help people to learn, but they differ in orientation and objectives. It is probably simplest to define training as oriented towards the needs of the organization while education is oriented to the needs of the individual. These differences can be summarized as shown in the table below.

Differences between education and training

Characteristics of the learning process	Education	Training
Objectives	More abstract objectives geared to the needs of the individual and to society generally	Specific behavior objectives to make workers more effective in their jobs
Timescale	Generally in long term process	Can be very short-term especially when concerned with the acquisition of specific skills.
Content	Widely drawn content	Often fairly narrow content specific to the employee's work situation.

Training consists of planned programs designed to improve performance at the individual, group, and/or organizational levels. Improved performance, in turn implies that there have been measurable changes in knowledge, skills, attitudes, and/or social behavior. When we examine the training enterprise as a whole it is clear that training issues can be addressed from at least two perspectives. At the structural level we can examine issues such as the following, among others: the aggregates and level of expenditures by the various providers of training (e.g. federal, state and local governments, educational institutions, private sector businesses), the degree of cooperation among the providers, incentives (for lack of incentives) for providing training, who gets training and the economic impact of training. These are macro level concerns.

At the micro level, we may choose to examine issues such as the following: what types of training seem to yield positive outcomes for organizations and trainees (i.e., what works): how to identify if training is needed and, if so, what type of training best fits the needs that have been identified; how to

structure the delivery of training programs; and how to evaluate the outcomes of training efforts. The term training is often confused with the term development.

Development refers to learning opportunities designed to help employees grow. Such opportunities do not have to be limited to improving employee's performance on their current jobs. The focus of 'development' is on the long term to help employees prepare for future work demands, while 'training' often focuses on the immediate period to help fix any current deficits in employee's skills. The most effective companies look at training and career development as an integral part of a "human resource development" (HRD) program carefully aligned with corporate business strategies.

Distinction between Training and Development	
Training	Development
Training means learnings skills and knowledge for doing a particular job. It increases job skills.	Development means the growth of an employee in all respects. It shapes attitudes.
The term 'training' is generally used to denote imparting specific skills among operative workers and employees.	The term 'development' is associated with the overall growth of the executives.
Training is concerned with maintaining and improving current job performance. Thus, it has a short-term perspective.	Executive development seeks to develop competence and skills for future performance. Thus, it has a long-term perspective.
Training is job-centred in nature.	Development is career-centred in nature.
The role of trainer or supervisor is very important in training.	All development is 'self development'. The executive has to be internally motivated for self-development

Check point!

- ✓ *Explain the difference between education and training*
 - ✓ *What is development? have you observe any difference between training and development*
-

5.2. Needs and importance of training and development

- i. **Increasing Productivity:** Instruction can help employees increase their level of performance on their present job assignment. Increased human performance often directly leads to increased operational productivity and increased company profit. Again, increased performance and productivity, because of training, are most evident on the part of new employees who are not yet fully aware of the most efficient and effective ways of performing their jobs.
- ii. **Improving Quality:** Better informed workers are less likely to make operational mistakes. Quality increases may be in relationship to a company product or service, or in reference to the intangible organizational employment atmosphere.
- iii. **Helping a Company Fulfills its Future Personnel Needs:** Organizations that have a good internal educational programme will have to make less drastic manpower changes and adjustments in the event of sudden personnel alternations. When the need arises, organizational vacancies can more easily be staffed from internal sources if a company initiates and maintains an adequate instructional programme for both its non-supervisory and managerial employees.
- iv. **Improving Organizational Climate:** An endless chain of positive reactions results from a well-planned training programme. Production and product quality may improve; financial incentives may then be increased, internal promotions become stressed, less supervisory pressures ensue and base pay rate increases result. Increased morale may be due to many factors, but one of the most important of these is the current state of an organization's educational endeavor.
- v. **Improving Health and Safety:** Proper training can help prevent industrial accidents. A safer work environment leads, to more stable mental attitudes on the part of employees. Managerial mental state would also improve if supervisors now that they can better themselves through company-designed development program.

- vi. **Obsolescence Prevention:** Training and development program foster the initiative and creativity of employees and help to prevent manpower obsolescence, which may be due to age, temperament or motivation, or the inability of a person to adapt him to technological changes.
- vii. **Personal Growth:** Employees on a personal basis gain individually from their exposure to educational experiences. Again, Management development program seem to give participants a wider awareness, an enlarged skin, an enlightened altruistic philosophy, and make enhanced personal growth possible.

5.3. Process of training and development

Training programs are costly propositions. They are time and energy consuming too. Hence, the training program should be framed with great care and caution. The following steps should be taken while developing a training program.

1. Determining the need and Priorities for Training: The very first step in designing a training program is to determine the organization's need for such program. It is from need assessment that the entire training process will flow. If the organization does not accurately determine its need, the training process will be inappropriately undertaken. Mc-Guhee and Thayer have recommended the following three-steps approach in order to determine training need:

- a. **Organizational Analysis:** This analysis basically determines where training emphasis should be placed in the organization. *Organizational needs analysis* begins with an assessment of the short- and long-term strategy and strategic business objectives of the company. This step is essentially the same as organizational assessment, except that the focus is specifically on identifying the implications of the assessment for future training and development activities. The organizational needs analysis should result in the development of a clear statement of the goals to be achieved by the organization's training and development activities. In a certain bank, for example, it was the results of an employee survey that led the company to conclude that it needed to improve its career development activities. The survey, which was conducted following a merger, revealed that employees felt pessimistic about their future prospects at the company. An organizational needs analysis may also include an assessment of the organization's current climate for training.
- b. **Operational/ Job Analyze:** It assists to decide what the training should consist of, requiring a study of what a person should be taught if he is to perform his task with maximum

effectiveness. A job needs analysis identifies the specific skills, knowledge, and behavior needed in present or future jobs. A thorough job analysis with competency modeling provides the information required for job needs analysis. If training is to be provided for existing jobs, traditional job analysis and competency modeling is appropriate. If training and development are intended to address future needs, future-oriented job analysis and competency modeling should be used for the needs analysis.

- c. **Personal need analysis:** It is used to determine who needs to be training and what skills and knowledge or attitudes should be augmented or improved. After information about the job has been collected, the analysis shifts to the person. A person needs analysis identifies gaps between a person's current capabilities and those identified as necessary or desirable. Person needs analysis can be either broad or narrow in scope. The broader approach compares actual performance with the minimum acceptable standards of performance and can be used to determine training needs for the current job. The narrower approach compares an evaluation of employee proficiency on each required skill dimension with the proficiency level required for each skill. This approach is useful for identifying development needs for future jobs that will require a specific skill. Whether the focus is on performance of the job as a whole or on particular skill dimensions, several different approaches can be used to identify the training needs of individuals.

Output Measures. Performance data (e.g., productivity, accidents, and customer complaints), as well as performance appraisal ratings, can provide evidence of performance deficiencies. Person needs analysis can also consist of work sample and job knowledge tests that measure performance capability and knowledge. Major advantages of such measures are that they can be selected according to their strategic importance.

Self-Assessed Training Needs. The self-assessment of training needs is growing in popularity. This time, for example, in some firms top managers require the employee and his or her supervisor to identify what the business needs are for the department and the business, as well as the skill needs and deficiencies of the individual. Many major firms in our country allow managers to nominate themselves to attend short-term or company-sponsored training or education programs. Self-assessment can be as informal as posting a list of company-sponsored courses and asking who wants to attend, or as formal as conducting surveys regarding training needs. Surveys and worksheets are convenient tools for self-assessment. High-potential employees are expected to conduct a self-assessment and use it to develop a career plan.

Self-assessment is premised on the assumption that employees, more than anyone else, are aware of their weaknesses and performance deficiencies. One drawback of self-assessment is that individuals may not be aware of their weaknesses, especially if the organization does a poor job of providing honest feedback during performance appraisals. Also, employees may be fearful of revealing their weaknesses and so may not accurately report their training needs. In both cases, reliance on self-assessment may result in individuals not receiving education that's necessary for them to remain current in their fields.

2. Translating needs into Objectives and Establishing Training Goals: Once the training needs have determined the next important step is to translate the skills needed into specific training objectives or desired outcomes of training objectives. These training objectives or goals are then used to determine the specific courses that will be offered. Training objectives should include such matters as specific skills to be taught, the number of people to be trained and from which units and the period within which such training should take place. Objectives for training program that do not relate directly to specific job skills should also be considered for example, employee health and safety guidelines, promotion opportunities and self-study opportunities. Training objectives include the general content of the training to be given. The most frequently adopted objectives or training subjects by the companies are: new employee orientation, performance appraisal, leadership, selection process, interpersonal skills, word processing, new equipment operation, team building, delegation skills, and listening skills. Sometimes, orientation regarding company policy and practices can be particularly important, especially for new employers.

3. Selecting Trainees: Selecting individuals or groups for training is a very complex decision for the firm and the individuals chosen. From the firm's perspective, providing the right training to the right people can help to create and maintain a well-trained and stable work force. To impart training for individuals with limited performance partial or lack of interest is simply a waste of time, effort, and money. Overlooking individuals with ambition and potential represents a lost opportunity and can contribute to higher employee turnover. It should be assumed that ambition and potential are widespread in the firm and exist at all age levels. There are at least four important considerations important in selecting trainee:

- legal requirements and formalities
- employee needs and motivation
- skills obsolescence and retraining, and
- multi-skilling.

Employee needs and motivation can be determined with the help of previous performance evaluations as well as interviews performance evaluations as well as interviews with individual employees and owner supervisors. The rapidly change in technology is requiring that all segments of the society give higher priority to worker retraining. This also means that individual workers themselves must seek out training opportunities to avoid having their skills become obsolete. Similarly, numerous companies have moved in the direction of training their employees to have multiple skills, called multi-skilling. In particular, multi-skilling is relevant where self-managed teams are utilized. Everyone is encouraged to learn all of the jobs of the team and employees are usually paid according to the number of skills that they have developed.

4. Making the Curriculum and Choosing Training Methods After *-deeming* training objectives and translating into specific course areas, the trainees are identified and evaluated, management will be in a position to decide the overall curriculum, *i.e.*, the arrangement of courses to be offered. The curriculum is a sort of grand plan of what training is to be presented and with what frequency. However, a part which must be added to this grand plan is the matter of training methods. Will the training be on the job, off the job, prior to employment, or prior to a formal assignment? Will it be done by lecture computer assisted, or carried out by some other method? Will it be long-term or short-term?

5. Preparation of training budget: Preparing a training budget will be an interactive process with the other steps in formulating a training program. Budget constraints may limit the human resource manager's alternatives and must, therefore, considered during all phases of the development process. Costs that must be included in the training budget are: staff planning time, trainees' wages, trainers' salary, and expenses such as cost of training materials, travels, accommodations, and meals. If the desired training program does not fit within budget constraints, the human resource manager must consider modification such as fewer trainees, different trainees, different training techniques, and a different training location.

6. Selecting trainers and providing training to trainers. An effective training program can be developed only when effective trainers are available. Firms have the option of using staff trainers or of seeking contract trainers outside, or of having both, types' of trainers. After their selection, they must be provided with the information regarding the persons who are to be trained. The trainers should be engaged after careful evaluation of their suitability and effectiveness so as to ensure quality training.

7. Using selected training technique. Under this step, the trainer speaks, demonstrate, and illustrates in order to put over the new knowledge, skills, and operations. Besides, he suggests the trainee to be at ease,

without any stress and strain, and explains to him the necessity of the training program and creation of trainee's personal interest in training. The trainer tells the sequence of the entire job, the need for each step in the job, the relationship of the job to the total work-flow, the nature of interpersonal behavior required at the job, and so on. All key points should be covered and emphasized. Audio-visual aids should be used to demonstrate and illustrate. To ensure follow-up by the trainee, he should be asked to repeat the operations, and encouraged to ask questions for further classifications and understanding.

8. Performance or learning tryout: As the training continues, it is important that the progress of trainees should be monitored. This may be accomplished by periodic skill or knowledge tests or periodic assessments by the personnel department. The trainee may be asked to do the job several times. His mistakes, if any, are corrected and complicated steps should be explained again. As soon as the trainee demonstrates that he can do the job rightly, he is put at his own job and the training is said to be over.

9. Evaluation system of training program. In order to generate adequate feedback, some key purposes of conducting this evaluation are:

- I. Determining whether a program meets its objectives or goals.
- II. Identify strengths and weaknesses in the training process.
- III. Calculate the cost-benefit ratio of a program.
- IV. Determine who benefited the most from a program and why
- V. Establish a data base for further decision about the program.

Training programs can be evaluated with a variety of methods. The most popular method involves analysis questionnaires filled out by the trainees either at the end of the training session or within a few weeks. Although in some situations employees can accurately evaluate the quality of the training program, in other situations their subsequent performance or degree of improvement is a more valid measure. After specific performance measurement, the results are compared with the objectives for the training program. If the training objectives have been met, the training is said to be successful.

5.4. Training methods

Many different techniques can be used for training and development activities. Three general categories of techniques are on-the-job, on-site, but not on the job, and off-site. Choices about techniques may be constrained by the type of learning that's to occur-cognitive, skill based, or affective-as well as by cost and time considerations.

Note that the three major categories of training and development techniques do not depend on using a specific type of technology. Before the computer, film, and communications industries began to merge, the technology used was often what most clearly distinguished one training technique from another. Today, however, technology makes it possible to combine many techniques and deliver them as an integrated learning system that combines, for example, computer-based quizzes, video, interactive simulations, and so on. When such technologies are used for training and development, they often are referred to as e-Learning. The major advantage of e-Learning systems is their potential for speeding up communications within large corporations.

On- the- Job Training

On-the-job training (OJT) occurs when employees learn their jobs under direct supervision. Trainees learn by observing experienced employees and by working with the actual materials, personnel, or machinery, or all three, that pertain to the job. An experienced employee trainer is expected to provide a favorable role model and to take time from regular job responsibilities to provide job-related instruction and guidance. Assuming the trainer works in the same area, the trainee receives immediate feedback about performance.

One advantage of OJT is that transfer of training is high. That is, because trainees learn job skills in the environment in which they will actually work, they readily apply these skills on the job. However, on-site training is appropriate only when a small number of individuals need to be trained and when the consequence of error is low.

Apprenticeship, Internships, and Assistantships. A method for minimizing the disadvantages of on-the-job training is combining it with off-the-job training. Apprenticeship Training, Internships, and Assistantships are based on combination.

Check point!

- ✓ *Many different techniques can be considered for training and development activities. discuss the three general categories of this techniques*
-

Apprenticeship Training is mandatory for admission to many skilled trades such as plumbing, electronics and carpentry. These programs are formally defined as apprenticeship and Training and involve a written agreement "providing for not less than 4,000 hours of reasonably continuous employment . . . and supplemented by a recommended minimum of 144 hours per year of related class-room instruction.

Somewhat less formalized and extensive are internship and assistantship programs. Internships are often part of an agreement between schools and colleges, and local organizations. As with apprenticeship training, individuals in these programs earn while they learn, but at a lower rate than that paid to full-time employees or master crafts workers. Internships are a source not only of training but also of realistic exposure to job and organizational conditions.

Assistantships involve full-time employment and expose an individual to a wide range of jobs. However, because the individual only assists other workers, the learning experience is often vicarious. This disadvantage is eliminated by programs that combine job or position rotation with active mentoring and career management

Job Experiences. When development is the objective, employers may put people into jobs in order to facilitate their learning and development. Job rotation programs are used to expose employees to and train them in a variety of jobs and decision-making situations. Usually, job rotation programs rotate employees through jobs at a similar level of difficulty. The extent of training and long-run benefits may be limited, however, because employees aren't in a single job long enough to learn very much and may not be motivated to work hard because they know they will move on in the near future:

The philosophy of having employees learn while doing also underlies the use of developmental job assignments. However, with developmental job assignments, employees are placed in a new job that presents significantly more difficult new challenges. The assumption is that the process of learning to deal with the challenges will result in the employee developing new competencies. Components of a developmental job include

- Unfamiliar responsibilities
- Responsibility for creating change (e.g., to start something new, fix a problem, deal with problem employees)
- High levels of responsibility (e.g., high-stakes and high-visibility assignments; job involving many stakeholders,

- products, or units)
- Boundary-spanning requirements (e.g., working with important stakeholders outside the organization)
- Dealing with diversity (working with people from multiple cultures or demographic backgrounds)

Supervisory Assistance and Mentoring: Often the most informal program of training and development is supervisory assistance or mentoring. Supervisory assistance is a regular part of the supervisor's job. It includes day-to-day coaching, counseling, and monitoring of workers on how to do the job and how to get along in the organization. The effectiveness of these techniques depends in part on whether the supervisor creates feelings of mutual confidence, provides opportunities for growth, and effectively delegates tasks.

Mentoring, in which an established employee guides the development of less-experienced worker, or protégé, can increase employees' competencies, achievement, and understanding of the organization. At AT&T, for example, protégés are usually chosen from among high-potential employees in middle or entry-level management. Each executive is encouraged to select two people to mentor and must decide how to develop the relationships. Usually, executives counsel their protégé on how to advance and network in the company, and they sometimes offer personal advice.

Coaching. For high-level executives and other employees who hold visible and somewhat unique jobs, traditional forms of on-the-job training are impractical. Yet, these employees often need to develop new competencies in order to be fully effective. In recent years, more and more executives have turned to personal coaching to address their training needs. A coach might sit in on a meeting to observe the employee in action and later provide feedback and guidance for how to improve interaction skills in the future. Most coaches also encourage their "trainees" to discuss difficult situations as they arise and work through alternative scenarios for dealing with those situations. Although coaching is rapidly growing in popularity, it's a relatively new technique and few guidelines are available to evaluate whether a potential coaching relationship is likely to succeed. Nevertheless, the evidence of its effectiveness is beginning to accumulate.

An effective coaching program helps managers change themselves and, in the process, change their organizations.

On-Site, but Not On the Job Training

Training at the work site but not on the job is appropriate for required after-hours programs and for programs in which contact needs to be maintained with work units but OJT would be too distracting or harmful. It's also appropriate for voluntary after-hours programs and for programs that update employees' competencies while allowing them to attend to their regular duties.

Corporate Universities and Executive Education Programs: A growing trend in the United States is the development of corporate universities that offer programs tailored to the needs of the company. Corporate universities focus on the education of employees and sometimes customers.

Check point

- ✓ *Discuss the advantages and disadvantages of on-the-job training*
- ✓ *Explain what developmental job mean and its components*

Programmed Instruction: Programmed instruction is an old on-site training method that has recently become the foundation for many computers based training programs. Here, the instructional material is broken down to "frames." Each frame represents a small component of the entire subject to be learned, and each frame must be learned successfully before the next one can be tackled.

An advantage of programmed instruction is that large numbers of employees can be trained simultaneously, with each learner free to explore the material at her or his own pace. In addition, it includes immediate and individualized feedback. Although the development of several authoring systems has eased the burden of developing programmed modules, instruction still must be carefully planned. It's estimated that 1 hour of programmed instruction requires 50 hours of development work. Consequently, this approach is effective only if canned programs (e.g., word processing and database tutorials) are used or if large numbers of employees are to be trained so that development costs for an original program can be justified. The use of intranets for delivering training makes widespread use of programmed instruction much more practical today than it was **Interactive Video Training.** Interactive video training combines the best features of programmed instruction with the best attributes of video. Interactive video programs provide a short video and narrative presentation and then require the trainee to respond to it. This sequence-packaged program, learner response, and more programmed instruction-provides for individualized learning. Customer-contact employees take a job knowledge test every six

months; the company pays each employee for four hours of study and preparation and for two hours of test taking. The knowledge required to do well on the test is so job related that performance on the test essentially reflects performance on the job. As an incentive for employees to get serious about doing well on the test, the company links their compensation to performance on the test. Employees who excel in applying their knowledge to job performance become eligible for additional proficiency pay.

Off- the –Job Training

When the consequences of error are high, it's usually more appropriate to conduct training off the job. Most airline passengers would readily agree that it's preferable to train pilots in flight simulators rather than have them apprentice in the cockpit of a plane. Similarly, it's usually useful to have a bus driver practice on an obstacle course before taking to the roads with a load of schoolchildren.

Off-the-job training is also appropriate when complex competencies need to be mastered or when employees need to focus on specific interpersonal competencies that might not be apparent in the normal work environment. It's difficult to build a cohesive management work team when members of the team are constantly interrupted by telephone calls and subordinate inquiries. Team building is more likely to occur during a retreat, when team_members have time to focus on establishing relationships. However, the costs of off-the-job training are high. One cause for concern is that knowledge learned off the job may not executives, to work transfer to the workplace. Research has shown that the more dissimilar the training environment is to the actual work environment, the less likely trainees will be to apply what they learn to their jobs. For example, the transfer-of-knowledge problem is minimal when trainees work with machines that are comparable to the ones in their actual work environment. However, it may be difficult to apply teamwork competencies learned during a wilderness survival program to a management job in a large service organization.

Formal Courses. Formal courses can be directed either by the trainee-using programmed instruction, computer-assisted year for outside instruction, reading, and correspondence courses---or by others, as in formal classroom courses and lectures. Although many training programs use the lecture method because it efficiently and simultaneously conveys large amounts of information to large groups of people, it does have several drawbacks. Perhaps most importantly, except for cognitive knowledge and conceptual principles, the transfer of learning to the actual job is probably limited. Also, the lecture method does not permit individualized training based on individual differences in ability, interests, and personality.

Simulation: Simulation, which presents situations that are similar pilots in its similar to actual job conditions, is used for both managers and non managers. A common simulation technique for non managers is the vestibule method, which simulates the environment of the individual's actual job. Because the environment isn't real, it's generally less hectic and safer than the actual environment; as a consequence, trainees may have trouble adjusting from the training environment to the actual environment. The arguments for using a simulated environment are compelling: it reduces the possibility of customer dissatisfaction that can result from on-the-job training, it can reduce the frustration of the trainee, and it may save the organization a great deal of money because fewer training accidents occur (e.g., pilot training by all airlines is done in flight simulators). Not all organizations, even in the same industry, accept these arguments. Some banks, for example, train their tellers on the job, whereas others train them in a simulated bank environment.

Assessment Centers. Just as they are popular in managerial selection, assessment centres are an increasingly popular simulation technique for developing managers. Certain aspects of the assessment centre, such as management games and in-basket exercises, are excellent for training. When these are used for training purposes, however, it is essential that instructors help participants analyze what happened and what should have happened. The opportunity for improvement may be drastically reduced if the trainees are left to decide what to transfer from the games or exercises to the job.

Business Board Games: Companies are finding that it pays if all employees know how the company makes money, the difference between revenue and profit, and how much such as Prudential and Sears have created board games, similar in form and shape to *Monopoly*, that reveal the workings of the company. Employees actually play the game, and as they do, they learn about the company and how the company runs the business and makes a profit or loss.

Role-Playing and Sensitivity Training: Whereas simulation exercises may be useful for developing conceptual and problem-solving skills, two other types of training are used for developing human relations or process skills. Role-playing and sensitivity training develop managers' interpersonal insights-awareness of self and of others-for changing attitudes and for practicing human relations skills, such as leading or interviewing.

Role-playing generally focuses on understanding and managing relationships rather than facts. The essence of role-playing is to create a realistic situation, as in the case discussion method, and then have the trainees assume the parts of specific personalities in the situation. When the trainee does get into the role, the result is a greater sensitivity to the feelings and insights that are presented by the role.

In sensitivity training, individuals in an unstructured group exchange thoughts and feelings on the "here and now" rather than the "there and then." Although being in a sensitivity group often gives individuals insight into how and why they and others feel and act the way they do, critics claim that these results may not be beneficial because they are not directly transferable to the job.

Wilderness Trips and Outdoor Training: To increase employees' feelings about the here and now and raise their self-esteem, organizations sometimes use programs that involve physical feats of strength, endurance, and cooperation. These can be implemented on wilderness trips to the woods or mountains or water.

Exhibit 4 advantages and disadvantages of learning programs		
TYPE OF PROGRAM	ADVANTAGES	DISADVANTAGES
On the Job e-Learning and video tele-conferencing	. Brings employees together from many locations . Speeds up communications . May reduce costs	. Start-up and equipment costs are high . Requires adaptation to a new learning format . May be done on or off the job
Apprenticeship training	. Does not interfere with real job performance . Provides extensive training	. Takes a long time . Is expensive . May not be related to job
Internships and assistantships	. Facilitate transfer of learning . Give exposure to real job	. Are not really full jobs . Provide vicarious learning
Job rotation	. Gives exposure to many jobs . Allows real learning	. Involves no sense of full responsibility . Provides too short a stay in a job
Supervisory assistance and Mentoring	. Is often informal . Is integrated into job . Is expensive	. Means effectiveness rests with the supervisor . May not be done by all supervisors
On-Site, but Not On the Job Corporate universities	. Tailored to company needs . Supports company vision and culture	. Can be costly . Requires skilled management
Programmed instruction on an intranet or the Internet	. Reduces travel costs . Can be just-in-time . Provides for individualized learning and feedback	. Not appropriate for some skills . Is time-consuming to develop . Is cost-effective only for large groups

	. Provides for fast learning	. Often no support to assist when trainee faces learning problems
Interactive videos	. Convey consistent information to employees in diverse locations	. Costly to develop . Do not provide for individual feedback
Off the Job Formal courses	. Are inexpensive for many . Do not interfere with job	. Require verbal skills . Inhibit transfer of learning
Simulation	. Helps transfer of learning . Creates lifelike situations	. Cannot always duplicate real situations exactly . Costly to develop
Assessment centers and board games	. Provide a realistic job preview . Create lifelike situations	. Costly to develop . Take time to administer
Role-playing	. Is good for interpersonal skills . Gives insights into others	. Cannot create real situations exactly; is still playing
Sensitivity training	. Is good for self-awareness . Gives insights into others	. May not transfer to job . May not relate to job
Wilderness trips	. Can build teams . Can build self-esteem	. Costly to administer . Physically challenging

Check point

- ✓ Explain what off-the-job training mean and Discuss when off-the-job training is appropriate,
- ✓ Simulation, which presents situations that are similar to actual job conditions, is used for both managers and non managers. Mention a common simulation technique for non managers

Potential Trainees and Training Providers

Who provides the training?

A key question to be addressed when setting up training and development activities is who provides the required guidance? Training and development activities may be provided by any of several people, including

- Supervisors and other managers,
- A co-worker,

- An internal or external subject matter expert, and
- The employee.

Who is selected to teach often depends on where the program is held and what skills or competencies are taught. A basic organizational orientation is usually handled by a member of the HR staff. Literacy and technical competencies are usually taught by the immediate job supervisor or a co-worker, although technical competencies may also be taught by internal or external subject matter experts. Interpersonal, conceptual, and integrative competencies for management are often taught by training specialists, university professors, or consultants.

Supervisors and Other Managers: In many organizations, on-the-job training is the only form of training offered. In these circumstances, supervisors almost always are the providers of whatever training employees receive. For development activities that involve mentoring, supervisors and managers are appropriate also, as they are in the best position to assess their employees' career needs. Furthermore, because of their position in the organization, supervisors and managers are accessible to employees and have control over the employees' work assignments, which facilitates their effectiveness.

Supervisors and managers may also be effective as trainers in off-the-job programs. Indeed, some CEOs consider training to be one of their more important duties.

Co-workers: When Disney trains new hires, the company's message is delivered by some of the best "cast" members in the company. Dressed in full costume, they show through example how to create happiness-the most important aspect of their role. After the initial training session, new cast members are paired with experienced employees for 16 to 38 hours of "paired-training," which is essentially one-on-one coaching. As the Disney example illustrates, co-workers can be very effective trainers. Often, co-workers are more knowledgeable about the work than anyone else. Co-workers also play an important role in many management development programs, which commonly bring together employees from different parts of the organization for several days of training. Participants in such programs often report that the most valuable learning occurs through conversations with their colleagues. Furthermore, exposure to the perspectives of colleagues working around the world helps employees develop more sophisticated "mental maps" of how business is conducted in different locations.

Clearly, co-workers can be valuable providers of training. Nevertheless, their effectiveness as trainers or mentors should not be assumed. A concern with relying on co-workers as trainers is that they may not be able to instruct others. They may also teach others their own shortcuts rather than correct procedures. If co-workers are to be trainers, they should receive instruction on how to train and should be given sufficient time on the job to work with trainees.

Experts: Subject matter experts may not be familiar with procedures in a specific organizational culture. As a result, they may be respected for their expertise but mistrusted because they aren't members of the work group. Still, if no one in the immediate work environment possesses the knowledge needed, or if large numbers of individuals need to be trained, the only option may be to hire experts. Experts who are expressive when delivering training and well organized are especially effective.

Employee. Self-paced instruction is also an option. With the growing popularity of computer-based training, self-paced instruction is also becoming more common. Trainees benefit from this method by learning at a speed that maximizes retention. However, if they aren't given incentives to complete the instruction in a specified period of time, they may place it on the back burner.

Check point

- ✓ *Discuss potential providers of training*
 - ✓ *In addition to different training providers, self-paced instructions can also be considered as an alternative to managers. Explain what self-paced instruction means and its advantages both for the company and employee.*
-

Concept of the Executive Development

Executive or management development consists of all activities by which executives learn to improve their behavior and performance. It is designed to improve their behavior and effectiveness of managers in their present jobs and to prepare them for higher jobs in the future. It is the process by which managers acquire not only the skill and competency in their present jobs but also capabilities for future managerial tasks of increasing difficulty and scope. The executive development denotes the planned efforts to improve the current and future performance of the organization.

Executive or management development includes “all activities and programs which have substantial influence on changing the capacity of the individual to perform his present assignment better and in so doing are likely to increase his potential for future management assignments”. Management development is planned, systematic and continuous process of learning and growth designed to include behavioral changes in individuals by cultivating their mental abilities and inherent qualities through the acquisitions, understanding and use of new knowledge, insights and skills as they are needed for effective managing. This learning process involves the implication of that there will be changed behavior on the part of the individuals given the adequate training and education.

Development of the managers takes place not only by participating in informal courses of instructions drawn by the organizations, but also through the actual job experiences in the organization. It should be recognized that it is for the organization to provide the development opportunities for its managers and potential managers. But an equal, perhaps the most important concept in the whole program of management development. The participants must have the interest and motivation to learn and to develop themselves.

Nature of Executive Development

(a) **Educational Process:** Development is more akin of education than it is to specific training in the skill. Thus a manager cannot be developed only by taking a course, attending the lectures, and conferences, job rotations, and the like. The processes of learning on an executives part has to be accepted as a discipline of self-education. Management development implies the development of the people of different aptitudes, talents, aspirations, needs, and the motivation. Because of the individual differences among them, they should be provided an effective organizational climate to develop themselves.

(b) **Behavioral Changes:** Executive or Management development is a planned learning process and growth designed to bring behavioral change among the executives. It implies that there will be a change in knowledge and behavior of the individuals undergoing development program. The individual will be able to perform his present assignment better and will increase his potential for future assignments.

(c) **Self-Development:** Manager develops them by participating in training organized by the organizations. They also make use of actual job experiences in learning new behavior. The organizations can merely provide the facilities for development, but the real urge of the development should arise from within the individuals. That is why, it is often said all development is self-development which implies that the individuals must be motivated to learn and develop their competencies.

(d) **Continuous Process:** Executive development is an ongoing or never ending exercise rather than a one-time affair. It continuous throughout the executives' career because there is no end to learning. It is long-term process as managerial skills cannot be developed over night.

Organizational policies for training and development program

To ensure that the organization's work process effective, the training functions must be acquainted with or, preferably, involved in the strategic planning process. Training policies must be supportive of corporate policies and goals.

Ethiopian Federal Labor proclamation article 48-52 no. 377/2003 states the following contract of apprenticeship:

There shall be a contract of apprenticeship when an employer agrees to give a person complete and systematic training in a given occupation related to the functions of his/her understanding in accordance with the skills of the trades and the person in return agrees to obey the instruction given to carry out the training and the workers related to there to. The contract of apprenticeship shall be concluded with the person whose age is not less than 14 years. The contract of apprenticeship and its modifications shall be valid only where it is made in witting and attested by the ministry. The employer shall, upon the termination of the contact of apprenticeship give to the apprentice a certificate which indicates occupation he/she has been trained in, the duration of the trainee and other similar particulars.

Ethiopian Federal civil servant proclamation article 57-58 no. 515/2007 states the following
On training of civil servant/responsibility to train:

A civil servant shall be trained to improve his/ her capacity and attain better performance or to prepare him/her for higher responsibility based on career development. A government institution shall have a duty to identify the training needs of the institution and the civil servants and prepare plans and budgets for training and thereby ensure that civil servants receive the necessary training and furnish information thereon to the agency. The agency shall, with a view to make the training of the civil servants effective, prepare a policy with regards to conditions of training locally and abroad and submit the same to the council of ministers and supervise its implementation upon approval.

5.5. Career Development

Career development looks at the long-term career effectiveness and success of organizational personnel. By contrast, employee training and development focused on work effectiveness or performance in

immediate or intermediate time frames. These two concepts are closely linked; employee training and development should be compatible with an individual's career development in the organization. But a successful career program, in attempting to match individual abilities and aspirations with the needs of the organization, should develop people for the long-term needs of the organization and address the dynamic changes that will take place over time.

Career Development: Value for the Organization

Organization can accrue several positive results can accrue from a well-designed career development program. Some of them are;

- I. **Needed Talent Will Be Available:-** Career development efforts are consistent with and a natural extension of strategic and employment planning. Changing staff requirements over the intermediate and long term should be identified when the company sets long-term goals and objectives. Working with individual employees to help them align their needs and aspirations with those of the organization will increase the probability that the right people will be available to meet the organization's changing staffing requirements.
- II. **The Organization's Ability to Attract and Retain Talented Employees Improves** Outstanding employees will always be scarce and competition to secure their services considerable. Such individuals may prefer employers who demonstrate a concern for employees' futures and personal interests. These people may exhibit greater loyalty and commitment to an organization that offers career advice. Importantly, career development appears to be a natural response to the rising concern by employees for the quality of work life and personal life planning. A survey of college students and recent graduates by Manpower subsidiary Right Management found that they would be more likely to stay put at an employer that offered the ability to grow from within, a workplace that offers flexibility, and a culture where there is camaraderie and a good work/life balance.
- III. **Reduced Employee Frustration** Although the workforce educational level has risen, so, too, have occupational aspirations. However, as periods of economic stagnation increase organizations' efforts to reduce costs, they also reduce opportunities. This has increased frustration in employees who often see a significant disparity between aspirations and actual opportunities. When organizations downsize to cut costs, employee career paths, career tracks, and career ladders often collapse. Career counseling can produce realistic, rather than raised, employee expectations.

- IV. **Enhanced Cultural Diversity** The workforce in the next decade will continue to reflect a more varied combination of race, nationality, gender, and values in the organization. Effective organizational career development provides access to all levels of the organization for more employees. Extended career opportunities make cultural diversity, and the appreciation of it, an organizational reality.
- V. **Organizational Goodwill** If employees think their employing organizations care about their long-term well-being, they tend to respond in kind by projecting positive images of the organization into other areas of their lives (for example, through volunteer work in the community).

Career Development: Value for the Individual

Effective career development is also important for the individual. In fact, as we've previously mentioned, it is more important today than ever. Changing definitions of careers and success have expanded the value of individual career development programs. Career success may no longer be measured merely by an employee's income or hierarchical level in an organization. It may now include using one's skills and abilities to face expanded challenges, or having greater responsibilities and increased autonomy in one's chosen profession. Contemporary workers, seeking more than salary and security from their jobs, want intrinsic career development, or "psychic income," too. They want interesting and meaningful work, such as that derived from a sense of being the architect of one's own career.

Summary

Training and development should contribute to the attainment of short-term and long-term goals, both for the company and for its individual employees. In order to be effective, a training and development program requires the full commitment and support of senior management, and it must reflect the overall philosophy of the organization. Training is defined as any attempt to improve employee performance on a currently held job or one related to it. This usually means changes in specific knowledge, skills, attitudes, or behaviors. Development refers to learning opportunities designed to help employees grow. Such opportunities do not have to be limited to improving employee's performance on their current jobs. Training need analysis is a search for solutions to performance problems. Needs analysis not only identifies areas where training is needed in your company but, also helps you determine exactly how training should be applied. Training must also be targeted at their values. They must be trained to

understand and accept the new technology. It determines not only which problems are most pressing, but which can be most economically solved through training. Organizational needs analysis begins with an assessment of the short- and long-term strategy and strategic business objectives of the company. This step is essentially the same as organizational assessment, except that the focus is specifically on identifying the implications of the assessment for future training and development activities. A job needs analysis identifies the specific skills, knowledge, and behavior needed in present or future jobs. A thorough job analysis with competency modeling provides the information required for job needs analysis. After information about the job has been collected, the analysis shifts to the person. A person needs analysis identifies gaps between a person's current capabilities and those identified as necessary or desirable.

Many different techniques can be used for training and development activities. Three general categories of techniques are on-the-job, on-site, but not on the job, and off-site. Choices about techniques may be constrained by the type of learning that's to occur-cognitive, skill based, or affective-as well as by cost and time considerations. A key question to be addressed when setting up training and development activities is who provides the required guidance? Training and development activities may be provided by any of several people, including supervisors and other managers, a co-worker, an internal or external subject matter expert, and the employee.

Who is selected to teach often depends on where the program is held and what skills or competencies are taught. A basic organizational orientation is usually handled by a member of the HR staff. Literacy and technical competencies are usually taught by the immediate job supervisor or a co-worker, although technical competencies may also be taught by internal or external subject matter experts. Interpersonal, conceptual, and integrative competencies for management are often taught by training specialists, university professors, or consultants.

Self-check Questions 5

PART I:- Multiple choose

1. All are characteristics of training except;
 - A. It is learning skill and knowledge for doing a particular job
 - B. It is job centered in nature
 - C. It emphasized on long-term perspective & prepare employee for future job.
 - D. The role of trainer is very dominant
2. All are benefits of training except;
 - A. Training program helps in increasing the quality and quantity of output
 - B. It helps each individual member to utilize and develop his/her potential
 - C. It results in reduced cost of production through economical & best use of materials and equipment.
 - D. Trained employee needs more supervision
 - E. The availability of trained personnel ensures long term stability & flexibility in the organization.
 - F. None of the above
3. Which one of the following is **true**?
 - A. Organizational level analysis of training need emphasized on what the training should consist of.
 - B. Performance data of a given employee indicates his/her training need
 - C. When employee select for training, the trainee needs and motivation should be consider
 - D. Learning tryout helps to monitor progress of trainees should
 - E. All are true except, “A”
4. Which one of the following is differ from another's?
 - A. The Lecture method
 - B. Job Rotation
 - C. Simulation
 - D. Business Games
 - E. Case Studies
5. _____ is importance of career development for organization except;
 - A. Improves organization's ability to attract and retain talented employees
 - B. Increasing psychic income for employee

- C. Assuring availability of needed talent
- D. Boosting organizational goodwill
- E. None of the above

PART II. Answer the following questions accordingly

1. Explain the difference between training & development.

2. Write the four components of the need assessment process

3. Write the possible training providers

4. Discuss how managers can measure the effectiveness of training they provide

5. What we mean career development & discuss benefits of career development for organization.

CHAPTER SIX

PERFORMANCE APPRAISAL

Chapter Outline:

- 6.1. Purpose of performance appraisal
- 6.2. Performance appraisal steps
- 6.3. Problems associated with performance appraisals
- 6.4. Performance appraisals methods

Chapter Objective:

At the end of this chapter, students should be able to:

- Express the concept of performance appraisal.
- Explain important of performance appraisal
- Describe appraisal process and techniques.
- Mention problems and characteristics of an appraisal system.

Introduction

Performance appraisal or Performance evaluation is a method of evaluating the behavior of employees in a work place, normally including both the quantitative and qualitative aspect of job performance. Performance here refers to the degree of accomplishment of the tasks that makeup an individual job. It indicates how well an individual fulfilling the job demands. Performance is measured in terms of results. Thus, Performance appraisal is the process of assessing the performance or progress of an employee, or a group of employees on the given job, as well as his potential for future development. Thus, performance appraisal comprises all formal procedures used in organizations to evaluate contributions, personality, and potential of individual employees. In other words, performance appraisal includes the comparison of performance scales of different individuals holding similar areas of work responsibilities and relate to determination of worth of the scales for the achievement of organization objective.

6.1. Definitions

- According to Edwin Flippo, “Performance appraisal is the systematic, periodic and an impartial rating of an employee’s excellence in matters pertaining to his present job and his potential for a better job.”
- According to Wendell French, “Performance appraisal and review in the formal, systematic assessment of how well employees are performing their jobs in relations to establish standards and the communication of that assessment to employees.”
- According to Dale Yoder, “Performance appraisal includes all formal procedures used to evaluate personalities and contributions and potentials of group members in a working organization. It is a continuous process to secure information necessary for making correct and objective decisions on employees.”
- Performance appraisal is a systematic evaluation of the employees’ performance at work. Performance appraisal is a process of evaluating an employee’s performance on a job in terms of its requirement. It is a process of estimating or judging the value, excellence, qualities of status of some object, person or thing.
- Performance appraisal is a formal programme in an organization which is concerned with not only the contributions of the members who form part of the organization, but aims at spotting the potential also. The satisfactory performance is only a part of the system as a whole and the management needs more information than mere performance ratings of the subordinates.

I) Performance: It is the degree of accomplishment of the tasks that make-up an individual’s job. It is a result of three elements:

II) Effort: Refers to the amount of energy (physical and/or mental) used by an individual in performing a task.

Abilities Personal characteristics used in performing the task (skills, knowledge, behavior, attitude, etc.)

III) Role Perception: refer to the direction in which individuals believe. They Should channel their efforts on their jobs, i.e. their own way of understanding their job.

If a person is weak in either of these elements, performance is likely to be very low. Beyond these factors, other environmental factors may have an indirect impact on performance level. Such factors may include lack of time, inadequate work facilities, equipment, restrictive policies, lack of cooperation from

other, type of supervision, etc. Such performance obstacles may affect any one of the performance direct element. Thus, management should provide employees with adequate working conditions and a supportive environment to eliminate or minimize performance obstacles.

6.2. Objectives of Performance Appraisal

Performance appraisal helps the employees in Self-improvement and Self-development. It helps the management in taking decisions about Placement, Promotions, Transfer, Training and Development, etc. It helps to achieve individual and organizational goals. It is useful to the employees and the organization. Therefore, Performance Appraisal should be conducted objectively from time to time. The employees should not oppose it. However, they should see that the performance appraisals are systematic, fair and impartial. It should not be for punishing the employees. It should be for improving the employees and their performances.

1. Help in Deciding Promotion: It is in the best interest of the management to promote the employees to the positions where they can most effectively use their abilities. A well-organized, development and administered performance appraisal programme may help the management in determining whether an individual should be considered for promotion because the system not only appraises the worth of the employee on the present job but also evaluates his potentialities for higher job.

2. Help in Personnel Actions: Personnel actions such as lay-offs, demotions, transfers and discharges etc. may be justified only if they are based on performance appraisal. While in some cases, actions are taken because of unsatisfactory performance of the employee, in some other cases it may be called for due to some economic conditions beyond control such as changes in production process. In former case, the action can only be justified on the basis of the result of performance appraisal.

3. Help in Wage and Salary Administration: The wage increase given to some employees on the basis of their performance may be justified by the performance appraisal results. In some cases appraisal, i.e., merit and seniority are combined for higher salaries on better positions.

4. Help in Training and Development: An appropriate system of performance appraisal helps the management in devising training and development programmes and in identifying the areas of skill or knowledge in which several employees are not at par with the job requirements. Thus the appraisal system points out the general training deficiencies which may be corrected by additional training, interviews, discussions or counseling. It helps in spotting the potential to train and develop them to create an inventory of executives.

5. Help in Self Evaluation: Performance appraisal helps the employee in another way also. Every employee is anxious to know his performance on the job and his potentials for higher jobs so as to bring himself to the level of that position.

6. Help in Creating Healthy Competition: Performance appraisal brings out the deficiencies and shortcomings of the employees. Discussions between rater and rates may be conducted in a spirit of co-operation and mutual understanding. This gives an opportunity to the employer to have an insight on their performance and to take corrective measures to improve upon their performance.

Check Point

Dear Learners; Try the following questions:

- *What do mean by performance?*
 - *What is the need to appraise employee performance?*
-

6.3 Performance appraisal steps

Appraisal Process includes;

- a) **Establishing Performance Standards:** Performance standards are established based on job description and specification. The standard should be clear and incorporate all factors.
- b) **Communicating standards to employees:** Inform these standards to all the employees including appraisers.
- c) **Measuring actual employees' performance:** As per the evaluation method used in the organization and instructions given for appraisal, evaluate actual performance of employees through observation, interview, records, and reports.
- d) **Evaluating factors affecting performance:** Finding out the influence of various internal and external factors that may have an effect on performance. Such factors may include inadequate work facilities, equipments, restrictive policies, lack of cooperation from others, type of supervision, working conditions, etc.
- e) **Comparison of actual performance with set standards:** Comparing actual performance with standards set and finding out if there is any deviation.
- f) **Discussing the appraisal with the employee:** This is a very challenging step in the appraisal process as it involves presenting accurate appraisal to the employee and have the person accept the appraisal in a constructive manner.

- g) **Initiating necessary corrective actions:** this includes guiding, counseling, coaching and directing the employee or making arrangements for training and development of the employee in order to ensure improved performance. It could also involve making suggestions for some changes to be made in the standard, job analysis, or other internal or external factors to facilitate effective performance of employees.

6.4. Problems in Performance Appraisal

The most common problems seen in performance appraisal include the following.

- **Lack of Objectivity:** Some traits used for evaluating performance are difficult to measure and thus lack objectivity. These factors may include loyalty, attitude, personality, etc.
- **Halo Error:** raters may perceive one factor as having significant importance and give a good or back overall rating to an employee based on this one factor.
- **Leniency:** rating consistently higher than the expected norm or average.
- **Strictness:** being unduly critical of employees performance and thus result in consistently lower rating than the expected norm.
- **Central tendency:** Consistently rating employees near the average. In such cases, it would be very difficult to differentiate good performers from poor performers.
- **Recent Behavior bias:** raters basing their evaluation on the employees' recent behavior. This may not be a representative of the overall performance of the employee throughout the evaluation period.
- **Personal bias:** raters having biases related employees' personal characteristics, race religion, gender, or age.

6.5 Performance Appraisal Methods

Three approaches exist for doing appraisals: employees can be appraised against (1) absolute standards, (2) relative standards, or (3) outcomes. No one approach is always best; each has its strengths and weaknesses.

1) Evaluating Absolute Standards

This means that employees are compared to a standard, and their evaluation is independent of any other employee in a work group. This process assesses employee job traits and/or behaviors. Included in this group are the following methods: the critical incident appraisal, the checklist, the graphic rating scale, and forced choice.

- a) **Critical Incident Appraisal Method:** It requires the rater to write down critical or key behaviors of an employee that make a difference between satisfactory and unsatisfactory job performance. For example, recording exceptional good or poor performances. This method focuses more on the behavior of employees on their jobs (performance) than traits (personality). Thus, it is more job-related than other methods. However, this method has drawbacks since it requires continuous and close supervision from the rater to record critical events on the employee's performance. Also, the concept of critical incident may be interpreted differently by different people making it difficult to compare evaluation results of two or more people.
- b) **Checklist appraisal method:** The rater uses a list of behavioral descriptions required to do a job and put a check mark against those behaviors that apply to the employee. In a simple checklist method, the rater is asked to provide yes and no answer to the list of behaviors.

Example: Does the employee volunteer to help other employees?

Does the employee approach customers promptly?

Does the employee complete assignments on time?

Does the employee accept constructive suggestion? Etc.

If some of the listed behaviors are more relevant to the job than others, it is possible to use a weighted checklist method that attaches a weight to each item and thus permitting the development of a more accurate rating score. Although this method minimizes bias, it is time consuming and costly to assemble the questions for each job category.

- c) **Graphic Rating Scale method:** It is a system that lists a number of traits and a range of performance for each of these traits. The employee is then rated by identifying the score that best describes his or her level of performance for each trait. The list might include such factors as quantity and quality of work, job knowledge, cooperation, attendance, accuracy of work, etc. It is one of the simplest and administer. It permits quantitative analysis and comparison. The major drawback to these scales is their subjectivity and low reliability. Moreover, the descriptive words often used in such scales may have different meaning to different raters.

Example: Quality of work: accuracy, skill and completeness of work

☐	☐	☐	☐	☐
Consistently Unsatisfactory	Occasionally unsatisfactory	Consistently Satisfactory	Sometimes Superior	Consistently Superior

- a) **Forced-Choice Rating:** It requires the rater to rank a set of statements describing how and employee carries out the duties and responsibilities of a job. The rater ranks the statement that describes most the employee as the first choice and works his/her way to the least descriptive statement. In this method, raters usually are not aware to the weights attached to each of these descriptions thus leaves little room for bias. However, raters find this method to be very difficult to choose from the list of statements especially if they feel that two or more of the traits describe the employee equally.

Example: Patient with slow learners

Lectures with confidence

Keeps interest and attention of class

Describes the objective of each class

There may be an instruction to the rate the above description from 1-4 starting from the item that best describes the person to the item that least describes the person. Raters may not have knowledge of the weights attached to each of the description. Therefore, there is little room for bias.

2) **Relative Standards Methods**

The second general category of appraisal methods compares individuals against other individuals. These methods are **relative standards** rather than absolute measuring devices. The most popular of the relative methods are group order ranking, individual ranking, and paired comparison

- a. **Group Order Ranking** Group order ranking requires the evaluator to place employees into a particular classification, such as the “top 20 percent.” This method, for instance, is often used in recommending students to graduate schools. Evaluators are asked to rank the student in the top 5 percent, the next 5 percent, the next 15 percent, and so forth. But when used by appraisers to evaluate employees, raters deal with all employees in their area. So, for example, if a rater has twenty employees, only four can be in the top fifth; and, of course, four also must be relegated to the bottom fifth.

The advantage of this group ordering is that it prevents raters from inflating their evaluations so everyone looks good or from forcing the evaluations so everyone is rated near the average—outcomes not unusual with the graphic rating scale. The main disadvantages surface, however, when the number of employees compared is small. At the extreme, if the evaluator is looking at only four employees, all may be excellent, yet the evaluator may be forced to rank them into top quarter, second quarter, third quarter, and low quarter.

- b. **Individual Ranking.** The individual ranking method requires the evaluator merely to list employees in order from highest to lowest. In this process, only one employee can be rated “best.” If the evaluator must appraise thirty individuals, this method assumes that the difference between the first and second employee is the same as that between the twenty-first and the twenty-second. Even though some of these employees may be closely grouped, this method typically allows for no ties. In terms of advantages and disadvantages, the individual ranking method carries the same pluses and minuses as group-order ranking. For example, individual ranking may be more manageable in a department of six employees than in one where a supervisor must evaluate the nineteen employees who report to her.
- c. **Paired Comparison** The paired comparison method selects one job trait, and then compares each employee in a group with the others. A score is obtained for each employee by simply counting the number of pairs in which the individual is superior at the job trait, ranking each individual in relationship to all others on a one-on-one basis.

3) Using Achieved Outcomes to Evaluate Employees

Employees are evaluated on how well they accomplished a specific set of objectives determined as critical in the successful completion of their job. This approach may be referred to as goal setting but is more commonly referred to as management by objectives (MBO).

Goal Setting or Management by Objective (MBO): It involves measuring and evaluating an employee’s performance based on the work objectives set by both the employee and the supervisor. MBO focuses attention on anticipatively set goals that are tangible, verifiable, and measurable. The emphasis is on what must be accomplished rather than how it is to be accomplished.

The basic process involved:

- Setting objectives of performance
- Developing action plans
- Allowing employees to implement the plans
- Measuring objective achievement
- Taking corrective action, if necessary
- Establishing new objectives for the future

For this process to work effectively, the following requirements need to be met.

- Objectives should be quantifiable
- Active participation of employees

- Conduct appraisal interview with the employee
- Supervisors should keep communication channel open throughout the appraisal period, i.e., to discuss progress and to modify objectives when necessary.

360-Degree Feedback

It consists of performance data generated from a number of sources, who can include the person to whom the individual being assessed reports, people who report to them, peers (team colleagues or others in the organization), and internal and external customers. It can also include self-assessment. 360-degree feedback is used mainly as part of a self-development or management development programme, and is felt to provide a more rounded view of people, with less bias than if an assessment is conducted by one individual.

6.6 Who Should Do The Appraisal?

The appraiser may be any person who has thorough knowledge about the job content, contents to be appraised, standards of contents, and who observes the employee while performing a job. The most typical appraisers are supervisors, peers, subordinates, employees themselves, users of service and consultants.

Characteristics of an Effective Appraisal System

Although an appraisal system may not reach perfection, there are some factors which may contribute to its effectiveness. Thus, for an appraisal system to be effective, it should possess the following essential characteristics.

- a) **Reliability and Validity:** An appraisal system should provide consistent, reliable and valid information and data, i.e., if two appraisers equally qualified and competent to evaluate an employee using the same appraisal technique, their rating should agree with each other. Appraisal technique should also be valid by measuring what it is suppose to measure, i.e., the factors used to measure performance need to be related to the job.
- b) **Job Relatedness:** the criteria used for appraising employee performance should be job related. Information for the criteria should be determined thought job analysis.
- c) **Performance Expectations:** Managers should clearly explain performance expectations to their subordinates in advance of the appraisal period. This will ensure that employees direct their efforts towards the expected performance level.

- d) **Standardization:** Employees in the same job category should be appraised by using techniques, ratings etc., should be standardized as appraisal decisions affect all employees of the group.
- e) **Qualified Appraisers:** Responsibility for evaluating employee performance should be assigned to the individual (S) who directly observe at least a representative sample of job performance. In order to ensure consistency, appraisers should be well trained to provide insights and ideas on rating, documenting, appraisals, and conducting appraisal interviews.
- f) **Employee Access to Results:** An effective appraisal system should provide feedback to employees on how well or bad they've performed.
- g) **Due Process:** A formal procedure should be developed to permit employees to appeal appraisal results that they consider inaccurate or unfair.

Check Point

Dear Learners; answer the following questions:

- *What are the steps to be followed in performance appraisal?*
 - *Briefly explain all methods of performance appraisal.*
 - *What are the characteristics of effective appraisal system?*
-

Summary

- It is a formal system of periodic review and evaluation of an individual's job performance. It also involves communicating to an employee how he or she is performing the job.
- Appraisal Process contains the following steps:
 1. Establishing Performance Standards
 2. Communicating standards to employees
 3. Measuring actual employees' performance
 4. Evaluating factors affecting performance
 5. Comparison of actual performance with set standards
 6. Discussing the appraisal with the employee
 7. Initiating necessary corrective actions
- Performance Appraisal Methods:
 - There are three approaches in performance appraisal; employees can be appraised against: absolute standards, relative standards, or outcomes.
 - An absolute standard approach includes the following methods: the critical incident appraisal, the checklist, the graphic rating scale, and forced choice. Methods categorized under relative standard approach are group order ranking, individual ranking, and paired comparison. Management by objective is a way through which employee appraised by their outcome.
- The most common problems seen in performance appraisal include the following:
 - Personal bias
 - Lack of Objectivity
 - Halo Error
 - Leniency:
 - Strictness:
 - Central tendency

- For an appraisal system to be effective, it should possess the following essential characteristics:
 - Reliability and Validity
 - Due Process
 - Performance Expectations
 - Standardization
 - Qualified Appraisers
 - Employee Access to Results
 - Job Relatedness

 Self-check Questions 6

PART I:- Multiple choose

1. Among the following sentences, which one is false about performance appraisal?
 - A. It is periodical rating of an employee's excellence in his/her present job.
 - B. To measure employee performance, there should be standard against which result will be compare.
 - C. It is a one-time activity during one workers employment time
 - D. In order to make it is an effective, there should be communication of appraisal result

2. Which one of the following is not among problems in performance appraisal?
 - A. Lack of objectivity for some traits.
 - B. Perceiving one factor as having significant importance and give a good or bad overall rating to an employee.
 - C. Basing evaluation on the employees' recent behavior only.
 - D. Raters bias on employees' race, religion, gender, or age.
 - E. None of the above

3. To be effective, the appraisal system should be;
 - A. Reliable and Valid
 - B. Job Related
 - C. Emphasized on personality rather than performance
 - D. Conduct by qualified appraiser
 - E. All except "C"

4. _____ is one of a problem in performance appraisal which is due to consistently rating employees near the average.
 - A. Strictness
 - B. Recent behavior bias
 - C. Central tendency
 - D. Personal bias
 - E. Halo error

5. All are under the category of absolute standards approach except;

- A. Paired comparison
- B. The critical incident appraisal
- C. The checklist
- D. The graphic rating scale

PRAT II:- Short answer

6. List the requirements to make MBO effective.

7. Common problems in performance appraisal are:

- a. _____
- b. _____
- c. _____
- d. _____

CHAPTER SEVEN

COMPENSATION

Chapter Outline:

- 7.1 Introduction
- 7.2 Overview and Objectives of Employee compensation
- 7.3. Importance of compensation
- 7.4. Factors affecting compensation
- 7.5 Types of employee compensation

Chapter objectives:

Up on the completion of this chapter you are expected to know about:

- ✓ Overview and objectives of employee compensation
- ✓ Types of employee compensation
- ✓ The difference between wages and salary
- ✓ Approaches to the determination of wages and salary
- ✓ Employee benefits

7.1 Introduction

A typical business organization furnishes different types of benefits to employees and their families in addition to wage and salaries. These benefits are typically administered by the personnel department. The relationship between employees' benefits and wages is both close and complicated. Employees place limits on total compensation costs (direct wages plus benefits). Therefore, a large wage increase will probably restrain the amount of increase in

benefits, and vice-versa. Yet no clear-cut method has been agreed upon for distinguishing between various wage payments and benefits.

This module discusses direct pay for time worked and incentive wage related to productivity and profit. The module will discuss the remaining financial payment received by employees and employee service.

First discussed are the extent, objectives, and types of employee benefits in a given industry. Next, remuneration and benefit strategies as two separate categories, direct and indirect benefits, will be discussed. Sub categories of direct benefits, wage and salary and that of indirect benefit strategies such as medical and insurance, health and welfare benefits, paid leaves benefit (payment for time not worked), employee service related benefits (retirement benefits), educational and training benefits and miscellaneous services will be given a due emphasis. Then the legal requirements from the Ethiopian civil servant and labour proclamation context will be presented. At last, the implementation aspect of the different benefit programs discussed hereunder and the major influences in the selection of benefit strategies will be discussed. As communication is the most important ingredient in any human resource practices, the importance and ways of communication the benefit plans to the concerned organizational members will briefly be presented.

7.2 Overview and Objectives of Employee Compensation

Management is concerned with attracting and keeping employees, whose performance meet at least minimum levels of acceptability and keeping absenteeism and turnover to tolerable levels. The provision of benefits and services are important in maintaining the employees and reducing or keeping turnover and minimizing absenteeism. It is important to note that financial incentives are paid to specific employees whose work is above standard.

In modern businesses, the tendency for arranging different benefit plans for organizational workers has come increasing. Management generally has the following objectives behind arranging employee benefit strategies.

Objectives of Employee remuneration and Benefit Plans include:

- To create sound industrial relations.
- To increase and improve employee moral and to create positive attitude for workers towards their employers.
- To motivate the employees by identifying and satisfying their unsatisfied needs
- To recruit and retain the best personnel.
- To provide for the needs of employees and protect them against certain hazards of life, (particularly those which an individual can not him self provide for).
- To provide security to the employees against social risks like old age benefits and maternity benefits.
- To protect the health of the employees and to provide safety to the employees against accidents.
- To promote employees' welfare by providing welfare measures like recreation facilities, get-together programs, parties and invitations.
- To make the organization on dominant influence in the lives of its employees with a view to gaining their loyalty and cooperation, encouraging them to greater productive efforts.
- To improve and furnish the organizational image in the eyes of the public with a view to improving its market position and bringing about product acceptance by it.
- To recognize the official trade union's bargaining strength, for a strong trade union
- Generally constrains an employer to adopt a sound benefits and service programs for his employees.
- To meet requirements of various legislations relating to fringe benefits which in turn satisfies the following three goals:
 - **Social Goal:** The fringe benefits act as a social lever in helping conservation of this precious resource, by guarding against its unnatural erosion and providing the climate for its development in a working environment.
 - **Human Relations Goals:** The management, through motivation, tries to develop and maintain, "Human relation", i.e. mutual interest, individual differences, motivation and human dignity.
 - **Macro Economics Goal:** For maintaining the growth and stability in the economy of a country, ideal utilization of the non-human and human resources is imperative.

Check point

- ✓ *Explain the main purpose and reason of employee compensation*
 - ✓ *In modern businesses, the tendency for arranging different benefit plans for organizational workers has come increasing. Management generally has different objectives behind arranging employee benefit strategies. Discuss these objectives briefly*
-

7.3. Importance of Compensation

A good compensation is must for every business organization and helps in the following way:

- It tries to give proper return to the workers for their contributions to the organization.
- It imparts a positive control on the efficiency of employees and encourages them to perform better and achieve the specific standards.
- It forms a basis of happiness and satisfaction for the workforce that minimizes the labour turnover and confers a stable organization.
- It augments the job evaluation process which in turn helps in setting up the more realistic and achievable standards.
- It is designed to comply with the various labour acts and therefore does not result in disputes between the employee union and the management. This builds up a peaceful relationship between the employer and the employees.
- It arouses an environment of morale, efficiency and cooperation among the workers and provides satisfaction to the workers.
- It stimulates the employees to perform better and show their excellence.
- It provides growth and advancement opportunities to the deserving employees.

7.4 Factors affecting compensation**External Factors**

The major external factors that influence wage rates include labor market conditions, area wage rates, cost of living, legal requirements, and collective bargaining if the employer is unionized.

- **Labor Market Conditions**

The labor market reflects the forces of supply and demand for qualified labor within an area. These forces help to influence the wage rates required to recruit or retain competent employees. It must be recognized, however, that counter-forces can reduce the full impact of supply and demand on the labor market. The economic power of unions, for example, may prevent employers from lowering wage rates even when unemployment is high among union members. Government regulations also may prevent an employer from paying at a market rate less than an established minimum.

- **Area Wage Rates**

A formal wage structure should provide rates that are in line with those being paid by other employers for comparable jobs within the area. Data pertaining to area wage rates may be obtained from local wage surveys.

Data from area wage surveys can be used to prevent the rates for certain jobs from drifting too far above or below those of other employers in the region. When rates rise above existing area levels, an employer's labor costs may become excessive. Conversely, if they drop too far below area levels, it may be difficult to recruit and retain competent personnel. Wage-survey data must also take into account indirect wages paid in the form of benefits.

- **Cost of Living**

Because of inflation, compensation rates have had to be adjusted upward periodically to help employees maintain their purchasing power. This can be achieved through **escalator clauses** found in various labor agreements. These clauses provide for quarterly cost-of-living adjustments (COLA) in wages based on changes in the **consumer price index (CPI)**. The CPI is a measure of the average change in prices over time in a fixed "market basket" of goods and services.

- **Collective Bargaining**

One of the primary functions of a labor union is to bargain collectively over conditions of employment, the most important of which is compensation. The union's goal in each new agreement is to achieve increases in real wages--wage increases larger than the increase in the CPI--thereby improving the purchasing power and standard of living of its members.

- **Governmental Regulation**

Compensation management, like the other areas of HRM, is subject to government regulations. A majority of states and countries have minimum wage laws or wage boards that fix minimum

wage rates on an industry-by-industry basis. Most governments also regulate hours of work and overtime payments.

Internal Factors

The internal factors that influence wage rates are the employer's compensation policy, the worth of a job, an employee's relative worth in meeting job requirements, and an employer's ability to pay.

- **Employer's Compensation Policy**

The compensation objectives of two organizations can be quite different. One might strive to be an industry pay leader, while another seeks to be wage-competitive by paying employees at the seventy-fifth percentile of their competitors' wages. Both employers strive to promote a compensation policy that is fair and competitive.

All employers will establish numerous compensation objectives that affect the pay employees receive. As a minimum, both large and small employers should set pay policies reflecting:

1. the internal wage relationship among jobs and skill levels.
2. the external competition or an employer's pay position relative to what competitors are paying.
3. a policy of rewarding employee performance.
4. administration decisions concerning elements of the pay system such as overtime premiums, payment periods, short-term or long-term incentives.

- **Worth of a Job**

Organizations without a formal compensation program generally base the worth of jobs on the subjective opinions of people familiar with the jobs. In such instances, pay rates may be influenced heavily by the labor market or, in the case of unionized employers, by collective bargaining.

Organizations with formal compensation programs, however, are more likely to rely on a system of *job evaluation* to aid in rate determination. Even when rates are subject to collective bargaining, job evaluation can assist the organization in maintaining some degree of control over its wage structure.

The use of job evaluation is widespread in both the public and the private sector. The jobs covered most frequently by job evaluation comprise clerical, technical, and various blue-collar groups, whereas those jobs covered least frequently are managerial and top-executive positions.

- **Employer's Ability to Pay**

In the public sector, the amount of pay and benefits employees can receive is limited by the funds budgeted for this purpose and by the willingness of taxpayers to provide them. In the private sector, pay levels are limited by profits and other financial resources available to employers. Thus an organization's ability to pay is determined in part by the productivity of its employees.

- **Job requirements**

The more difficult a job, the higher are the wages. Measures of job difficulty are frequently used when the relative value of one job to another in an organization is to be ascertained. Jobs are graded according to the relative skill, effort, responsibility and job conditions required.

- **Managerial attitudes**

These have a decisive influence on the wage structure and wage level since judgment is exercised in many areas of wage and salary administration – including whether the firm should pay below, average or above average rates, what job factors should be used to reflect job worth, the weight to be given for performance or length of service etc.

7.5 Types of Employee Compensation

Among the several ways to classify rewards, we have selected three of the most typical dichotomies: intrinsic versus extrinsic rewards, financial versus nonfinancial rewards, and performance-based versus membership-based rewards. As you will see, these categories are far from mutually exclusive, yet all share one common thread—they assist in maintaining employee commitment.

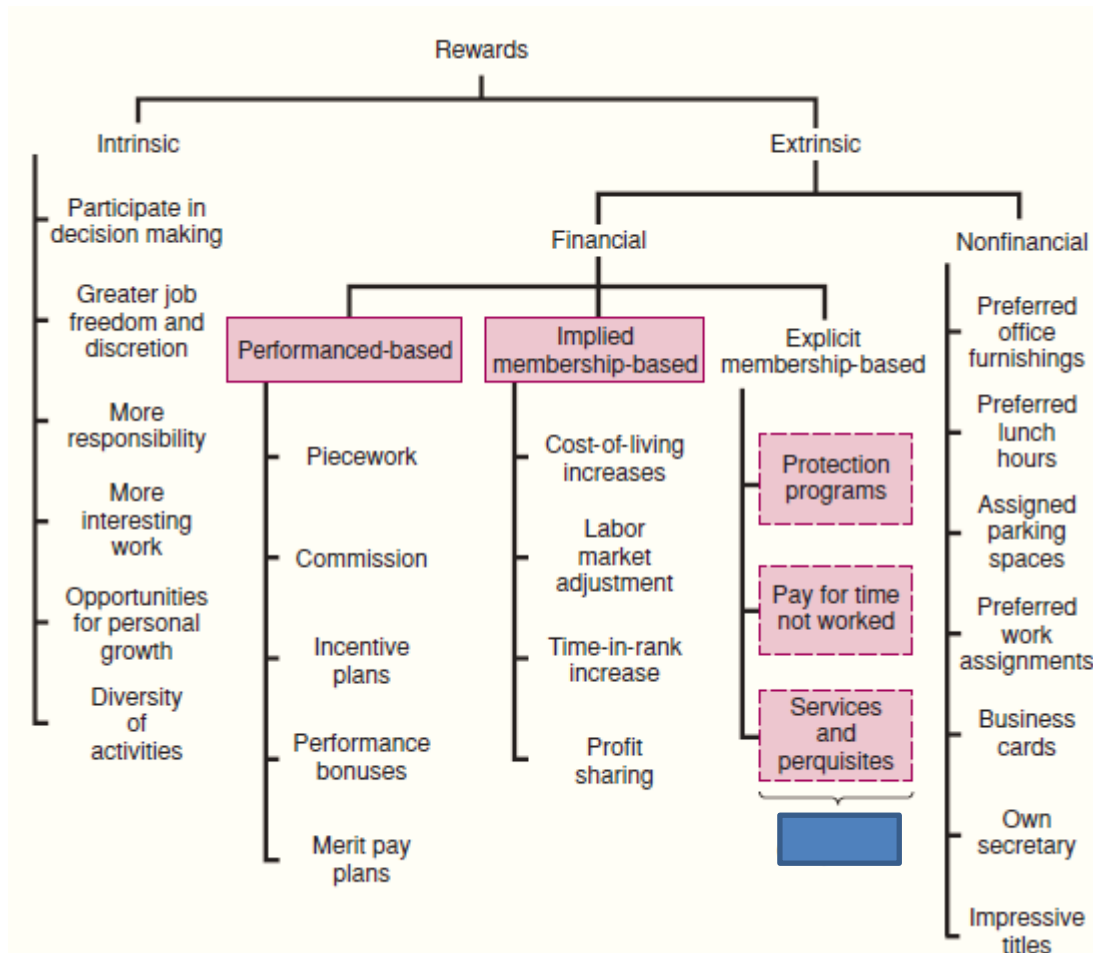


Exhibit 7.1. Structure of Reward (Decenzo & Robbins)

I. Intrinsic versus Extrinsic Rewards

Intrinsic rewards are the personal satisfactions one derives from doing the job. These are self-initiated rewards: pride in one's work, a sense of accomplishment, or enjoying being part of a work team. Job enrichment, for instance, can offer employees intrinsic rewards by making work seem more meaningful.

Extrinsic rewards, on the other hand, include money, promotions, and benefits. They are external to the job and come from an outside source, mainly management. Consequently, if an employee experiences a sense of achievement or personal growth from a job, we would label such rewards as intrinsic. If the employee receives a salary increase or a write-up in the company magazine, we would label these rewards as extrinsic.

II. Financial versus Nonfinancial Rewards

Rewards may or may not enhance the employee's financial well-being. Those that do, do so directly—for instance, through wages, bonuses, or profit sharing—or indirectly, through employer-subsidized benefits such as retirement plans, paid vacations, paid sick leaves, and purchase discounts.

Nonfinancial rewards present a variety of desirable extras for organizations. These do not directly increase the employee's financial position, but rather add attraction to life on the job.

The saying “One person's food is another person's poison” applies to the entire subject of rewards, but specifically to nonfinancial rewards. What one employee views as “something I've always wanted,” another might find relatively useless. Therefore, HRM must take great care in providing the right nonfinancial reward for each person. With proper selection, organizational benefits, by way of increased performance, should be significant.

III. Performance-Based versus Membership-Based Rewards

Organizations allocate rewards based on either performance or membership criteria. HR representatives in many organizations will vigorously argue that their system rewards performance, but you should recognize that this isn't always the case. Few organizations actually reward employees based on performance. Without question, the dominant basis for reward allocations in organizations is membership.

Performance-based rewards use commissions, piecework pay plans, incentive systems, group bonuses, merit pay, or other forms of pay for performance. Membership based rewards, on the other hand, include cost-of-living increases, benefits, and salary increases attributable to labor-market conditions, seniority or time in rank, credentials (such as a college degree or a graduate diploma), a specialized skill, or future potential (for example, the recent MBA graduate from a prestigious university). The key point here is that membership-based rewards are generally extended regardless of an individual's, group's, or organization's performance. In any case, performance may be only a minor determinant of rewards, despite academic theories holding that high motivation depends on performance-based rewards.

Direct Compensation

Direct compensation is used to describe the cash received in the form of base salary, overtime pay, shift differentials, bonuses, and sales commissions etc.

Wage and Salary

In our day-to-day conversation, two terms, wage and salary are used interchangeably. The concept of wage and salary in an organization is extremely important that concern on administrating them must be one integral part of businesses. For one thing, wage and salary represent a substantial part of the total cost of running organizations. For another thing, wage and salary dictate the ability of business organizations to attract employees from the labor market, and the possibility of these organizations to motivate and hold their employees.

What Do Wage and Salary Refer to?

Though the two terms are used interchangeably, a closer look in to the concepts held behind them bears a remarkable difference. Salary is used to refer to the amount of money paid to an employee for his/her service to the organization. It is used to describe the amount paid to an employee whose output cannot be measured and quantified. This is especially true of a professional employee or an employee engaged to work as an office clerical stuff.

With a little variation, wage is used to refer simply to an amount paid to non-professional or unskilled manual labor. Unlike salary wage is paid based on some quantifiable factors such as total number of hours worked or total number of units completed.

In any cases, organizations must have a sound wage and salary administration policy. The general objective of such policy is:

- a) To control unnecessary costs.
- b) Establishment of fair and equitable remuneration
- c) To utilize wage and salary as an incentive to greater employee productivity.
- d) Maintenance of a satisfactory public relation image.

Wage and Salary Policy

Every organization has its own wage and salary policy. Various types of wage and salary policies have been developed based on such factors as:

- The nature of the business
- The location of the business, and
- Levels of competitors wage and salary etc.

The traditional approach to wage and salary policy has been to recognize that wages and salaries must be at the level that is adequate to attract, retain and motivate employees to competently perform the tasks assigned to them.

A good salary and wage policy should relate salary and wage levels to its competitors in the industry or in its regions. It may adopt a policy like this "we shall set wages and salaries which approximate the average of the companies in the industry"

Another good approach to wage and salary is the formula approach, which recognizes the change in the cost of living and wage and productivity as a basis for wage/salary changes. No doubt that wage and salary policy should be flexible based on some factors such as the employee productivity and the cost of living that change from time to time.

The following principles are worthwhile when formulating wage and salary plan.

1. Wage policies should be carefully developed, having in mind the interests of:
 - a) The employees
 - b) Management as representative of the owner
 - c) The consumers and
 - d) The community
2. Wage policy should be clearly expressed in writing to ensure uniformity and stability.
3. Wage decision should be checked against the formulated policies.
4. Management should see that employees know and understand the wage policies.
5. Wage & salary policy should be evaluated from time to time to make certain that they are adequate to current needs.
6. Departmental performance should be checked periodically against the standard set in advance.

7. Job descriptions and performance ratings should be periodically checked to keep them up to date.

Check point

- ✓ *Discuss the components of direct and indirect compensation*
 - ✓ *Wage policies should be carefully developed, having in mind the interests of different parties: discuss these parties*
-

Approaches/strategies to the determination of wage and salary

A wide variety of incentive and wage plans for operative employees have been devised and used at different times and conditions. Wage payment system consists of the pay structure and the methods used to motivate and reward work force for their contribution to the goals of the organization. The various systems that have been developed for wage payments may be regarded as variants or combinations of different principles of:

1. **The time rate system of calculating wage.** This system is perhaps the oldest system of calculating wage or salary. It is also the most commonly used system of salary and wage calculation. It refers to the payment of a predetermined rate for normal time of work and relative to a time limit, such as an hour, day, week and month. Under this system the basic rate for a job is fixed by negotiation, by reference to local rates, or by job evaluation and only varies with time, never with out-put or performance.

This method is generally common for clerical, supervisory and managerial personnel. The distinguishing characteristic of this method is that the production of the worker is not taken in to consideration in fixing the wage. An employee is paid at the settled rate as soon as time contracted is spent.

1.2 Merits of time rate method

- a) It is simple and convenient method, for the amount earned by the worker can easily be calculated.
- b) As all workmen employed for doing a particular kind of work receive the same wage,
- c) As there is no time limit for the execution of a job, workmen are not in a hurry to finish it and this mean that they can pay the required attention to the quality of their work.
- d) It provides regular and steady income to the worker that enables them to adjust their budget accordingly.
- e) Due to the slow and steady pace of the worker, there is no rough handling of machinery, which is a distinct advantage for the employer, and
- f) It is the only system that can be used profitably where the output per worker is not measurable, or where the job involves professional, technical or administrative skills.

1.2.1 Draw Backs of Time-Rate Method

- a) This system does not take in to account the fact that men are of different abilities and that if all workers are paid equally, better workmen may not have incentive to work hard.
- b) As there is no specific demand on the worker to complete a piece of work within a given systematic evasion of work and,
- c) This system sometimes compels a person to take up a job for which he has neither the liking nor ability.

2. The Piece-Rate System of Calculating Wage

Piece rate system pay directly related to units of out put produced. Different individuals have proposed different approaches to calculating wage based on output produced by an employee. The following are the most outstanding ones.

A. Tailor's Piecework Plan

Tailor proposed for an incentive plan that has two-piece rates. These rates are the higher and the lower piece rates. In applying such plan, management sets a standard achievable by an average employee by taking different factors that influence the performance of the employee in to consideration.

Accordingly, a worker who is able to reach or exceed the pre-determined standard will be entitled to earn wage calculated on the higher rate, and a worker who performed below the standard will be paid based on the lower rate. According to Taylor's incentive wage plan, a unit failure to reach standard will let the employee be paid on the lower rate.

B. Merrick Differential Piece Rate Plan

Merrick's differential piece rate plan is a modification and an improved version to Taylor's piece rate plan. . Merrick realized that it was necessary to have two categories of the workers, i.e. efficient and inefficient. According to him, there are some employees who produce more only for their own personal progress. These employees deserve to be encouraged. Therefore, Merrick introduced three-piece rates instead of Taylor's two-piece rate system. The lowest rate introduced was termed as "Basic piece - rate", and the rest are summarized as follows.

No	Out put	Piece rate wage
1	Less than 83% of the standard task	Basic piece rate
2	From 83 to 100% of task (standard)	110% of the basic piece rate
3	Over 100% of the standard task	120% of the basic piece rate

To workers who are potentially high producers, Merrick's incentive plan is a good one. It seems reasonable to pay to employees who produced up to 83% of the target equal to 100% of a basic piece rate. With this, it is believed that all workers should reach 83% of the targeted standard and be encouraged to go for an extra mile to escape the lowest basic piece rate, and earn a rate 110% of the basic rate. Employees who have the intention to produce more that 100% of the task for self-progress purpose would be encouraged by adjusting the highest rate, 120% of the lowest basic piece rate.

3) Payment by Result System (PBR)

Payment by result is a payment system under which money rewards vary with the measured changes in performance according to predetermined rules. It relates the pay or part of the pay received by the employee to the number of items he produces or the time he takes to do a certain amount of work.

Under the PRB system, the worker is paid a wage which bears some fairly direct and continuous relation to his output or performance, or to the average output of the group of workers to which he belongs. Under this plan, a worker working in a given condition and with given machinery is paid exactly in proportion to his output. Therefore, the worker's pay during a given period is directly related to the levels of measured performance.

The most common scheme of payment by results, which is purely individual in character, is what is called straight piecework. A worker's earning can be calculated on the basis of the number of pieces produced and the rate per piece. This means, payment of a uniform price per unit of production.

Safe Guard Conditions for Introducing PBR System

The PBR may be introduced with the following safeguard conditions.

- a) Quality of output is to be controlled through strong supervision
- b) Systems for preventing wastage of material must be designed.
- c) Protection for the health of the worker must be there
- d) Supply of raw material, maintenance of plants and efficiency of management are to be assured;
- e) Workers are to be guaranteed job security or continued employment, and
- f) Workload is to be fixed by impartial experts. Rates once fixed by impartial experts. Management without justification should not cut rates once fixed.

Advantages of the PBR-System

- a) It pays the workmen according to their efficiency reflected in the amount of work turned out by them.

- b) It involves less supervision as the workers are not likely to while-away (waste) their time.
- c) Being interested in the continuity of his work, a workman is likely to take greater care in the maintenance of machines and equipments.

Disadvantages of the PBR - System

- a) A piece rate worker in his anxiety to produce more may neglect the quality of output.
- b) The employee with the desire to earn more may work hard to impair his health, unmindful of the fact that this would ultimately reduce his earning power.
- c) Under the PBR system, the worker's earning may suffer because of causes beyond his control, such as in adequate supply of raw materials, failure of machinery, lack of demand in the market for the goods produced.
- d) Trade unions are often opposed to this system as they are of the opinion that such a system encourages rivalry among workers and endanger their solidarity in labor dispute.

? Check point

- ✓ *Discuss the meaning of payment by result system. What kind of pros and cons are found with this system*
- ✓ *Merrick's differential piece rate plan is a modification and an improved version to one of management's great expert: who is this man.*

4. Balance or Debt Methods

This is a combination of time and piece rate. The worker is guaranteed an hourly or a day rate with an alternative piece rate. If the earnings of the worker calculated at the piece-rate exceed the amount which he would have earned if paid on the time basis, he gets credit for the balance, namely the excess piece-rate earning over the time rate earnings. The question of excess payment does not arise.

Where piece rate earnings are less than time rate earnings, he is paid on the basis of the time rate; but the excess paid is carried forward as the debt against him to be recovered from any future balance of piecework earnings over timework earnings. This system presupposed the fixation of time and piece rate on a scientific basis. The obvious merits of this system are that an efficient worker gets an opportunity to improve his earnings.

5. Incentive Rate System

The incentive rate system of wage calculation is used in a situation where:

- **Output** is measurable in homogeneous units.
- **Product** specifications do not vary frequently, and:
- **Worker's** effort can directly influence output.

Methods commonly used in incentive rate system of wage calculation involve:

- a) **Straight piece work:** - where a *constant* rate of pay per unit of output is made, and
- b) **Bonus plans:** - This involves in general the determination of *standard tasks* and *bonus payments* are made when a worker produces above a standard.

6. Job Evaluation System

This system of wage calculation is a method where jobs are described, analyzed, compared and evaluated within a unit, a branch or an industry. The main characteristics of job evaluation system include:

- a) It is a good and systematic approach;
- b) It is an analysis of the work involved in its starting point;
- c) It is an attempt to determine the requirements of the work involved for any incumbent.
- d) It is a process by which jobs in an organization are appraised.
- e) It is a process of analyzing and describing positions, grouping these positions and determining their relative value by comparing the duties of different positions in terms of their different responsibilities and other requirements.
- f) It is a system to deal exclusively with assessment of the job and not concerned with employees assigned to the job.

- g) It is designed only to establish *wage differentials* and is not concerned with the absolute wage level.

Generally, job evaluation system is a systematic approach, which provides a basis of comparing jobs, and determines the relative worth of different jobs in an organization.

The system has two basic objectives; namely:

1. Comparing jobs and determining their level within each occupational group.
2. Comparing jobs between occupational groups.

Achievement of the first objective is important for promotion, career planning and personnel development. Achieving the second objective is of interest because of wage comparisons.

In job evaluation system, one has to understand that it is not the man, but the job to be rated. It is therefore an important tool of personnel administration and wage decisions.

Job evaluation systems are useful in achieving internal equity of pay between useful selected criteria to compare jobs within an organization so that they can be ordered for the purpose of assigning differential pay. Job evaluation systems provide a rationale for paying different rates for different jobs. It is the process of analyzing and assessing of jobs to ascertain reliably their relative worth, using the assessment as basis for a fair and equitable wage structure.

Check point

- ✓ *Discuss the main characteristics of job evaluation system*
 - ✓ *Explain what incentive rate system mean and in what kind of situation is it appropriate*
 - ✓ *Balance of debt method is a combination of two different methods. Explain these two methods*
-

Indirect Compensation

Indirect compensation includes benefits and services. It can be defined as all employer provided reward and service other than wage and salaries.

Need for Extending Benefits:

Most of the organizations have been extending the fringe benefits to their employees, year after year, for the following reasons.

- Employee demands;
- Trade Union demands;
- Employers Preference;
- As a social security;
- To improve human relation.

Features of Benefits

It is difficult to classify and distinguish between direct wages and indirect benefits. Some of the differences are:

- Wages are directly related to the work done and are paid regularly, usually weekly, fortnightly or monthly. Fringe benefits, on the other hand, are those payments or benefits that a worker enjoys in addition to the wages or salary he or she receives.
- These benefits are not given to workers for only specific jobs they have performed but are offered to them to stimulate their interest in their work and to make their jobs more attractive and productive for them
- Fringe benefits represent a labour cost for the employer. In the circumstance, everything which a company spends over and above straight time pay should be considered as fringe benefits
- A fringe is never a direct reward geared to the output, effort or merit of an employee. It is offered, not on the basis of the hard work or long hours of work put in by an employee but on the basis of length of service, his sickness, sex, the hazards of life he or she encounter in the course of his work, etc.

- To be termed a fringe benefit a labour cost should be intended by an employer as a benefit desired by his staff. It is a fringe benefit when all the employees enjoy it.
- A fringe must constitute a positive cost to the employer and should be incurred to finance an employee benefit. If the benefit increases workers efficiency, it is not a fringe, but if given to supplement his wages, it is.

Check point

- ✓ *Discuss reasons that urges companies to extend their fringe benefits for their employees*
 - ✓ *Different factors influence the decision to set up a particular employee benefits and service program. Discuss the criteria that govern such a program as developed by Nielsen*
 - ✓ *Discuss the typical decisions most managers face in the design and management of benefits plans*
-

Types of Employee Benefits and Service

It has been recognized that certain benefits must be supplied by the organization for its employees, regardless of whether it wants to or not. Most companies' today offer a wide variety of benefits, especially larger companies. Some of the benefits are compulsory (required by law), while others are not required by law. The following are types of employee benefits and services:

- 1) Medical and safety benefits
- 2) Education and training benefits
- 3) Payment for time not worked
- 4) Employee service related benefits
- 5) Other employee benefits
 - a. Loan benefits
 - b. Pension or provident fund
 - c. Employee allowance

- d. Funeral benefits
- e. Dependant benefits and other

The United States Chamber of Commerce classified benefits items in five categories. These are:

- a. Payment that have to be made under any specific legislation
- b. Pensions and such other payments as have been agreed upon;
- c. Paid rest period, lunch periods, wash up time, travel time, time taken to change clothing, and get ready time.
- d. Payment for time during which an employee has not put in any work at all; and
- e. Other items, including profit sharing payments, bonus, etc.

These benefits are usually known as fringe benefits. The International Labour Organization has defined “fringe benefits” as: *“Wages are often augmented by special cash benefits, by the provision of medical and other service, or by payments in kind that form part of the wage for expenditure on the goods and service. In addition, workers commonly receive such benefits as holidays with pay, low-cost meals, low-rent housing, etc. Such additions to the wage proper are sometimes referred to as ‘fringe benefits. Benefits that have no relation to employment or wages should not be regarded as fringe benefits, even though they may constitute a significant part of the workers total income.”* Thus, fringe benefits are those monetary and non monetary benefits given to the employees during and post employment period which are connected with employment but not to the employees’ contribution to the organization. A vital benefit for all workers is the availability of safe working conditions. Industrial accidents result in both suffering for the injured worker and major in both suffering for the employer through loss of experienced employees, increased insurance premiums, and poor morale. Many large companies employ doctors and nurses to investigate working condition and treat minor illnesses and job related accidents. Some companies sponsor recreation programs. Firms can not afford to provide all benefits, so they choose those which they feel will give the most satisfaction to their employees and being out their best for the firm. Fringe benefits are primarily a means in the direction of ensuring, maintaining and increasing the income of the employee. It is a benefit which supplements to a worker’s ordinary wages and which are of

value to them and their families in so far as it materially increases their retirement. Benefits will have no positive effect if they are not supported by a satisfactory salary structure.

Check point

- ✓ *Explain how the United States Chamber of Commerce classified benefits items*
-

i. Employee Medical and Insurance Benefits

Employee's medical and safety should be taken care of in order to protect the employee against accidents, unhealthy working conditions and to protect the worker's productive capacity.

In Ethiopian Labour Proclamation No. 377/2003, part seven stipulated certain requirements regarding working conditions with a view to provide occupational health and safety requirements. Article 92 of this proclamation obliges an employer to take the necessary measure to safeguard adequately the health and safety requirements. These provisions step to ensure that workers are properly instructed and notified concerning the hazards of their respective occupations and the precautions necessary to avoid accident and injury to health and ensure that the work place and premises do not cause danger to health and safety of the workers. Provisions relating to pre-executions, process of work shall not be a source of cause of physical, chemical, biological, ergonomically and psychological hazards to the health and safety of the workers. Article 93 of the proclamations also obligate a worker for proper use of all safeguards safety devices and other appliance furnished for the protection of his health or safety of others.

Article 99 of the same proclamation also defines disablement as “any employment injury as a consequence of which there is a decrease or loss of capacity to work”. The effects of such disablement are:

- a. Temporary disablement
- b. Permanent partial disablement
- c. Permanent total disablement, and
- d. Death

In addition to these, the proclamation also defined occupational accident and occupational disease as “occupational accident means any organic injury or functional disorder sustained by a worker as a result of any cause extraneous to the injured worker or any effort he makes during or in connection with the performance of his work. And occupational disease means any pathological condition whether caused by physical, chemical or biological agents who arise as a c consequence of:-

- The type of work performed by the worker or
- The surrounding in which the workers is obliged to work during a certain period prior to the date in which the disease become evident

In addition to safety and health measures, a provision for the payment of compensation has also been made under Labour Proclamation No. 377/2003. It is intended to meet the contingency of invalidity and death of a worker due to an employment injury or occupational disease specified under the proclamation. Amount of compensation depends on the nature of injury and monthly wage of the employee. Dependents of the employee are eligible for compensation in case of death of the employee.

Check point

- ✓ *Explain the purpose of employee safety and health benefit*
 - ✓ *In Ethiopian Labour Proclamation No. 377/2003, part seven, stipulated certain requirements regarding working conditions with a view to provide occupational health and safety requirements. Discuss the intention and meaning of Article 92 of this proclamation*
-

Types of Medical Benefits

Today, various medical services like hospital, clinical and dispensary facilities are provided by organizations not only to employees but also to their family members. The Ethiopian Labour proclamation No. 377/2003 Article 105 deals comprehensively with the medical benefits to be provided to employees by their employers. Medical benefits under this Article of the proclamation include the following where a worker sustains employment injury:

1. General and specialized medical and surgical care
2. Hospital and pharmaceutical care
3. Any necessary prosthetic or orthopaedic appliances

In addition to these, Article 107 of the proclamation identifies various kinds of cash benefits when a worker who has sustained employment injury:

- a. Periodical payment while he is temporarily disabled
- b. Disablement pension or gratuity or compensation where he sustains permanent disablement
- c. Survivors pension gratuity or compensation to his depended where he dies

Medical benefit shall be provided to an insured employee or to a member of his family where the benefit is extended to his family. This benefit is provided in the following firms:

- a. First- aid- facility
- b. Medical service given by organization owned health centres
- c. Refund of employee pharmaceutical expenses
- d. Coverage of medical expenses
 - a. Full versus partial coverage of medical expense
 - b. In patient versus out patient
 - c. Local versus overseas

An insured person shall be entitled to medical benefits during any week for which contribution are payable, or in which he/she is eligible to claim sickness or maternity benefits or eligible for disable.

Voluntary arrangements: However, most of the large organizations provide health services over and above the legal requirement to their employees free of cost by setting up hospitals, clinics, dispensaries and homeopathic dispensaries. Company's elaborating health service programs include:

- i. Providing health maintenance service, emergency care, on the job treatment care for minor compliant, health counselling, medical supervision in rehabilitation, accident and sickness prevention, health education program, treatment in employee colonies etc

- ii. Medical benefits are extended to employee family members and to the retired employees and their family members
- iii. Small organizations that cannot set up hospitals or large organizations (in those places where hospitals can not be set up because of various reasons) provide the medical services through local hospitals and doctors. Sometimes they provide the facility of reimbursement of medical expenses borne by the employees.

Check point

- ✓ *Explain when and how employee medical benefits are delivered for the beneficiary based on proper Ethiopian labor proclamation*
-

ii. Employee Insurance Benefits

Insurance programs of various types represent an important part of any benefit package. Insurance plans or benefits protect employee or their dependent from financial difficulties that can arise as a result of disability or death.

Many risks encountered throughout life illness, accident, permanent disability and death, among others can be offset by buying insurance. Midsized and large employers can buy insurance more cheaply than can individual employees, so employer sponsored insurance is a preferred benefit because the rate is based upon group risk rather than individual risk.

Company sponsored medical insurance programs are designed so that the employer either pays the entire premium (contributory) or a portion of it, with the employee responsible for the balance (non-contributory).

Three Major forms of insurance are involved: Health insurance, Life insurance and Accident and disability insurance.

I. Health Insurance

Health insurance is one of the most costly kinds of insurance, but it is extremely popular with employees. Health insurance provides health care coverage for both employees and their dependents, protecting them from financial disaster in the wake of a serious illness. Studies indicate that employees prefer health insurance over most other benefits. Typically, health insurance includes hospitalization (room, board, and hospital service charges), surgical fees (actual surgical fees or maximum limits), and major medical fees, (maximum benefits typically \$5,000-10,000 beyond hospitalization and surgical payment). Plans for salaried employees typically are of the major medical variety and provide “last-dollar coverage.” This means that the employee must pay the first \$200 of the cost or a similar deductible each year. Benefits may be based on either a specific cash allowance for various procedures or a service benefits that pays the full amount of all reasonable charge

Articles 711 of Commercial Code define health insurance as insurance against accident and illness: *“An insurance policy against accident is a contract whereby the insurer undertakes to pay a specified sum to the insured person where the insured person is the victim of an accident during the period specified in the policy, or the beneficiary named in the policy, where the insured person dies”*.

Because the cost of individually obtained health insurance is much higher than that of an employer sponsored group health insurance if it were not provided by their employer. In addition to normal hospitalization and outpatient doctor bills, some plans now cover prescription drugs and dental, eye, and mental health care. Obviously, cost containment of health spending will be an important issue for companies and the nation for many years. The benefits specialist in the human resource department can make an important contribution to the bottom line by keeping spending on health insurance under control. For example many companies are now requiring employees to make larger contributions toward the cost of their health insurance. In an effort to get the rise costs under control, organization undertook major cost containment programs. Some of the Popular Cost Cutting Programs are explained as follows.

A) Traditional Health Insurance: Provided by an insurance company that acts as an intermediary between the patient and health care provider, traditional health insurance plans (also called fee for service plans) developed a fee schedule based on the cost of medical services in a specific community. They then incorporate these fees into the costs of insurance coverage. Traditional health insurance plans have several important features. First, they include a deductible that a policyholder must meet before the plan makes any reimbursement. Second, they require a monthly group rate (also called a premium) paid to the insurance company. The premium is usually paid partially by the employer and partially by the employee. Third, they provide for coinsurance. The typical coinsurance allocation is 80/20 (80 percent of the cost is covered by the insurance plan and 20 percent is picked up by the employee). The deductible, premium, and coinsurance can be adjusted, so the employee and employer's costs of health care insurance vary depending on how the parties agree to allocate the costs. Traditional plans give employees the greatest amount of choice in selecting a physician and a hospital. However, these plans have several disadvantages. First they often do not cover regular checkups and other preventive services. Second, calculating the deductible and coinsurance allocation requires a significant amount of paper amount of paper work. Each time they visit a physician, employees must fill out claims forms and obtain bills with long, itemized lists of services. This can be frustrating for patients and costly to physicians,, who often need to hire clerical workers solely to process forms.

B) Health Maintenance Organization (HMO): A health maintenance organization is distinctly different from the traditional health care plan. An HMO is a medical organization consisting of medical and health specialists offering both outpatient and hospital coverage for employees and their families at a flat annual fee. People covered by an HMO have unlimited access to medical services because the HMO is designed to encourage preventive health care to reduce ultimate costs. HMO members pay a monthly premium, plus a small co-payment of deductible.

Some HMOs' annual flat fee per member acts as a monetary disincentive to the HMO's particularly doctors who might otherwise be tempted to give patients unnecessary medical tests or casually refer them to expensive medical specialists.

HMOs have two major advantages. First, for a fixed fee, people covered by the HMO receive most of their medical service (including preventive care) without incurring coinsurance or deductibles or having to fill out coinsurance or deductibles or having to fill out claims forms. Second, HMOs encourage preventive health care and healthier lifestyle.

The major disadvantage, from the employee's viewpoint, is that they must use physicians employed or approved by the HMO, and these may or may not be the doctors of their choice. In addition some consumer groups have citizen HMOs for skimping on patient care to save money on medical costs.

In the case of serious illnesses, the specialists consulted must also belong to the HMO, even if there are doctors in the area with better reputations and stronger qualifications. The HMO, may service a limited geographic area which may restrict who can join the plan.

C. Preferred Provider Organizations (PPOs): A PPO is a health care plan based on agreements between doctors, hospital, and other related medical service facilities with an employer or an insurance company to provide a broad set of medical service at a discounted or attractive price per participant. They provide service for a fixed fee. The fee is lower than that which doctors and hospitals normally charge their customers for the bundle of service and the monthly premium is lower than that charged by a traditional plan for the same service. In return for charging a lower fee, the doctors and hospitals that join the PPO network expect to receive a larger volume of patients. Members of the PPO can use it for preventive health care (such as checkups) without paying a doctor's usual fee for the service. PPOs collect information on the utilization of their health service, so that the employers can periodically improve the plan's design and reduce costs.

A precise definition of PPO is difficult to give, but most include a select panel of providers, an emphasis on cost efficiency, marketing to purchasers rather than users, and some flexibility in choice of providers together with financial incentives to use selected providers.

PPOs, like HMOs must provide cost efficient health care and emphasize cost containment in order to compete. PPOs combine some of the best features of HMOs (managed health care and a wide array of medical services for a fixed fee) with the flexibility of the traditional health

insurance plan. They include provisions that allow their members to go outside the PPO network and use non-PPO doctors and medical facilities unlike HMOs. People who select non-PPO doctors and hospitals pay additional fees in the form of deductibles and co-payments determined by the PPO. Because PPOs have few of the disadvantages of traditional health insurance plans or HMOs, they are expected to continue growing rapidly.

Check point

- ✓ *Discuss the important features of traditional health insurance, and the merits and demerits of this plan.*
 - ✓ *What is preferred provider organization/PPO/.*
-

D. Employee Payment of Deductible: The deductible system requires that the employee pay an initial fee for each office or hospital procedure. Most major medical insurance policies have both an annual deductible and a coinsurance clause. Suppose that an insurance policy has an 80% coinsurance clause. After applying any deductibles that may be applicable, the insurance company will pay 80% of the claim and the patient will be responsible for the difference. Because the patient pays 20% of the claim, this amount is called a 20% co-payment. In effect, requiring employees to pay a deductible helps to reduce costs and claims for minor illnesses. Of course, it discourages employees from obtaining preventive treatment and early diagnosis of illness because the deductible must first be established. The following example illustrates this concept.

E. Self-funded Insurance: Self-funded plans are funded by the employee, not an insurance company. In this instance, the employer sets aside a certain amount of money to pay claims during the year. In addition, a contract often is written with a health insurance company to cover claims over the amount set aside and to administer the claims payments process. Self-funded insurance can cut costs in several ways. First, the employer earns interest on the money set aside for claims, provided it is invested. Second by paying such a huge deductible (for example, 500,000 birr), the actual policy with the insurance carrier can be very low. Third, the agent (the carrier) is eliminated on the bulk of the claims. Self-insurance has become very

popular as a cost cutting strategy. For it to work, an employer should have at least 100 or more employees over which to spread the costs.

F. Wellness/Fitness Programs: Many companies are becoming more aggressive in preventive actions to cut health care costs. A wellness program assessed employees' risk of serious illness (for example, heart disease or cancer) and then teaches them how to reduce that risk by changing some of their habits (such as diet, exercise, and advice of harmful substances such as alcohol, tobacco, and caffeine).

More and more companies and communities have no smoking policies in the workplace and encourage employees through contents and awards to give up smoking. Some employ health and fitness experts to advise executives and managers. Many firms sponsor employee athletic teams and tournaments in softball, basketball, etc.

Other sponsor weight loss programs while others demand it. Some firms are even paying employees to get healthy. Other follows the reverse approach by fining employees who do not have a healthy lifestyle.

G. Coordinate Health Insurance: Coordinate health insurance plans for families with two working spouses. Human resource staff can encourage spouses who have duplicate coverage under two different insurance plans to establish a cost sharing arrangement.

H. Other Techniques: To reduce the cost of prescription drugs, companies are looking at new ways to deal with pharmacies. Some options include joining discount mail-order drug plans, requiring that prescription be filled using generic drugs when they are available, and negotiating with local pharmacies to lower price on drug. Some firms are even toying with the idea of an in- company pharmacy. Another in company trend is employers providing medical care for workers at job locations or in company run clinics to lower health care costs and reduce employee downtime due to visits to doctor's offices.

Check point

- ✓ *Explain the responsible party for paying for self-funded insurance*
 - ✓ *According to some studies, many companies are becoming more aggressive in preventive actions to cut health care costs, describe at least two methods that companies consider in such actions*
 - ✓ *Explain the insurance plan for two working spouses*
-

II. Life Insurance

Life insurance is a benefit commonly available from organizations. When provide for all employees, it is called group life insurance. Group life insurance is one of the oldest and most widely available employee benefits. Commercial Code Article 691 defines life insurance as follow:

“A life insurance is a contract whereby the insurer undertakes against the payment of one or more premiums to pay to the subscriber or to the beneficiary a specified sum of certain conditions dependent upon the life or death of the subscriber or a third party insured”

The insuring organization collect contributions from each member, invests these contribution, guarantees both their safety and a minimum interest, and distributes benefits to the estates of the members who die.

Life insurance benefits are the traditional means of providing financial support for survivors following on employee's death. This insurance usually provides lump-sum benefits to the designated beneficiary. Most plans include coverage for retirees and dependents of employees. Many also allow employees to increase the value of the policy at attractive group rates. In the majority of plans, the employer pays the whole premium for the employee.

III. Accident and Disability Insurance

In addition to health, life and dental insurance, many organizations provide some form of accident or disability insurance or both. Disability insurance is designed to protect the employee who experiences a long term or permanent disability. Normally, a one-to-six month waiting period is required following the disability before the employee becomes eligible for benefits. As with accidents insurance, disability insurance benefits are usually calculated as a percentage of salary. According to Federal Civil Servants (No. 515/2007), and Labour Proclamation (377/2003), a temporary worker who has sustained permanent total disability shall be entitled to compensation amounting to *five times* of his annual salary, but in the case of permanent civil servant, who has sustained permanent total or partial disability, due to employment injury shall be entitled to benefits provided for in the relevant pension law. Any payment to be made for accident and disability is exempted from taxation and may not be attached; deducted by way of set off or assigned by the beneficiary; also indicated in the same proclamation.

III. Education and Training Benefits

Training and education refer to the teaching or learning activities carried on for the primary purpose of helping members of an organization to acquire and apply the knowledge, skills abilities and attitudes needed by that organization. Broadly speaking, training is the act of increasing the knowledge and skills of an employee for doing a particular job. Many organizations support off-the-job general education for their employees. Training and educational benefits which include:

- sponsorship for off duty courses,
- educational leave,
- tuition fee,
- refunds and scholarship,
- setting up of schools,
- hostels,
- providing grants - aid to the other schools where a considerable number of students are from the children of employees, and

- Provision of reading rooms and libraries for the benefits of employees etc.

IV. Employee Paid Leaves

Paid leave means payment for time not worked. It provides breaks from regularly scheduled work hours so that employees can pursue leisure activities or take care of personnel or civic duties. Paid leave is one of the most expensive benefits for the employer.

Classification of Paid Leaves

Benefits of paid leaves includes: Sick leave with pay, vacation pay, paid rest and relief time, paid lunch periods, grievance time, bargaining time, travel time, pay for religious holidays, pay for the time spent in offering evidence in a court of law or other statutory bodies; and payment for the time spent on casting one's vote at election time. Below are the main categories of paid leaves.

Annual Leave (Paid Vacations): Employers provide paid vacation to give their employees time away from stresses and strains of the daily work routine. Vacation time allows employees to recharge themselves psychologically and emotionally and can lead to improved job performance. The purpose of annual leave is to enable an employee get rest and resume work with renewed strength.

Normally, an employee must meet a certain length-of- service requirement before becoming eligible for a paid vacation. Also, the time allowed in paid vacations generally depends on the employee's length of service. Unlike holiday policies that usually affect everyone in the same manner, vacation policies may differ among categories of employees. According to the Federal Civil Servants Proclamation No. 515/2007, Article 37, specifies that a civil servant shall be entitled to annual leave of 20 working days for his first year of service and additional leave of one working day for every additional year of service; provided however, that the duration of annual leave shall not exceed 30 working days. In the same manner, Article 77 of the Labour Proclamation No. 377/2003 indicate that a worker shall be entitled to uninterrupted annual leave with pay which shall in no case be less than fourteen (14) working days for the first one year of service and plus one working day for every additional year of service. Federal Civil

Servants Proclamation (No. 515/2007) state that annual leave shall be granted within the budget year in accordance with a leave made known to the civil servant and prepared on the basis of due consideration of the interest of the government office and as much as possible, the preference of each civil servant. However, the office may authorize the postponement of annual leave for two budget years where the government office, due to compelling reasons, is unable to grant a civil servant his annual leave within the same budget year; provided that the accumulated leave shall be granted to the civil servant in the third budget year.

There shall be no payment in lieu of annual leave, provided; however that payment may be made for unused annual leave due to termination of appointment.

Sick leave: Sick leave provides full pay for each day that an employee experiences a short-term illness or disability that interferes with his or her ability to perform the job.

According to Proclamation No. 515/2007, Article 42, any civil servant shall be entitled to sick leave where he is unable to work due to sickness and the duration of sick leave to be granted to a permanent civil servant shall not exceed eight months in a year or twelve months in four years, whether counted consecutively or separately starting from the first day of his sickness and with full pay for the first three months, with half pay for the next three months and without pay for the last two months.

A physician's written excuse is often necessary in order to be eligible for pay and to return to work if the illness is longer than three consecutive days or for more than six days within a budget year.

According to Proclamation No. 377/2003, Article 85, a worker shall be entitled to sick leave when he or she is incapable of work owing to sickness other than resulting from employment injury and the leave shall not be more than six months counted consecutively or separately in the course of any twelve months period starting from the first day of his sickness. Payment for such leave shall be granted in the following manner:

- 1) The first one month with 100% of his wage;
- 2) The next two month with 50% of his wage;
- 3) The next three months without pay

A liberal sick leave policy can cause excessive absenteeism. It may communicate that the company does not value good attendance. A human resource benefits specialist must monitor and control sick leave benefits to prevent employees from using sick leave to take care of personal business or to reward themselves with a mental health day off from work. The human resource department should consider instituting the following guidelines:

- Set up a “wellness pay” incentive programs that monetarily rewards employees who do not use any sick days. Wellness programs may also encourage employees to adopt healthier lifestyles and file for health benefits.
- Establish flexible work hours so that employees can take care of some personal business during the week there by decreasing their need to use sick days for this reason.
- All employees to take one or two personnel days each year. This helps to discourage employees from regarding sick days as time off to which they are entitled even if they do not get sick.

Maternity and Parental Leave: The demand faced by expectant employees and working parents has created pressures to further accommodate childbirth; adoption and child-rearing responsibility for both women and men. The Federal Civil Servant Proclamation (No. 515/2007, Article 41) and Labour Proclamation (377/2003, Article 88) states a pregnant civil servant or employee shall be entitled to a period of 30 consecutive days of maternity leave with pay preceding the presumed date of her confinement and a period of 60 consecutive days of maternity leave after her confinement.

According the federal civil servants proclamation no. 515, 2007, Sub article 6 of Article 41 states that any civil servant shall be entitled a paternity leave with pay for 5 working days at the time of his wife’s delivery.

Leave for Personal Matters: As stated in the Federal Civil Servant Proclamation (No. 515/2007, Article 43), any civil servant shall be entitled leave for personal matters such as mourning, wedding, examination and the like for a maximum of seven days within a budget year.

Special Leave with Pay: According to the Federal Civil Servant Proclamation (No. 515/2007, Article 44), any civil servant shall be entitled to special leave with pay where:

- He is summoned by a court, any other competent authority, for the time utilized for the same purpose.
- He participates in the election of government officials, for the duration of the voting.

Sub article 1 of Article 81 of the Ethiopian labour proclamation 377/2003 states that a worker will be entitled to leave with pay for 3 working days when:

- He concludes marriage, or
- His spouse or descendants or ascendants of another relative, whether by affinity or consanguinity upon the second degree dies.

Special Leave without Pay: According to the Federal Civil Servant Proclamation (No. 515/2007, Article 45):

- A civil servant who has completed his probation, upon sufficient ground, applies for a special leave without pay; the head of the government institution may authorize the grant of such leave if it does not adversely affect the interest of the institution.
- A civil servant who has completed his probation period and runs for election shall be entitled to leave without pay during the election campaign and for the duration of the voting.

Sub article 2 of Article 81 of the Ethiopian labour proclamation 377/2003 states a worker shall be entitled to leave without pay for upon 5 consecutive days in the case of exceptional and serious events.

Paid holidays: The typical number of paid holidays has been increasing. Typical paid holidays are New Year's Day, Labour Day, Christmas, Good Friday, Mauled, Id Al Adaha (Arafa), etc. Proclamation No. 515/2007 and 377/2003 specify that any civil servant or employee shall incur no reduction in his regular pay of occupant of having not worked on a public holiday or on a day offices are closed by the order of the government.

Check point

- ✓ *Define life insurance as stated in the commercial Code Article 691*
 - ✓ *Explain the waiting periods/months that are required following the disability before the employee becomes eligible for benefits.*
 - ✓ *Many organizations support off-the-job general education for their employees. Discuss this benefits which are commonly used by managers.*
 - ✓ *Describe the main categories of paid leaves which are commonly arranged by companies in Ethiopia*
-

V. Service Related Employee Benefits

In addition to the above-discussed benefits, organizations also provide a wide range of services that employees find desirable. These services are usually provided by the organization at no cost to the employee or at a significant reduction from what might have to be paid without the organization support. These events can have a major impact on the personnel representatives' reputation. And planning and scheduling these events requires much more time and effort than other organizational members appreciate.

Types of Service Related Employee Benefits

Employee service is something of a catchall category of voluntary benefits, including all other benefits or services provided by employers. These are such varied programs as housing service, transportation service, cafeterias service, free parking lots, ability to purchase company products at a discount, personal and financial counselling, legal advice, employee assistance programs, and sports and recreation service. The extent and attractiveness of these benefits vary considerably among organization. For example, purchase discounts would be especially attractive to employees of retail or an airline. Below, some of the most common types of employee related services are discussed below.

Housing service: Because of real estate prices skyrocketed, the idea of employers assisting employees in obtaining affordable housing is gaining favour. Housing services including company owned housing project and subsidized housing. Of all the requirements of the workers, decent and cheap housing accommodation is of great significance. The problem of housing is one of the main causes for fatigue and worry among employees and this comes in the way of discharging their duties effectively. Scarce affordable housing causes labour shortages, diminished productivity, unacceptable recruitment levels, reiterations and wage-cost distortions, and stagnant corporate real estate values. As a result, some corporations are experimenting with a variety of employer-assisted housing schemes:

1. Reducing the down-payment barrier
2. Assisting in post purchase carrying costs, and
3. Participating in programs to produce new or substantially rehabilitated housing units.

In case of organizations that are located very far from towns where housing facilities are not available, most of the organizations built quarters nearer to factory and provided cheap and decent housing facilities to their employees, while few organizations provide and/or arrange for housing loans to employees and encourage them to construct houses.

Transportation service: including parking lots and bus service. Company provide conveyance facilities to their employees from the place of their residence to the place of work at most of the industries are located outside town and all employees may not get quarter facility

Cafeteria/canteen services: One of the recent developments in this field has been the formulation of the cafeteria compensation concept depending on their age, their educational and income levels, their life style and other forms of preference, different categories of employees need and demand different combinations of benefits and services. Because of the variety of options in the benefits area, many employers have shifted to or are considering “cafeteria plan”. Cafeteria plans allow employees to pick and choose from a variety of benefits options much as a person chooses food at a cafeteria. Cafeterias plans are also called *flexible plans*. Among the benefits and service that are most commonly offered are life insurance, health insurance, pension, protective clothing and equipment, rest periods and vacation. Some

benefits, such as holidays, vacation and pension enable employees to meet their self-actualization needs; they make it possible for them to be away from their job, participate in other activities and share in other experience even while they continue to receive their wages or salaries.

For example, a young, single-parent mother may place greater value on child care, health care, and similar benefits than a 55 year old make who may be more interested in retirement benefits, long term health care and in retirement benefits, long term health care, and life insurance. A typical young man generally desires to have direct wages and educational assistance, while some other employee may want to buy extra vacation days; even others would like to trade the ones they have in for cash. Cafeteria plans allow for such switches.

The cafeteria compensation concept generally involves the idea that each employee ought to design and tailor his own indirect compensation program by personally picking and choosing the benefits and service he would desire to have from among the many such benefits and service provided by his company. It may be pointed out here that no company provides all these benefits and service. Those that are provided are determined by the needs of the employees and the preferences of a company. Choice and decision generally depend upon the discretion of each individual employee and not on a management fiat or a centralized collective bargaining agreement. Flexible plans might be of interest to organizations for several reasons:

1. Employee benefits are a very significant component of overall compensation
2. Flexible benefits can allow employers to limits their contributions without alienating employees, since options give employee some control over the distribution of benefit
3. Life-style has changed in the past several years, causing employee to re-evaluate the need for certain traditional benefits.
4. Benefits can be useful in recruiting and retaining employees. However, when a mandatory benefits package is largely unresponsive to a prospective employee's needs or to the retention of present employees, the organization is wasting money
5. The high cost of benefits is causing organization to try to communicate effectively the real cost of the employee. By making specific benefits choices, the employee become intimately familiar with the costs associated with each benefits and

6. A flexible plan can have a positive impact on employee attitudes and behaviour.

The major problems with flexible plans are:

- a flexible plan requires more effort to administer,
- Union often oppose flexible plans because the employees are required to give up control over the program details or face losing some of their previously negotiated benefit improvements, and
- employees may not choose those benefits that are in their own best interests

Sports and Recreation Services: Including athletics, beauty parlours, social clubs, recreational areas, orchestras, entertainment programs, parties, picnics, libraries and reading rooms, community service activities, new Year gifts, Christmas gifts, birthday gifts, productivity /performance awards, etc. Companies provide these facilities with a view to inculcating a sense of association, belongingness, openness and freedom among employees. These activities help employees to understand others better.

Eating Facilities: Eating facilities that include the provision of company restaurants, cafeterias, canteens, lunchrooms, vending machines, and fully or partially subsidized food

Legal aid and Employee Counselling: organization provide assistance or aid regarding legal matters to employees as when necessary thorough company lawyers or other lawyers. Widespread need exists for legal counselling in such areas as divorce, real estate, traffic violation, wills, taxes and so fourth. Some community-based legal services have been offered in populated areas but are usually limited to those individuals with very low-income levels; consequently, many employees are not eligible for them. In addition to this, organizations also providing counselling service to the employee regarding their personal problems through professional counsellors. Employee counselling reduces absenteeism, turnover, tardiness etc.

Check point

- ✓ *In addition to the main benefits, organizations also provide a wide range of services that employees find desirable. These services are usually provided by the organization at no cost to the employee or at a significant reduction from what might have to be paid without the organization support. Please discuss the major types of such benefits*
 - ✓ *What are the characteristics of cafeteria/canteen service? Discuss the especial advantages that employees can secured through this service*
-

Other Employee Benefit

The last category of employee benefits is other employee benefits, which include other than those already discussed in the previous tasks. These benefits usually provided as a package of items, for example loan benefits, disablements benefits, dependant benefits, funeral benefits, pension or provident fund and the like. Generally, benefits are offered on a take-it-or-leave-it basis with the exception of pension schemes in which participation is usually compulsory. In addition to normal wages, an employee, whether he is a worker in a factory or a clerk or a manager, expects in good organizations to get extra benefits including the following:

Loan benefits (Credit Societies): The objective of setting up of these societies is to encourage thrift and provide loan facilities at reasonable terms and conditions, primarily to employees. Some organizations encourage employees to form cooperative credit societies with a view to fosterling self-help rather than depending upon money leaders, whereas some organizations provide loans to employees directly. Some firms offer purchase discounts to employees in the form of buying clubs or employee discounts on company merchandise.

Non-financial Benefits: The use of a company car, company expense accounts, club memberships, helping buying and selling a home, and the use of company owned result condominiums are examples of perks available to managers, executives, and some employees. Also, financial planning and counselling, including tax preparation advices, are often offered to mangers and executives.

Disablement Benefits: These benefits come under the Proclamation No.377/2003 and 515/2007 the only condition of payment of disablement is that disablement or death must be due to, or in the course of employment. Disablement benefits are two kinds- permanent total disablement and below permanent total disablement. The rate of payment varies according to the seriousness of the disablement. In permanent total disablement the benefit is paid a sum equal to five times his annual wages. Where the injury sustained by the worker is below permanent total disablement a sum proportionate to the degree of disablement is calculated.

Dependents Benefits: This also comes under the Labour proclamation 377/2003. If a worker dies as a result of an employment injury, the dependents get dependent compensation for workers not covered by the public servant pension law a sum equal to five times the annual salary of the deceased in the following manner:

- a) 50% (fifty percent) for the deceased worker's lawful husband or wife;
- b) 10% (ten percent) each for the deceased worker's children who are below the age to eighteen years old;
- c) 10% (ten percent) each for the deceased worker's parents who were being supported by him.

Funeral Benefits: In addition to dependant benefits Article 110 of Labour Proclamation state funeral benefits for dependents. Payment for funeral expense shall be not less than two-month wage of the worker subject to the provision of the collective agreement or work rule.

Product or Service Benefits: Such as company-operated stores and discounts on company product or services even free of charge. Most of the large organizations located far from the towns and which provide housing facilities near the employees' colonies and supply all the necessary goods or service at fair (discount) prices.

Child-Care Facilities: Some companies have recently instituted corporate child-care centres for employees' preschool children during the workweek, including nurseries and day care centres for children. Corporate child/day care centres have had mixed results, having one may help recruit employees who have younger children and it may reduce absenteeism. However,

use of the day care centre may be limited if its location is inconvenient. There is some evidence to suggest that middle level employees have little interest in this service.

Retirement Benefits: Industrial life generally breaks joint family system. The saving capacity of the employees is very low due to level wage, high living cost and increasing aspirations of the employees and his family members. As such employers provide some benefits to the employees after retirement and during old age, with a view to create a feeling of security about the old age to create a feeling of security about the old age. Pension and provident fund benefits are called *retirement benefits*.

Pensions: A pension represents a fixed payment, made regularly to a former employee or his surviving dependents, provided an employee has fulfilled specific conditions of employments for a specific length of time. Pension plans are considered for long service and are not incentives to work more efficiently or effectively unless the premium is tied to a stock option plan.

Funding of Pensions: *Funds* for paying pension benefits are acquired in two basic ways:

1. An unfunded plan pays pensions out of current income generated by the organization.
2. A funded plan pays benefits out of money set aside and invested specifically to pay pension benefits; this is the more popular method because a specific fund is set aside to pay benefits.

Insurance for Pensions: Insured pensions are administered through an insurance company that guarantees payment of the benefits. Uninsured pensions are administered by the employer and considered to be less stable and sound than insured pensions. However some insured pensions are not too safe

Contributions: A non-contribution pension is one in which all of the funds for the pensions are paid by the employer. In a contributory pension, both the employee and the employer fund the pension according to Article 4 of Public Civil Servants Pensions Proclamation No. 345/2003, the amount of the contribution payable to civil service fund, base on the salary of public servant by the employer six percent (6%) and by the public servant four percent (4%)

and for military and policy fund service contributions by the employer sixteen percent (16%) and by the public servant four percent (4%). Article 13 of the proclamation states as: “a public servant who has completed at least ten years of service and retires upon attaining retirement age shall receive retirement pension for life”. Regarding to the amount of retirement pension, Article 14 specifies that the retirement pension due to any civil servant shall amount to thirty percent (30%) of the average salary for the last three years preceding retirement, increased for each year of service beyond ten (10) years for a public servant by one point one two five percent (1.125%) and for a member of defence force or police by one point five percent (1.5%). However, the retirement pension to be paid shall not exceed seventy percent (70%) of the indicated the average salary.

Pension Benefits: Retirement plans come in two main types; *defined contribution* and *defined benefits plans*. A defined contribution plan is one in which the contribution rate paid by the employee is fixed and retirement benefits vary. Profit sharing, employee stock ownership plans and thrifts plan are defined contribution plans. In a defined benefit plan, the benefits paid to employees are set as are the methods used to determine them. This allows the use of statistics to determine the employer contribution. Because a defined benefit plan provides a greater assurance of benefits and predictability of benefit available at retirement, older employee generally prefer this type of plan. Many small companies are switching to defined contribution plans simply because they are cheap than defined benefit plans.

In a portable pension plan, employees can move their pension benefits from one employer to another without losing benefits. **Reimbursement of contribution:** Vesting is the right to receive benefits from a retirement plan. A person becomes vested after working and contributing for a period time. According to Article 21 of Proclamation No. 345/2003 a public servant who separate from work due to resignation prior to completing ten (10) years service shall be entitled to no benefit. If the employee leaves prior to the vesting requirement, the only funds the employee receives upon employment termination are the funds the employee has contributed. In the case of when a public servant who separates from work due to *resignation* after completing ten (10) years, but prior to completing twenty (20) years of service, the only funds the employee receives are the funds he or she has contributed. Once vested or has

completed at least ten (10) years of service and retires upon attaining retirement age, however, pension rights are retained and both employee and employer funds are received.

Provident Fund: This benefit is meant for economic welfare of the employee. The most appropriate course seemed to be to provide for compulsory contributory provident funds where both the employer and the employee are required to contribute. Such a scheme would instil in the worker or employee the spirit of regular saving. In the light of such considerations particularly to mitigate hardship caused to the employee a retirement. Provident fund program provides for monetary assistance to the employees and/or their dependents during post retirement life. Thus, this facility provides security against social risks and this benefit enable employees in large private organization and non- government organization. Generally the organizations pay the provident fund amount with interest to the employee on retirement or to the dependents of employee in case of death.

Gratuity: This is another type of retirement benefits to be provided to an employee either on retirement or at the time of physical disability and to be dependents of the deceased employee. Gratuity is a reward to an employer for his long service with his present employer. According to proclamation No. 345/2003, article 15, gratuity is payable to employee who has not completed ten (10) years of service and retires as attaining retirement age. The amount of gratuity for a public servant is the salary of the month preceding retirement multiplied by the number of years of service and for a member of the defence force, or police is the salary of one and one-half month preceding retirement multiplied by the number of years of service. Any gratuity is affected in lump sum at once.

Check point

- ✓ *What kind of impact you expect from designing child care service for Ethiopian organizations*
 - ✓ *Explain the concept of gratuity based on the Ethiopia labour proclamation No. 345/2003, article 15.*
 - ✓ *Discuss where provident fund is applicable here in Ethiopia and why*
 - ✓ *A non-contribution pension is one in which all of the funds for the pensions are paid by the employer. In addition to this, according to Article 4 of Public Civil Servants Pensions Proclamation No. 345/2003, firms can consider contribution pension programs: please explain the characteristics of this system*
-

Summary

“What’s in it for me?” Nearly every individual consciously or unconsciously asks this question before engaging in any behavior. Our knowledge of motivation and people’s behavior at work tells us that people do what they do to satisfy needs. Before they do anything, they look for a payoff or reward.

A good compensation is must for every business organization and it positively related with organizational productivity as well as individual satisfaction. In modern businesses, the tendency for arranging different benefit plans for organizational workers has come increasing in order to attract, retain & motivate them.

Both internal as well as external factors affect compensation policy & practice of a given organization. The major external factors that influence wage rates include labor market conditions, area wage rates, cost of living, legal requirements, and collective bargaining if the employer is unionized. On the other hand, the major external factors that influence wage rates include labor market conditions, area wage rates, cost of living, legal requirements, and collective bargaining if the employer is unionized.

Employee compensation can be classified as;

- intrinsic versus extrinsic rewards,
- financial versus nonfinancial rewards, and
- Performance-based versus membership-based rewards.

Financial compensation can be direct or indirect. Wage salary is the two basic component of direct compensation. Approaches to the determination of wage and salary are; the time rate system of calculating wage, the Piece-Rate System of Calculating Wage, Payment by Result System (PBR). **Indirect Compensation** Indirect compensation includes benefits and services. It can be defined as all employer provided reward and service other than wage and salaries.

The following are types of employee benefits and services:

1. Medical and safety benefits
2. Education and training benefits
3. Payment for time not worked
4. Employee service related benefits
5. Other employee benefits
 - a. Loan benefits
 - b. Pension or provident fund
 - c. Employee allowance
 - d. Funeral benefits
 - e. Dependant benefits and other

 Self-check Questions 7

PART I:- Multiple choose

1. _____ is one of external factor which affects organizations compensation package and it is emphasized on how much other employers paid for comparable jobs within the area.
 - A. Labor market condition
 - B. Area wage rate
 - C. Cost of living
 - D. Collective bargaining
2. Among the following statements, which one is false?
 - A. An intrinsic rewards are tangible in its nature
 - B. Extrinsic rewards are intangible.
 - C. Salary is used to refer to the amount of money paid constantly irrespective of production output.
 - D. Wage is amount of payment based up on level of out put
 - E. “A” & “B”
 - F. “A” & “C”
3. Which one of the following is not among employee benefits and service?
 - A. Basic monthly salary
 - B. Payment for time not worked
 - C. Medical and safety benefits
 - D. Education and training benefits
 - E. None of the above
4. “Cafeteria benefits” are given that name because:
 - A. They refer to subsidized meals provided by employers. .
 - B. They are generally inferior to standard benefits.
 - C. They allow employees to choose their benefits rather than having a “fixed menu”.
 - D. They are available only for a limited period, and are cut off during the last few years before retirement age.
 - E. They give workers the entire responsibility for choosing benefits without any help or guidance from the employer.

5. A good compensation policy and package helps to;
- A. Give proper return to the workers for their contributions to the organization.
 - B. Minimizes the labour dissatisfaction & volunteer turnover.
 - C. Create harmonious industrial relation
 - D. All of the above
 - E. None of the above
6. _____ is used to describe the cash received in the form of base salary, overtime pay, bonuses, and sales commissions.
- A. An intrinsic reward
 - B. Direct compensation
 - C. All extrinsic rewards
 - D. Indirect compensation
7. All are none financial rewards except;
- A. Preferred office furniture
 - B. Preferred work assignment
 - C. Sales commission
 - D. Impressive title
 - E. None of the above

PRAT II:- Short answer

8. List & explain at least three external factors which affect compensation practice

9. What is the difference between wage & salary?

10. Define what we mean paid leave & list at least three paid leaves.

CHAPTER EIGHT

INDUSTRIAL RELATION

Learning objectives

At the end of the lesson you will be able to:

- ☞ Define industrial relation
- ☞ Explain the importance industrial relation
- ☞ Identify principles of good industrial relation
- ☞ Explain the meaning of trade union the reason why employees join trade union
- ☞ Elucidate the functions of trade union and the unionization process
- ☞ Define collective bargaining and classify bargaining issues
- ☞ Describe the process of collective bargaining
- ☞ Define the term grievance
- ☞ Rationalize methods of identifying and handling grievance
- ☞ Explain principles of grievance handling
- ☞ Define the term discipline and its objectives
- ☞ Understand causes of indiscipline in organization
- ☞ Explain approaches to discipline

8.1. Introduction

Industrial relations constitute one of the most delicate and complex problems of the modern industrial society. This phenomenon of a new complex industrial set-up is directly attributable to the emergence of ‘Industrial Revolution’. The pre-industrial revolution period was characterized by a simple process of manufacture, small scale investment, local markets and small number of persons employed. All this led to close proximity between the manager and the managed. Due to personal and direct relationship between the employer and the employee it was easier to secure cooperation of the latter. Any grievance or misunderstanding on the part of either party could be promptly removed. Also, there was no interference by the State in the economic activities of the

people. Under such a set-up industrial relations were simple, direct and personal. This situation underwent a marked change with the advent of industrial revolution – size of the business increased needing investment of enormous financial and human resources, there emerged a new class of professional managers causing divorce between ownership and management, and relations between the employer and the employee became estranged and gradually antagonistic. This new set-up rendered the old philosophy of industrial relation irrelevant and gave rise to complex, indirect, and impersonal industrial relations.

Today's labor is no more an unorganized mass of ignorant workers ready to obey without resentment or protest the arbitrary and discretionary dictates of management. The management has to deal with employees' today not as individuals but also as members of organized social groups who are very much conscious about their rights and have substantial bargaining strength. Hence, the objective of evolving and maintaining sound industrial relations is not only to find our ways and means to solve conflicts to resolve differences but also to secure the cooperation among the employees in the conduct of industry.

8.1.1. Definition

In the broad sense, industrial relations cover all such relationships that, a business enterprise maintains with various sections of the society such as workers, state, customers and public who come into its contact. In the narrow sense, it refers to all types of relationships between employer and employees, trade union and management, workers and union and between workers and workers. It also includes all sorts of relationships at both formal and informal levels in the organization.

The term 'industrial relations' is used in a general sense to describe the formal relationships between employers and trade unions or other collective groupings of employees, together with the institutional arrangements that arise from these relationships.

Industrial relation is a complex interrelation among managers, workers and agencies of the governments". According to Dale Yoder "industrial relations is the process of management dealing with one or more unions with a view to negotiate and subsequently administer collective bargaining agreement or labor contract".

Industrial relation is 'the study of all aspects of job regulation – the making and administering of the rules which regulate employment relationships – regardless of whether these are seen as being formal or informal, structured or unstructured'.

8.1.2. Importance of Industrial Relations

Maintenance of harmonious industrial relation is one vital importance for the survival and growth of enterprise. Good industrial relation results in increased efficiency and hence prosperity, reduced turnover and other tangible benefits to the organization. The significance of industrial relations can be summarized as below:

1. ***It establishes industrial democracy:*** Industrial relations means settling employees' problems through collective bargaining, mutual cooperation and mutual agreement amongst the parties i.e., management and employees' unions. This helps in establishing industrial democracy in the organization which motivates them to contribute their best to the growth and prosperity of the organization.
2. ***It contributes to economic growth and development:*** Good industrial relations lead to increased efficiency and hence higher productivity and income
3. ***It improves morale of the work force:*** Good industrial relations motivate one to contribute one's best, result in higher productivity and hence income, give more job satisfaction and help improve the morale of the workers.
4. ***It ensures optimum use of scarce resources:*** Good and harmonious industrial relations create a sense of belongingness and group-cohesiveness among workers, and also a congenial environment resulting in less industrial unrest, grievances and disputes. This will ensure optimum use of resources, both human and materials, eliminating all types of wastage.
5. ***It discourages unfair practices on the part of both management and unions:*** Industrial relations involve setting up a mechanism to solve problems confronted by management and employees through mutual agreement to which both these parties are bound. This results in banning of the unfair practices being used by employers or trade unions.
6. ***It prompts enactment of sound labor legislation:*** Industrial relations necessitate passing of certain labor laws to protect and promote the welfare of labor and safeguard interests of all the parties against unfair means or practices.
7. ***It facilitates change:*** Good industrial relations help in improvement of cooperation, team work, performance and productivity and hence in taking full advantages of modern

inventions, innovations and other scientific and technological advances. It helps the work force to adjust themselves to change easily and quickly.

8.1.3. Principle of Good Industrial Relations

- The willingness and ability of management and trade unions to deal with the problems freely, independently and with responsibility.
- Recognition of collective bargaining.
- Desirability of associations of workers and managements with the Government while formulating and implementing policies relating to general economic and social measures affecting industrial relations.
- Fair redressal of employee grievances by the management
- Providing satisfactory working conditions and payment of fair wage.
- Introducing a suitable system of employees' education and training.
- Developing proper communication system between management and employees.
- To ensure better working conditions, living conditions and reasonable wages.
- To develop employees to adapt themselves for technological, social and economic changes.
- To make positive contributions for the economic development of the country.

8.2. Trade unions

Trade unions have a crucial role to play in maintaining smooth industrial relations. It is true that the unions have to protect and safeguard the interests of the workers through collective bargaining. But at the same time they have equal responsibility to see that, the organization do not suffer on account of their direct actions such as strikes, even for trivial reasons. They must be able to understand and appreciate the problems of managements and must adopt a policy of 'give and take' while bargaining with the managements. Trade unions must understand that both management and workers depend on each other and any sort of problem on either side will do

harm to both sides. Besides public are also affected, particularly when the institutions involved are public utility organizations.

Trade union is a continuous association of wage-earners or salaried employees for maintaining the conditions of their working lives and ensuring them a better and healthier status in industry as well as in the society”

*A **union** is an organization of workers, acting collectively, seeking to promote and protect its mutual interests through collective bargaining.*

For many managers, HRM practices in a unionized organization consists various procedures and policies laid out in the labor contract. This labor contract, agreed to by both management and the labor union, stipulates, in part, the wage rate, hours of work, and terms and conditions of employment for those covered by the negotiated agreement. Decisions about how to select and compensate employees, employee benefits offered, procedures for overtime and so forth are no longer unilateral prerogatives of management for jobs that fall under the unions’ jurisdiction. Such decisions are generally made when the labor contract is negotiated.

8.2.1. Why Employees Join Unions

Individuals join unions for reasons as diverse as the people themselves. Just what are they seeking to gain when they join a union? The answer to this question varies perhaps it is a family history of union membership or an attractive union contract but the following captures the most common reasons.

Higher Wages and Benefits- The power and strength of numbers sometimes help unions obtain higher wages and benefit packages for their members than employees can negotiate individually. One or two employees walking off the job over a wage dispute is unlikely to significantly affect most businesses, but hundreds of workers going out on strike can temporarily disrupt or even close down a company. Additionally, professional bargainers employed by the union may negotiate more skillfully than any individual could on his or her own behalf.

✓ **Greater Job Security-** Unions provide their members with a sense of independence from management’s power to arbitrarily hire, promote, or fire. The collective-bargaining contract will stipulate rules that apply to all members, thus providing fairer and more uniform treatment.

✓ **Influence over Work Rules-** Where a union exists, workers can help determine the conditions under which they work and have an effective channel through which they can protest conditions

they believe are unfair. Therefore, a union not only represents the worker but also provides rules that define channels in which worker complaints and concerns can be registered. Grievance procedures and rights to third-party arbitration of disputes are examples of practices typically defined and regulated as a result of union efforts.

- ✓ Since the employee, as an individual, feels especially weak, he prefers to join an organization that may afford him an opportunity to join others for the achievement of those objectives that he considers as socially desirable.
- ✓ The employees may join the unions to ensure a just and fair dealing by management.
- ✓ Through collective strength, they restrain the management from taking any such action which may be irrational, illogical, discriminatory or contrary to their general interests.
- ✓ Another reason of employees joining some union may be the broader realization on their part that unions fulfill the important need for adequate machinery for proper maintenance of labor-management relations.
- ✓ The employees may join the unions because of their feeling that this would enable them to communicate their views, ideas, feelings and frustrations to the management effectively.

Dear learner have you ever been a member of trade union? What were the major functions of the union? _____

8.2.2. Functions of Trade Unions

- ✓ To safeguard workers against all sorts of exploitation by the employers, by union leaders and by political parties.

- ✓ To increase production quantitatively and qualitatively, by laying down the norms or production and ensuring their adequate observance.
- ✓ To help in the maintenance of discipline.
- ✓ To create opportunities for worker's participation in management and to strengthen labor-management cooperation.
- ✓ To exert pressure on the employer to enforce legislative provision beneficial to the workers, to share the profits equitably, and to keep away from various types of unfair labor practices.
- ✓ To facilitate communication with the management.
- ✓ To preserve and strengthen trade union democracy.
- ✓ To train members to assume leadership position.
- ✓ To improve the network of communication between trade union and its members.
- ✓ To create public opinion favorable to government's policies and plans, and to mobilize people's participation for their effective implementation.
- ✓ To create public opinion favorable to trade unions and thereby to raise their status.
- ✓ To render all sorts of constructive cooperation in the formulation and implementation of plans and policies relating to national development.
- ✓ To protect workers from the atrocities and unfair practices of the management.
- ✓ To ensure healthy, safe and conducive working conditions, and adequate conditions of work.
- ✓ To exert pressure for enhancement of rewards associated with the work only after making a realistic assessment of its practical implications.

- ✓ To ensure a desirable standard to living by providing various types of social service – health, housing, educational, recreational, cooperative, etc. and by widening and consolidating the social security measures.
- ✓ To stress the significance of settling disputes through negotiation, joint
- ✓ To make the workers conscious of their rights and duties.

8.2.3. The Unionization Process

The process of unionizing may begin in one of two primary ways: (1) a union targeting an industry or a company, or (2) employees requesting union representation. In the first case, the local or national union identifies a firm or an industry in which it believes unionization can succeed. The logic for targeting is that if the union succeeds in one firm or a portion of the industry, then many other workers in the industry will be more willing to consider unionizing. In the second case, the impetus for union organizing occurs when individual workers at an employer contact a union and express a desire to unionize. The employees themselves—or the union—may then begin to campaign to win support among the other employees. The unionization process involves the following steps:

Typical Unionization Process

1. **Organizing Campaign-** like other entities seeking members, a union usually mounts an organized campaign to persuade individuals to join. At this time, employers respond to unionization efforts by taking various types of opposing actions. Management representatives may use various tactics to defeat a unionization effort. Such tactics often begin when union publicity appears or during the distribution of authorization cards. Most of the time union prevention efforts that may be conducted by consultants or done by management and outside labor attorneys include: Holding mandatory employee meetings, distributing antiunion leaflets at work and mailing antiunion letters to employees' homes, providing and using antiunion videos, e-mails, and other electronic communications.
2. **Authorization Cards:** A union authorization card is signed by employees to designate a union as their collective bargaining agent. At least 30% of the employees in the targeted group must sign authorization cards before an election can be called. However, the fact that

an employee signs an authorization card does not necessarily mean that the employee is in favor of a union. It means only that the employee would like the opportunity to vote on having a union. Employees who do not want a union might sign authorization cards because they want management to know they are disgruntled or because they want to avoid upsetting coworkers who are advocating unionization.

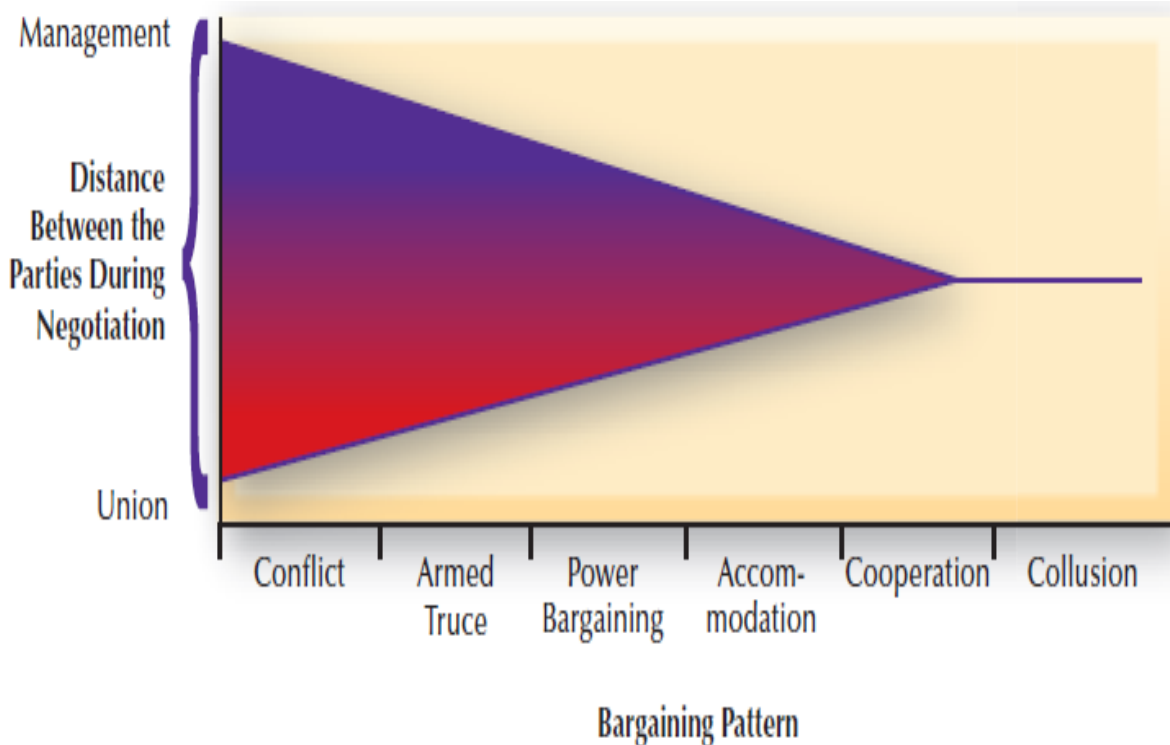
3. **Representation Election:** An election to determine if a union will represent the employees is must be organized and supervised by the concerned labor relation board for private-sector organizations and by other legal bodies for public-sector organizations. Before any election, the appropriate bargaining unit must be determined. A bargaining unit is composed of all employees eligible to select a single union to represent and bargain collectively for them. If an election is held, the union needs to receive only a majority of the votes. For example, if a group of 200 employees is the identified bargaining unit, and only 50 people vote, only 26 (50% of those voting plus 1) need to vote yes for the union to be named as the representative of all 200 employees. Typically, the smaller the number of employees in the bargaining unit, the higher the likelihood that the union will win.

4. **Certification and Decertification:** Official certification of a union as the legal representative for designated private-sector employees is given by the labor relation board or for public-sector employees by an equivalent body. Once certified, the union attempts to negotiate a contract with the employer. The employer *must* bargain; refusing to bargain with a certified union constitutes an unfair labor practice. When members no longer wish to be represented by the union, they can use the election process to sever the relationship between themselves and the union. Similar to the unionization process, decertification is a process whereby a union is removed as the representative of a group of employees. Employees attempting to oust a union must obtain decertification authorization cards signed by at least 30% of the employees in the bargaining unit before an election may be called. If a majority of those voting in the election want to remove the union, the decertification effort succeeds. Some reasons that employees might decide to vote out a union are that the treatment provided by employers has improved, the union has been unable to address the changing needs of the organizational workforce, or the image of the union has declined.

8.2.4. Collective Bargaining

Collective bargaining, the last step in unionization, is the process whereby representatives of management and workers negotiate over wages, hours, and other terms and conditions of employment. This give-and-take process between representatives of the two organizations attempts to establish conditions beneficial to both. It is also a relationship based on relative power. Management/union relations in collective bargaining can follow one of several patterns. The following figure depicts them as a continuum, ranging from conflict to collusion. On the left side of the continuum, management and the union see each other as enemies.

Continuum of Collective Bargaining Relations



On the right side, the two entities join together in collusion. Most positions fall between these two extremes. The power relationship in collective bargaining involves conflict, and the threat of conflict seems necessary to maintain the relationship. But perhaps the most significant aspect of collective bargaining is that it is a continuing relationship that does not end immediately after agreement is reached. Instead, it continues for the life of the labor agreement and beyond.

Therefore, the more cooperative management is, the less hostility and conflict with unionized employees will be present to carry over to the workplace. However, this cooperation does not mean that the employer agrees to all union demands.

8.2.5. Collective Bargaining Issues

Collective bargaining is a source of solving the problems of employees in the work situation collectively. It provides a good climate for discussing the problems of workers with their employers. The employees put their demands before the employers and the employers also give certain concession to them. Thus it ensures that the management cannot take unilateral decisions concerning the work ignoring the workers. It also helps the works to achieve reasonable wages, working conditions, working hours, fringe benefits etc. It provides them a collective strength to bargain with the employer. It also provides the employer some control over the employees.

A number of issues can be addressed during collective bargaining. Although not often listed as such in the contract, management rights and union security are two important issues subject to collective bargaining.

✓ **Management Rights:** Virtually all labor contracts include management rights, which are rights reserved so that the employer can manage, direct, and control its business. By including such a provision, management attempts to preserve its unilateral right to make changes in areas not identified in a labor contract. A typical provision might read as follows: The employer retains all rights to manage, direct, and control its business in all particulars, except as such rights are expressly and specifically modified by the terms of this or any subsequent agreement.

✓ **Union Security:** A major concern of union representatives when bargaining is the negotiation of union security provisions, which are contract clauses to help the union obtain and retain members. One type of union security clause in labor contracts is the no-layoff policy, or job security guarantee. Such a provision is especially important to many union workers because of all the mergers, downsizings, and job reductions taking place in many industrial, textiles, and manufacturing firms. However, for these very reasons, management is often unwilling to consider this type of provision. A common union security provision is the dues check off clause, which provides for the automatic deduction of union dues from the payroll checks of union members. The dues check off provision makes it much easier for the union to collect its funds, and without it, the union must collect dues by billing each member separately.

8.2.5.1. Classification of Bargaining Issues

The collective bargaining issues are divided into three. These categories are: mandatory, permissive, and illegal issues.

Mandatory Issues: Issues identified specifically by labor laws or court decisions as subject to bargaining are mandatory issues. If either party demands that issues in this category be subject to bargaining, then that must occur. Generally, mandatory issues relate to wages, benefits, nature of jobs, and other work related subjects. Mandatory subjects for bargaining include the following:

- ✓ Discharge of employees
- ✓ Grievances
- ✓ Work schedules
- ✓ Union security and dues check off
- ✓ Retirement and pension coverage
- ✓ Vacations and time off
- ✓ Rest and lunch break rules
- ✓ Safety rules
- ✓ Profit-sharing plans
- ✓ Required physical exam

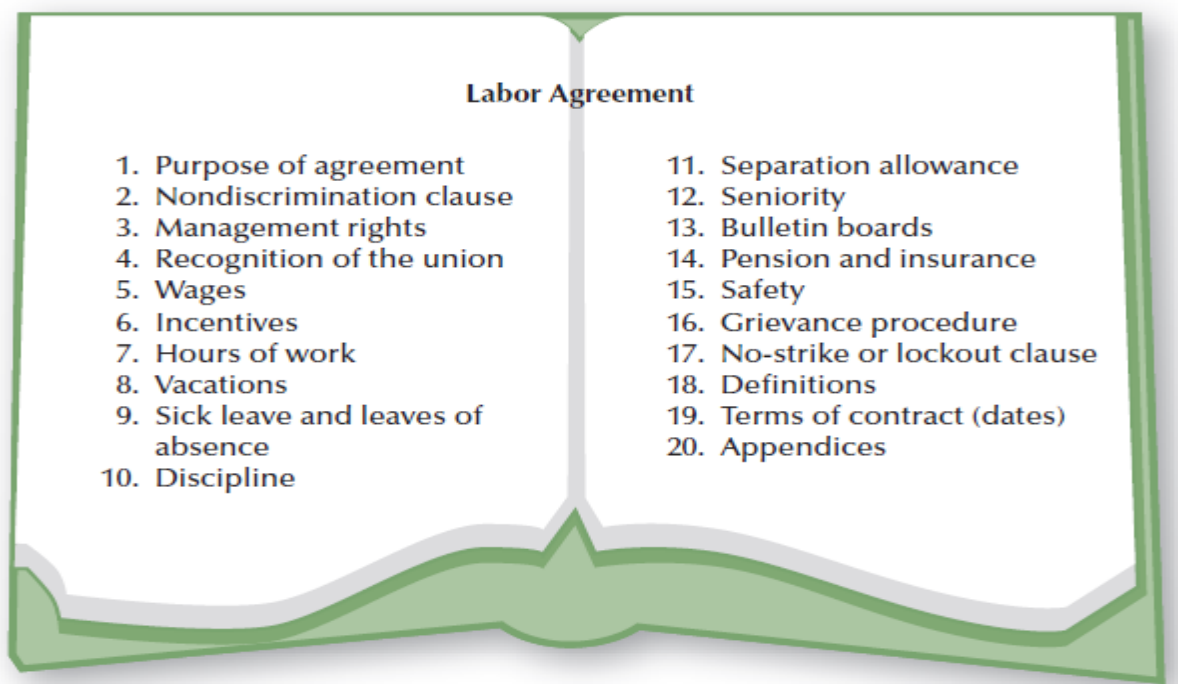
Permissive Issues: Issues that are not mandatory and that relate to certain jobs are permissive issues. For example, the following issues can be bargained over if both parties agree: benefits for retired employees, product prices for employees, and performance bonds.

Illegal Issues: A final category, illegal issues, includes those issues that would require either party to take illegal action. Examples would be giving preference to union members when hiring employees or demanding a closed-shop provision in the contract. If one side wants to bargain over an illegal issue, the other side can refuse.

8.2.6. Collective Bargaining Process

The collective bargaining process involved in negotiating a contract consists of a number of stages: preparation and initial demands, negotiations, settlement or impasse, and strikes and lockouts. Throughout the process, management and labor deal with the terms of their relationship.

- a) **Preparation and Initial Demands:** Both labor and management representatives spend considerable time preparing for negotiations. Employer and industry data concerning wages, benefits, working conditions, management and union rights, productivity, and absenteeism are gathered. If the organization argues that it cannot afford to pay what the union is asking, the employer's financial situation and accompanying data become relevant to the process. However, the union must request such information before the employer is obligated to provide it. Typical bargaining includes initial proposals of expectations by both sides.
- b) **Continuing Negotiations:** After taking initial positions, each side attempts to determine what the other side values highly so that the best bargain can be struck. Management must determine what the union has as a priority and decide exactly what to give up.
- c) **Settlement and Contract Agreement:** After reaching an initial agreement, the bargaining parties usually return to their respective constituencies to determine if the informal agreement is acceptable. A particularly crucial stage is ratification of the labor agreement, which occurs when union members vote to accept the terms of a negotiated labor agreement. Before ratification, the union negotiating team explains the agreement to the union members and presents it for a vote. If the members approve the agreement, it is then formalized into a contract. The following figure lists the typical items in a labor agreement.



d) **Bargaining Impasse:** Regardless of the structure of the bargaining process, labor and management do not always reach agreement on the issues. If they reach an impasse, then the disputes can be taken to conciliation, mediation, or arbitration.

e) **Strikes and Lockouts:** If a deadlock cannot be resolved, an employer may revert to a lockout—or a union may revert to a strike. During a strike, union members refuse to work in order to put pressure on an employer. Often, the striking union members picket or demonstrate against the employer outside the place of business by carrying placards and signs. The following types of strikes can occur:

- ✓ **Economic strikes:** happen when the parties fail to reach agreement during collective bargaining.
- ✓ **Unfair labor practices:** strikes occur when union members leave their jobs over what they feel are illegal employer actions, such as refusal to bargain.
- ✓ **Wildcat strikes:** occur during the life of the collective bargaining agreement without approval of union leadership and violate a no-strike clause in a labor contract. Strikers can be discharged or disciplined.
- ✓ **Jurisdictional strikes:** exist when members of one union walk out to force the employer to assign work to them instead of to members of another union.
- ✓ **Sympathy strikes:** take place when one union chooses to express support for another union involved in a dispute, even though the first union has no disagreement with the employer.

In a lockout, management shuts down company operations to prevent union members from working. This action may avert possible damage or sabotage to company facilities or injury to employees who continue to work. It also gives management leverage in negotiations.

8.3. Grievance Handling

A grievance is a sign of the employees' discontent with job and its nature. It is caused due to the difference between employee expectation and management practice.

Beach defines a grievance as, 'any dissatisfaction or feeling of injustice in connection with one's employment situation that is brought to the notice of the management.'

Grievance is ‘any discontent or dissatisfaction, whether exposed or not, whether valid or not, arising out of anything connected with the company which an employee thinks, believes or even feels to be unfair, unjust and inequitable’.

A grievance is a problem submitted by an employee or by a few employees of different types. It may be concerning a situation or may likely to affect the terms and conditions of employment of one worker or a few workers.

Grievances usually result in definite and considerable losses to employee morale, efficiency and productivity. The accumulation of grievance leads to strikes, lock outs and other forms of conflicts. Therefore, proper disposal of grievances deserves special and adequate consideration in any program of harmonizing industrial relations.

8.3.1. Methods of Identifying Grievances

Employee grievance may be observed in various areas like: Poor physical conditions of work place, lack of proper tools, machines and equipments, frequent changes in schedules or procedures, rigid production standards, lack of career planning and development, hostility towards labor union, defective leadership style, communication gap etc. Thus in order to deal with grievance effectively there must be a mechanism to identify grievance. The following methods can help the employer to identify the grievances:

1. **Directive observation:** Knowledge of human behavior is requisite quality of every good manager. From the changed behavior of employees, he should be able to sniff the causes of grievances. This he can do without its knowledge to the employee. This method will give general pattern of grievances. In addition to normal routine, periodic interviews with the employees, group meetings and collective bargaining are the specific occasions where direct observation can help in unfolding the grievances.
2. **Grip boxes:** The boxes (like suggestion boxes) are placed at easily accessible spots to most employees in the organization. The employees can file anonymous complaints about their dissatisfaction in these boxes. Due to anonymity, the fear of managerial action is avoided. Moreover management's interest is also limited to the free and fair views of employees.
3. **Open door policy:** This method will be more useful in absence of an effective grievance procedure; otherwise the organization will do well to have a grievance procedure. Open door

policy demands that the employees, even at the lowest rank, should have easy access to the chief executive to get his grievances redressed.

4. **Exit interview:** Higher employee turnover is a problem of every organization. Employees leave the organization either due to dissatisfaction or for better prospects. Exit interviews may be conducted to know the reasons for leaving the job. Properly conducted exit interviews can provide significant information about the strengths and weaknesses of the organization and can pave way for further improving the management policies for its labor force.

8.3.2. Principles for Grievance Handling

1. In handling grievances, a considerable amount of time must be spent in talking to employees; gathering data from them and passing on various types of information. Such talks to be most effective, should conform to definite patterns and adhere to well tested rules.
2. The manager must seek to develop an attitude towards employees that should be helpful in gaining their confidence. The management should also display a sincere interest in the problems of employees and help them to gain their confidence but also their utmost loyal by and genuine cooperation.
3. The procedure adopt by the management in handling the grievances must be apparent.
4. Grievances should be handled in terms of their total effect on the organization and not solely their immediate or individual effect.

8.3.3. Steps in Handling Grievances

It is important that grievance must be handled in a systematic manner. The following steps should be taken in handling grievances:

1. Defining, describing or expressing the nature of the grievances as clear as possible;
2. Gathering all facts that serve to explain when, how, where, to whom and why the grievance occurred;
3. Establishing tentative solutions or answers to the grievances;

4. Gathering additional information to check the validity of the solutions and thus ascertain the best possible solution;
5. Applying the solution, and
6. Following up the case to see that it has been handled satisfactorily and the trouble has been eliminated.

Dear learner how does your organization handle grievance? Please discuss its effectiveness._____

8.3.4. Importance of handling employee grievances/complaints

A grievance is like an infection. Unless it is dealt with quickly, and efficiently, it will fester and may spread quickly, causing unnecessary pain and suffering (lower productivity, reduced co-operator and commitment).

Employee grievances are an outward expression of worker dissatisfaction which, if not resolved, can result in unsatisfactory work behaviour which has adverse consequences for the organisation's competitive position. Unresolved dissatisfaction gives rise to:

- (a) Employee frustration
- (b) Deteriorating interpersonal relationships
- (c) Low morale
- (d) Poor performance seen in lower productivity and a poorer quality of output or service
- (e) Disciplinary problems including poor performance by employee, resignation and loss of good staff
- (f) Increased employee absenteeism.

If grievances are not addressed, they can adversely affect an organization and the quality of life of its employees. It is, therefore, essential to the continued prosperity and wellbeing of the company and its employees that employee complaints about management behaviour are

attended as quickly as possible and as neat to their source as can be. There is a clear business case for the effective professional management of employee grievances.

8.4. Employee discipline

Discipline may be defined as an attitude of mind which aims at inculcating restraint, orderly behavior and respect for and willing obedience to a recognized authority. In any industry discipline is a useful tool for developing, improving and stabilizing the personality of workers. Industrial discipline is essential for the smooth running of an organization, for increasing production and productivity, for the maintenance of industrial peace and for the prosperity of the industry and the nation. It is a process of bringing multifarious advantages to the organization and its employees.

According to Webster's Dictionary there are three meanings to the word "discipline". First, it is the training that corrects moulds, strengthens or perfects individual behavior; second, it is control gained by enforcing obedience; and third, it is punishment or chastisement.

According to Dr. Spiegel, "discipline is the force that prompts an individual or a group to observe the rules, regulations and procedures which are deemed to be necessary to the attainment of an objective; it is force or fear of force which restrains an individual or a group from doing things which are deemed to be destructive of group objectives.

Discipline is a product of culture and environment and a basic part of the management of employee attitudes and behavior. It is a determinative and positive willingness which prompts individuals and groups to carry out the instructions issued by management, and abide by the rules of conduct and standards or work which have been established to ensure the successful attainment of organizational objectives. It is also a punitive or a big stick approach which imposes a penalty or punishment in case of disciplinary violations.

8.4.1. Objectives of discipline

The main aims and objectives of discipline are:

- To obtain a willing acceptance of the rules, regulations and procedures of an organization so that organizational objectives can be attained;
- To develop among the employees a spirit of tolerance and a desire to make adjustments;
- To give and seek direction and responsibility;

- To create an atmosphere of respect for human personality and human relations;
- To increase the working efficiency morale of the employees; and
- To impart an element of certainty despite several differences in informal behavior patterns and other related changes in an organization.

8.4.2. Indiscipline

The term ‘indiscipline’ generally means the violation of formal or informal rules and regulations in an organization. Indiscipline, if unchecked, will affect the morale of the organization. Hence indiscipline is to be checked by appropriate positive means to maintain industrial peace.

8.4.2.1. Causes for indiscipline in organizations

It is more complex and difficult to identify the causes of indiscipline. The policies and procedures of organizations, the attitude of the management towards workers, the attitude of workers, individual behaviors etc. are the causes for indiscipline. The important causes for indiscipline are:

- Ineffective leadership to control, coordinate and motivate workers.
- Low wages and poor working conditions.
- Lack of timely redressal or workers’ grievances.
- Lack or defective grievance procedure.
- Character of the workers such as gambling, drinking, violent nature etc.
- Political influence.

8.4.3. Approaches to Discipline

The disciplinary system can be viewed as an application of behavior modification to a problem or unproductive employee. The best discipline is clearly self-discipline. Most people can be counted on to do their jobs effectively when they understand what is required at work. But for some people, the prospect of external discipline helps their self-discipline. One approach is positive discipline.

Positive Discipline Approach: The positive discipline approach builds on the philosophy that violations are actions that usually can be corrected constructively without penalty. In this approach, managers focus on using fact finding and guidance to encourage desirable behaviors, rather than using penalties to discourage undesirable behaviors. The hope is that employee performance will improve and future disciplinary actions will not be needed.

The four steps to positive discipline are as follows:

- **Counseling:** The goal of this phase is to heighten employee awareness of organizational policies and rules. Often, people simply need to be made aware of rules, and knowledge of possible disciplinary actions may prevent violations.
- **Written documentation:** If an employee fails to correct behavior, then a second conference becomes necessary. Whereas the first stage took place as a conversation between supervisor and the employee, this stage is documented in written form, and written solutions are identified to prevent further problems from occurring.
- **Final warning:** If the employee does not follow the written solutions noted in the second step, a final warning conference is held. In that conference, the supervisor emphasizes to the employee the importance of correcting the inappropriate actions. Some firms require the employee to take a day off with pay to develop a specific written action plan to remedy the problem behaviors. The decision day off emphasizes the seriousness of the problem and the manager's determination to see that the behavior is changed.
- **Discharge:** If the employee fails to follow the action plan that was developed, and further problems exist, then the supervisor can discharge the employee.

Progressive Discipline Approach: Progressive discipline incorporates steps that become progressively more stringent and are designed to change the employee's inappropriate behavior. The following figure shows a typical progressive discipline process; most progressive discipline procedures use verbal and written reprimands and suspension before resorting to dismissal.

Although it appears to be similar to positive discipline, progressive discipline is more administrative and process oriented. Following the progressive sequence ensures that both the nature and the seriousness of the problem are clearly communicated to the employee. Not all steps in progressive discipline are followed in every case. Certain serious offenses are exempted

from the progressive procedure and may result in immediate termination. Typical offenses leading to immediate termination include intoxication at work, alcohol or drug use at work, fighting, and theft. However, if a firm has a progressive discipline policy, it should be followed in every case in which immediate termination is not appropriate.

Progressive Discipline Process

First Offense

Verbal Caution

Second Offense

Written Reprimand

Third Offense

Suspension

Fourth Offense

Discharge

The final disciplinary step

The final stage in the disciplinary process may be called discharge, firing, dismissal, or termination, among other terms. Regardless of the word used, discharge is when an employee is removed from a job at an employer. Both the positive and the progressive approaches to discipline clearly provide employees with warnings about the seriousness of their performance problems before dismissal occurs.

8.4.4. Principle of Effective Discipline

Disciplinary actions have serious repercussions on the employees and on the industry, and, therefore, must be based on certain principles in order to be fair, just and acceptable to be the employee and their unions. Therefore, in any discipline maintenance system, certain principles are to be observed such as:

1. The rules of discipline, as far as possible, should be framed in cooperation and collaboration with the representatives of employees for their easy implementation. Employees in a group should be associated in the process of discipline enforcement. The group as a whole can control an individual works much more effectively than the management can through a process of remote control or by imposing occasional penalties. Informal groups are likely to exert social pressures on wrong-doers avoiding the need for negative disciplinary actions.
2. The rules and regulations should be appraised at frequent and regular intervals to ensure that they are appropriate, sensible and useful.
3. The rules and regulations should be flexible to suit different categories of employees in the organization, i.e., both the blue-collar workers and white-collar employees.
4. The rules must be uniformly enforced for their proper acceptance. They must be applied fairly and impersonally. In other words, all defaulters should be treated alike, depending upon the nature of their offence and past record. Any discrimination or favoritism in this regard is likely to create discontent among the employees. Further, there should be a definite and precise provision for appeal and review of all disciplinary actions.
5. The rules of discipline embodied in the standing orders, or in the company's manual, must be properly and carefully communicated to every employee preferably at the time of induction for their easy acceptance. It serves as a warning and a learning process and helps to improve future behaviors of the employees in the enterprise.
6. Every kind of disciplinary penalty, even if it is a rebuke or a warning, should be recorded.
7. The responsibility for maintaining employee discipline should be entrusted to a responsible person

8. Disciplinary actions should be taken in private because its main objectives is to ensure that a wrong behavior is corrected and not that the wrong doer is punished. If disciplinary actions are taken in the presence of other employees, it may offend the sense of dignity of the employee and impair his social standing with his colleagues. Similarly, an immediate supervisor should never be disciplined in the presence of his subordinates. If this happens, it would lower his status and authority, and make it difficult, if not impossible, for him to discipline his subordinates under certain circumstances.

9. Punitive actions must satisfy the principle of natural justice. The management must act without bias and without vindictiveness, and its disciplinary actions must be based on justice and fair play. The punishment should be commensurate with the gravity of the offence. An individual is presumed to be innocent until he is proved to be guilty. The burden of proof is on the employer and not on the employee.

Dear learner how does you organization handle disciplinary issues. Evaluate the practices of your organization in light of the approaches to discipline discussed in this chapter._____

Chapter summary

Industrial relation refers to all types of relationships between employer and employees, trade union and management, workers and union and between workers and workers. The significance of industrial relations are: It establishes industrial democracy, contributes to, economic growth and development, improves morale of the work force, ensures optimum use of scarce resources, discourages unfair practices on the part of both management and unions, It facilitates change and prompts enactment of sound labor legislation.

Trade union is a continuous association of wage-earners or salaried employees for maintaining the conditions of their working lives and ensuring them a better and healthier status in industry as well as in the society. The functions of trade unions among others include: safeguarding workers against all sorts of exploitation, help in maintaining discipline, create opportunities for worker's participation in management, exert pressure on the employer to enforce legislative provision, ensure healthy, safe and conducive working conditions, facilitate communication with the management etc. Unionization Process involves, organizing campaign, certification and decertification, representation election, authorization cards.

Collective bargaining is a source of solving the problems of employees in the work situation collectively. It provides a good climate for discussing the problems of workers with their employers. Management rights and union security are the two important issues subject to collective bargaining. The collective bargaining issues are divided into: mandatory issues, permissive issues, and illegal issues. The collective bargaining process involved in negotiating a contract consists of a number of stages: preparation and initial demands, negotiations, settlement or impasse, and strikes and lockouts.

Grievance is 'any dissatisfaction or feeling of injustice in connection with one's employment situation that is brought to the notice of the management.

Discipline is a determinative and positive willingness which prompts individuals and groups to carry out the instructions issued by management, and abide by the rules of conduct and standards or work which have been established to ensure the successful attainment of organizational objectives.

 Self-check Questions 8

Part I: Choose the best answer

1. Which one of the following union security issue is concerned with deduction of union dues directly from the payroll of the union members?
 - A. Dues check off provision
 - B. Job security guarantee
 - C. No layoff policy
 - D. None
2. All are the concern of industrial relation **except**
 - A. The relation between employees and trade union
 - B. The relation among workers
 - C. The relation between union and management
 - D. The relation between the organization and other government agencies
 - E. None of the above
3. Which one of the following is among the reasons for joining trade unions
 - A. Employees believe that they can secure more reward through unionization than negotiating individually
 - B. Employees believe that joining trade union can help them to achieve socially desirable objectives
 - C. Joining trade union helps to restrain discriminatory action
 - D. All of the above
4. One of the following is not a union prevention mechanism used by management.
 - A. Holding mandatory employee meetings
 - B. Distributing antiunion leaflets at work
 - C. Mailing antiunion letters to employees
 - D. None of the above
5. Which one of the following is not mandatory issues of bargaining
 - A. Safety rules
 - B. Giving preference to union members when hiring
 - C. Grievances
 - D. Work schedules
 - E. None

6. Build on assumption that violations are actions that can be corrected constructively without penalty
- A. Progressive discipline
 - B. Indiscipline
 - C. Positive discipline
 - D. None

Part II: Answer the following question

7. Differentiate the type of strike. _____

8. Explain methods of identifying grievance. _____

_____.
9. Discuss process of progressive discipline. _____

_____.

CHAPTER NINE

PROMOTION, TRANSFER AND SEPARATION

Learning objectives

Dear learner at the end of this chapter, you will be able to:

- ☞ Define the term promotion, demotion, transfer and separation
- ☞ Identify the types and basis of promotion
- ☞ Explain conditions for demotion
- ☞ Differentiate types of transfer
- ☞ Elucidate policies of transfer
- ☞ Discuss types of separation

9.1. PROMOTION

The movement of personnel within an organization can be termed as promotion, transfer, demotion and separation. These collectively form a major aspect of human resource management. The actual decisions about whom to promote and whom to fire can also be among the most difficult and the most crucial that a manager has to make.

9.1.1. Definition of promotion

According to Scott and Clothier, “A promotion is the transfer of an employee to a job which pays more money or one that carries some preferred status.”

According to Prof Mamoria, “Promotion is a term which covers a change and calls for greater responsibilities, and usually involves higher pay and better terms and conditions of service and, therefore, a higher status or rank.”

According to Arun Monappa and Saiyadain, “Promotion is the upward reassignment of an individual in an organization’s hierarchy, accompanied by increased responsibilities, enhanced status, and usually with increased income, though not always so.

From the above definitions, we can say that promotion usually implies several things to the person concerned—higher status, both at work and in the community outside, more pay and fringe benefits, perhaps greater job security and a more senior position from which a person renders better service to his organization. Employees expect to be informed about ladders of

promotion, how they can prepare themselves for advancement and what will be expected of them from the higher rated jobs.

9.1.2. Types of promotion

A promotion involves an increase in status, responsibilities and pay. But in certain cases only the pay increases and the other elements remain stagnant. In other cases, the status only increases without a corresponding increase in pay or responsibilities. Depending on which elements increase and which remain stagnant, promotions may be classified into the following types.

1. Horizontal Promotion

This type of promotion involves an increase in responsibilities and pay, and a change in designation. But the employee concerned does not transgress (go beyond the limit) the job classification. For e.g. lower division clerk will be promoted to upper division clerk. In this case there is no change in the nature of the job.

2. Vertical Promotion

In vertical promotion, an employee crosses his/her job classification. This increases the person's responsibility and status. For example, a superintendent becomes departmental manager.

3. Dry Promotion

Dry promotion is a promotion as a result of which there is no increase in the employee's pay. Dry promotions are those which are given in lieu of increases in compensation. It is usually made decorative by giving a new and longer title to the employee.

9.1.3. Basis of Promotion

Different promotion systems are used in different organizations. Of them the following are considered the most important:

Promotion Based on Seniority- Seniority based promotion systems are based on the length of service of an employee in an organization. Seniority systems put a premium on length of service and job experience. In the case of promotion based on seniority, the employees are promoted to

higher positions purely based on their length of service irrespective of their qualifications, experience, performance and track record. Trade unions prefer seniority as a basis of promotion because by-offs, recalls and discharges are usually based on seniority.

Arguments for Promotion by Seniority

- ✓ All employees are assured of promotion which will come automatically when it is due.
- ✓ Seniority is a factor which can be measured quantitatively; it is easily explained and understood and therefore, escapes charges of favoritism and discrimination.
- ✓ The management will have a known man. This reduces the risk associated with bringing an unknown person from outside.
- ✓ Seniority as a criterion for promotion makes its impact on reduction in employee turnover.
- ✓ Seniority is considered to contribute to the employees' ability on the assumption that the longer a person does a job, the more he learns about it.
- ✓ Promotion by seniority satisfies the personal aspirations of the employees. This results in better morale of the employees.

Arguments against Promotion by Seniority

- ✓ If the seniority principle is adopted, capable young men are likely to become impatient and will look for better prospects elsewhere.
- ✓ The internal sources may be inadequate to meet the growing requirements of the organizations.
- ✓ If the worth of an employee is not appreciated and given due recognition, it results in frustration and low morale of the employees.
- ✓ Promotions by seniority leads to capable young men looking for better prospects elsewhere. Consequently, the organization comes to be run by second-grade people, who have stayed because they do not have sufficient caliber to move elsewhere.
- ✓ With the fast changing world of technology it is necessary to infuse new blood into the organization. This is denied when the policy of promotion is by seniority.

Promotion Based on Merit

Under promotion based on merit, employees are promoted to higher positions purely on their performance and work record. Here, the management will look into the qualifications, experience, previous work record, performance capability etc. The service seniority of the

employee would not be considered for promotion. In principle, it is felt that promotion should be based on merit. However, the use of merit as a basis for promotion can cause problems because what management regards as merit, trade unions may see as favoritism. Therefore, as far as possible, merit rating should be based on operating facts. Promotion by merit method is normally followed in majority of commercial and industrial enterprises where the main consideration for assessment is efficiency and work performance.

Arguments for Promotion by Merit

- ✓ Promotion by merit brings rewards for meritorious work. This encourages an employee to work hard and advance in the organization.
- ✓ Promotion by merit enhances organizational efficiency and maximizes utilization of talent.
- ✓ Promotion by merit acts as a motivator. This leads to increased productivity.

Arguments against Promotion by Merit

- ✓ When management adopts merit as a basis for promotion, it must evolve controls to recognize merit objectively which will refute the allegations of favoritism. This is very difficult to achieve.
- ✓ Trade unions regard merit as favoritism. They distrust the sincerity of management when it claims the right to promote solely on merit.
- ✓ Efficiency in the present job does not necessarily predict ability to do well in a job with greater responsibility.
- ✓ The devices used for judging ability such as performance appraisal ratings and confidential reports are not above subjectivity. It is this problem of bias in judging merit that makes employees oppose merit as a base for promotion.

Merit cum Seniority Promotion

Promotion based on “Merit cum Seniority” would have a blend of the advantages of both the systems discussed above. Both the service seniority and work efficiency will be taken into account in promoting an employee. These two possibly conflicting factors – seniority and merit - frequently pose problems in considering employees for promotion. From the point of view of organizational efficiency, merit seems to be the logical basis of promotion and therefore, management would like it to be the only factor. Trade unions want seniority to be considered as the basis for promotion since it is an objective and impartial method of judging employees for

promotion. A sound management will pursue a policy of properly balancing these two factors i.e., seniority and merit. An employee who has service seniority with the desired level of merit and efficiency would be given priority in promotion to the next cadre as compared to others having only one of them. Merit cum seniority method has been considered as the best method of promotion as it gives due weightage to the skill efficiency and better service record of the employee.

Promotion by Selection

Promotion by selection is a process through which employees are promoted after undergoing rigorous test and screening. The service records of all the employees due for promotion are screened and scrutinized by a committee appointed for that purpose. The Committee will scrutinize the past records, merit, qualification and experience of the employees due for promotion to a cadre. Under this system employees with service seniority or better qualifications and experience need not be promoted automatically. The employees are put to various tests and interviews before a final selection is made and some employees are promoted.

Time Bound Promotion Scheme

Under this method, employees would be promoted according to standards of time set for promotions to higher cadre subject to the condition that they possess the minimum qualifications required for entry into a higher position. Neither seniority nor merit will be considered here. The employees may have to pass some departmental examinations or tests for being considered for such a promotion.

Temporary Promotion Scheme

Also known as officiating promotion scheme, under the temporary promotion scheme, officials are promoted temporarily to higher positions in case there are vacancies and if they are due for promotion. Such temporary promotion is no guarantee for a permanent promotion, though normally temporary promotions are automatically made permanent if the service of the employee during the officiating period is satisfactory. It is like keeping the employee under some sort of probation at the higher position before he is confirmed.

9.1.4. Promotion Policy

Whatever may be the type of promotion followed by the management, there should be a definite promotion policy which should be effective and protect the interests of the employees due for promotion. A concrete, comprehensive and realistic promotion policy should be evolved covering the following points:

Promotion Policy Statement

A corporate policy on promotion helps to state formally the organization's broad objectives, and to formulate both the organization's manpower and individual career plans.

Ratio of Internal Promotion Vs External Recruitment

A promotion policy statement must state the ratio of internal promotions to external recruitment at each level. Such a statement will help manpower planners to project numbers of internally available candidates for vacancies.

Decide the Basis for Promotion

A promotion policy statement must decide the basis on which promotions are to be given. Usually promotions are decided on the basis of performance appraisals.

Decide the Routes for Promotion

We have to identify the network of related jobs. Such an exercise will help in succession planning and also help aspirants to acquire the necessary formal qualifications or on-the-job training. This process would help in identifying promotion channels. Once it is finalized, it should be made known to the employees concerned.

Communicate the Promotion Policy

The organization should communicate its promotion policy to its employees. Such an exercise will help aspirants to acquire the necessary formal qualifications, encourage them to attend suitable external development programmes' etc.

Determination of Seniority

A ticklish area in the formation of a promotional policy is the determination of an employee's seniority. Should the seniority be plant-wise, unit-wise or occupation-wise? Generally, seniority is unit wise.

Advantages of a Promotion Policy-The following are the benefits of a good promotional policy:

- ✓ A good promotion policy provides an incentive to work more effectively as it recognizes an employee who comes out with better work. It must however tell employees in advance what avenues exist for advancement.
- ✓ It develops employee loyalty by rewarding him and placing him in a higher position in the organization for his efficiency.
- ✓ It facilitates and increases job satisfaction.
- ✓ It increases work effectiveness in the organization.
- ✓ It also attracts efficient employees to the organization.
- ✓ It increases employee interest in training and self-development.
- ✓ A promotion policy makes employees believe that their turn too will come and so they remain with the company. This reduces labor turnover.

9.2. DEMOTION

Demotion is a process by which the employee is downgraded and sent to a lower position from the one he is holding at present. When an employee is moved to a job with less responsibility, status or compensation he is said to be demoted. Demotion is the reverse of promotion. It is more a punishment for inefficiency or incompetence. According to D.S Beach, Demotion is “the assignment of an individual to a job of lower rank and pay usually involving lower level of difficulty and responsibility”. According to Arun Monappa and Saiyadain Demotion “is a downward assignment in the organization's hierarchy to a lower level job which has less responsibility, pay and status. Because of this hierarchical repositioning it has a negative connotation and may lead to employee dissatisfaction”. Demotions, being a serious penalty, must be handled tactfully. The usefulness of demotion as a punitive measure is questioned on many grounds. A demoted employee will be disgruntled and his dissatisfaction may spread to co-workers which will adversely affect morale, productivity and discipline of the workforce.

Causes of Demotion

- ✓ Demotion may be used as a disciplinary weapon.
- ✓ Demotion may be resorted to when employees, because of ill health or personal reasons, cannot do their job properly.
- ✓ If a company curtails some of its activities, employees are often required to accept lower-level position until normally is restored.
- ✓ If an employee finds it difficult to meet job requirement standards, following his promotion he may be reverted to his old position.

Conditions for Demotion

- ✓ Demotions serve a useful purpose in the sense that they keep the employees alert and alive to their responsibilities and duties. Demotion will serve its purpose if it satisfies the following conditions:
- ✓ Violations of rules and regulations of the organization would subject an employee to demotion. Here it should be noted that serious violations of rules and regulations would only warrant such a drastic action. Demotion should never be made as penalty for violation of the rules of conduct, poor attendance record or insubordination.
- ✓ There should be a proper and detailed investigation of any alleged violation of rules and regulation.
- ✓ If any violations occur, there should be a consistent and equitable application of the penalty. A hasty decision should be avoided.
- ✓ There must be a provision for review.
- ✓ Demotions have a serious impact on the employees. Therefore, demotions are made infrequently.

9.3. TRANSFER

A transfer is a change in job assignment. It does not involve a change in responsibility and status. A movement of an employee between equivalent positions at periodical intervals is called “transfer”. A transfer therefore does not involve a change of responsibility or compensation. Transfers are normally made to place employees in positions where they are likely to be more effective or where they are likely to get greater job satisfaction. Transfers may be either organization-initiated or employee initiated. An organization may initiate a transfer to place employees in positions where they are likely to be more effective or where they are better

able to meet work schedules of the organization. Employee initiated transfers also known as “personnel transfers” may be initiated for several reasons. These could range from wanting a change of boss or a change of location or to avoid interpersonal conflicts with their present colleagues or to join their friends and relatives. Yoder has defined transfer as “a lateral shift causing movement of individuals from one position to another usually without involving any marked change in duties, responsibilities, skills needed or compensation.” According to Arun Monappa and Mirza Saiyadain, transfer “is a change in assignment in which the employee moves to another job at approximately the same level of responsibility, demanding about the same skill and at about the same level of pay.” According to R.S. Davar, transfer is “a lateral movement of an employee, not involving promotion or demotion. A transfer therefore does not involve a material change in responsibility or compensation. A transfer may be either temporary or permanent, depending upon the need, and may occur within a department, between departments and divisions, or between plants within a company.

A transfer may require an employee to change his work group, work place or organizational unit. It should be the aim of any company to change positions of employees as soon as the capacities increase and vacancies warrant.

9.3.1. **Types transfer**

There are different types of transfers depending on the purpose for which the transfers are made. Judging from the view-point of purpose, there are nine types of transfers.

General transfer

General transfers are normally affected during a particular period of the year wherein all employees having completed a given period of service in a post or at a place are involved. Definite rules and regulations are to be followed in affecting such transfers. Such transfers are followed in big organizations, quasi-governmental organizations and government departments.

Production transfer

Production transfers are normally made from one department to another where the need for the employee is more. This type of transfer is made to avoid lay-off of efficient and trained employees by providing them with alternative positions in the same organization. These changes help to stabilize employment in an organization and therefore require centralized control. Although it is called production transfer, similar situations can exist in

nonmanufacturing enterprises or divisions too where an employee is transferred from one department to another for similar reasons.

Replacement transfer

These are transfers of long-service employees to similar jobs in other departments where they replace or 'bump' employees with shorter service. Replacement transfers are affected to replace persons leaving the organization, due to resignations, retirements, dismissal or death. Quite often such transfers are affected to change a new employee who has proved to be ineffective in the organization. Even though the objective of these transfers is to retain the efficient and trained employees in this process some short-service employees may lose their jobs.

Shift transfer

Shift transfers are transfers of workers from one shift to another on the same type of work. Workers generally dislike second or third shift as it affects their participation in community life. To minimize this, shift transfers are effected. Shift transfers also help workers to be out of routine fatigue.

Remedial transfer

Remedial transfers are transfers made to remedy some situation primarily concerned with employee on the job. Remedial transfers provide management with a procedure whereby an unsatisfactory placement can be corrected. Initial placement might be faulty or the type of job might not suit his health in such cases the worker would benefit by transfer to a different kind of work.

Versatility transfer

The objective of these transfers is to increase the versatility of the employee by shifting him from one job to another. In this way, the employee is provided a varied and broad job experience. This transfer is like a rotation transfers. Versatility transfers, besides resulting in greater satisfaction of the workers through job enlargement, also creates a work force which can be conveniently shifted to other jobs in time of necessity.

Punishment or Penal

This transfer is made as punishments to erring employees. Quite often the employees are transferred from one place to another so that they are made to work in a situation of risks and hazards. Employees are posted to such places as a matter of punishment for the errors and omissions they have committed. Sometimes, transfer is used as a concealed penalty. A trouble-maker may be transferred to a remote branch where he cannot continue his activities.

Request Transfers

This type of transfer is done on the request of the employee. It is normally done on humanitarian grounds to help the employee to look after his family and personal problems.

Mutual Transfers

When transfers turn out to be mutual between two employees they are referred to as mutual transfers. Usually the organization concedes to request of employees for transfer if another employee is willing to go to the other place.

9.3.2. Transfer Policy

It is clear that transfers are made for a number of reasons and are initiated by either the supervisor or the subordinate. If transfers are left entirely to the discretion of supervisors or employees, a number of problems are likely to occur such as favoritisms or victimization. To avoid these problems it is necessary that every organization evolve its transfer policy. Every organization should have a just and impartial transfer policy which should be known to each employee. It is, therefore, important that the company should formulate a policy to govern the administration of all types of employee transfers, rather than decide each case solely on the characteristics of that case. The absence of a well-formulated transfer policy will breed a state of uncertainty amongst the employees. For a successful transfer policy, proper job description and job analysis should be done. Further, care should be taken to ensure that frequent or large-scale transfers are avoided by laying down adequate procedures for the purpose. A systematic transfer policy should provide for the following:

- ✓ A transfer policy should clarify the types and circumstances under which transfers will be used. The organization should specifically clarify the types of transfers and the conditions under which these will be made.
- ✓ The transfer policy must locate the authority that may initiate and implement the transfer. In other words, it should indicate who would be responsible for initiating and approving the transfers.
- ✓ A transfer policy should indicate whether the transfer could be made only within a sub-unit or also between departments, divisions and plants.
- ✓ The transferability of both jobs and individuals needs should be examined in terms of job descriptions, streams of specialization and individual background and training.
- ✓ A transfer policy should indicate the basis for transfer. Should it be on the basis of seniority or skill and competence?
- ✓ A transfer policy should prescribe whether, when an employee is transferred, his previous seniority credit will be retained.
- ✓ The transfer policy should indicate to the transferee the pay scales, the exact wages and perquisites that he would receive in the transferred job. If there is any difference, it should be specified.
- ✓ A transfer policy should provide for timely communication of the transfer decision.
- ✓ A transfer should be in writing and duly communicated to all concerned.
- ✓ Transfers should not be made frequently.

Industrial practices vary and each organization must formulate its own policy and rules in connection with transfers. In making transfers, it is advisable for the organization to pay to the employee the actual cost of moving the household to the place of transfer. A transfer policy will help effective employee redeployment and protect employees from arbitrary transfers.

9.4. SEPARATION

Separation means cessation of service of agreement with the organization. Separation can be the result of: Resignation, Discharge, Dismissal, Retrenchment, Lay-off, Golden handshake, Retirement.

a. Resignation

A resignation is a voluntary separation. When a termination is initiated by the employee himself, it is termed a resignation. Resignations may be put in voluntarily by the employees on grounds of marriage especially in case of young girls, health, physical disability, better opportunities elsewhere, or maladjustment with company policy and affairs. The personnel department should investigate the real reasons behind such resignations. A study of exit interviews over a period of time may disclose a fiscal pattern suggesting improvements in the personnel management functions.

b. Discharge

A discharge involves permanent separation of an employee from the organization because of poor performance, violation of rules or poor code of conduct. A discharge becomes necessary when:

- ✓ The business volume is reduced thereby reducing the employment opportunities in the organization,
- ✓ The employee fails to work according to the requirements of the job, or the employee forfeits his right to a job.
- ✓ Discharges are generally made in accordance with the standing orders. The action taken should be bonafide and not a punitive measure or a case of victimization.

c. Dismissal

When the termination is initiated by the organization, it is termed as dismissal. A dismissal is the termination of the services of an employee by way of punishment for some misconduct, or for prolonged absence from duty. A dismissal is a drastic step. Therefore, it must be supported with a just and sufficient cause. It is generally done as a last resort after all attempts at reconciliation have failed. Before an employee's services are terminated, he should be given an opportunity to explain his conduct and show cause why he should not be dismissed. The principle of natural justice should be followed to ensure that the punishment is in proportion to the offence. As a safeguard, responsibility for dismissal should not rest on the immediate supervisor. The approval of the next higher authority should generally be taken and the personnel manager should be consulted. Dismissals can be on the ground of unsatisfactory performance, misconduct, or want of qualifications for the job, or excessive absenteeism.

d. Retrenchment

Retrenchment is termination of service due to redundancy. It is a permanent termination of the services of an employee for economic reasons in a going concern. The term retrenchment is applied to continuing operations where a part of the workforce is found to be superfluous. Retrenchment has many un stabilized effects. It influences the attitudes and contributions of other employees who become disturbed by rumors, gossips, resentment and a sense of insecurity about their own fate. The principle in the procedure of retrenchment is that the last person employed in each category must be the first person to be retrenched. For this purpose, the employer prepares a list of all the workers in the category where retrenchment is contemplated, arranged according to the seniority of service of the employees in that category. When vacancies arise after retrenchment, the organization gives an opportunity to the retrenched workers to offer themselves for re-employment; and they are given preference.

e. Layoff

A lay off refers to an indefinite separation of the employee from the pay roll due to factors beyond the control of the employer. The employee is expected to be called back in the foreseeable future. The laid-off employee is not a discharged employee and is still carried on the roll as an employee. Layoff is resorted to by the employer for factors beyond his control. Such factors could be:

- ✓ Fluctuations in the market resulting in loss of sales
- ✓ Shortage of raw materials or power
- ✓ Accumulation of stock
- ✓ Breakdown of machinery
- ✓ Production delays

f. Golden Handshake

It is a method of retrenchment wherein the employees with a certain minimum service can opt for voluntary retirement and get a fat lump sum in return. Golden handshake is usually offered by the Government to reduce the size of the bureaucracy and close down chronically loss-making public sector enterprises.

g. Retirement

For those employees who retire, it is a significant milestone. Regardless of the age at which retirement occurs, workers may need preparation through counseling. They should be informed about pension choices and insurance benefits after retirement. Employees at retiring age often feel they could continue to work effectively and there is a strong resistance from many to give up employment. For an organization, in times of staff shortage, retired employees are of great help.

Chapter summary

The movement of personnel within an organization can be termed as promotion, transfer, demotion and separation. “Promotion is the upward reassignment of an individual in an organization’s hierarchy, accompanied by increased responsibilities, enhanced status, and usually with increased income.

Depending on which elements increase and which remain stagnant, promotions may be classified into: Dry Promotion, Vertical Promotion, and Horizontal Promotion. Promotion can be given on the basis of seniority, merit, merit cum seniority, promotion by selection, time bound promotion scheme, and temporary promotion scheme.

Demotion is a process by which the employee is downgraded and sent to a lower position from the one he is holding at present. When an employee is moved to a job with less responsibility, status or compensation he is said to be demoted.

A transfer is a change in job assignment which does not involve a change in responsibility and status. Transfers are normally made to place employees in positions where they are likely to be more effective or where they are likely to get greater job satisfaction.

Judging from the view-point of purpose, the types of transfer incorporate: General Transfer, Production Transfer, Replacement Transfer, Shift Transfer, Remedial Transfer, Versatility Transfer, Punishment or Penal, Request Transfers, Mutual Transfers.

Separation refers to cessation of service of agreement with the organization. Separation can be the result of: Resignation, Discharge, Dismissal, Retrenchment, Lay-off, Golden handshake, Retirement.

 Self-check Questions 9

Part I: choose the best answer

1. The promotion of junior accountant to senior accountant refers to_____ promotion.
 - A. Dry promotion
 - B. Horizontal promotion
 - C. Vertical promotion
 - D. None
2. Which one of the following basis of promotion is dependent on length of service and experience
 - A. Merit cum Seniority Promotion
 - B. Promotion Based on Merit
 - C. Promotion Based on Seniority
 - D. Time bound promotion scheme
3. Identify the disadvantage of promotion by seniority
 - A. Results in having employees that have no caliber and chance to join another organization
 - B. Maximize utilization of talent
 - C. It does not infuse new blood into the organization
 - D. A and C
4. Assume that Mr. Kebede was assigned to work in extremely hot place. After his one month stay in the place, it was found that the place is not suitable for his health. If you were the manager of the company what kind of transfer do you recommend?
 - A. Shift transfer
 - B. Production
 - C. Replacement
 - D. Remedial transfer
5. A permanent separation of an employee from the organization because of poor performance or violation of rules refers to_____.
 - A. Retrenchment
 - B. Dismissal

C. Discharge

D. Resignation

Part II: Answer the following questions

6. Is there transfer policy in your company? If so please discuss its effectiveness.

7. Explain the demotion practices of your company_____

CHAPTER TEN

EQUAL EMPLOYMENT OPPORTUNITY, SEXUAL HARASSMENT IN WORK PLACE, EMPOWERMENT AND WORK FORCE DIVERSITY

Learning objectives

At the end of this chapter, you will be able to:

- ☞ Define equal employment opportunity, sexual harassment, employee empowerment, and work force diversity.
- ☞ Distinguish types of employment discrimination
- ☞ Explain the concepts of equal employment opportunity
- ☞ Explain equal opportunity policies
- ☞ Differentiate types of sexual harassment
- ☞ Explain the remedies for sexual harassment problems
- ☞ Discuss the benefits of empowerment

10.1. Equal Employment Opportunity

Inequality in the treatment of people with different backgrounds has been an issue for many years, but it was the Civil Rights Act of 1964 that started a legislative movement toward leveling the playing field in employment. Initially focus was on race, gender, and religion, but these characteristics were soon followed by age, pregnancy, and individuals with disabilities. Since then numerous Executive Orders, regulations, and interpretations by courts have affected the employer/employee relationship.

Equal employment opportunity act prohibits employers from discriminating against any individual with respect to compensation, terms, or conditions of employment because of race, color, religion, sex, or national origin.

Thus, at the core of equal employment is the concept of discrimination. The word discrimination simply means “recognizing differences among items or people. ”For example, employers must

discriminate (choose) among applicants for a job on the basis of job requirements and candidates' qualifications. However, when discrimination is based on race, gender, or some other factors, it is illegal and employers face problems. The following bases for protection have been identified by various federal, state, and/or local laws:

- ✓ Race, ethnic origin, color (including multiracial/ethnic backgrounds)
- ✓ Sex/gender (including pregnant women and also men in certain situations)
- ✓ Age (individuals over age 40)
- ✓ Individuals with disabilities (physical or mental)
- ✓ Military experience (military status employees)
- ✓ Religion (special beliefs and practices)
- ✓ Marital status (some states)
- ✓ Sexual orientation

These categories are composed of individuals who are members of a protected category under EEO laws and regulations. Protected category refers to a group identified for protection under EEO laws and regulations.

Discrimination remains a concern as workforce becomes more diverse. There are two types of illegal employment discrimination: ***disparate treatment and disparate impact***.

Disparate treatment occurs with employment-related situation in which either: (1) different standards are used to judge individuals, or (2) the same standard is used, but it is not related to the individuals' jobs. Disparate treatment occurs when members of one group are treated differently from others. For example, if female applicants must take a special skills test not given to male applicants, then disparate treatment may be occurring.

Disparate impact occurs when members of a protected category are substantially underrepresented as a result of employment decisions that work to their disadvantage.

10.1.1. Equal Employment Opportunity Concepts

Several basic EEO concepts have resulted from court decisions, laws, and regulatory actions. There are four key areas that help clarify EEO ideas.

Business Necessity and Job Relatedness: A business necessity is a practice necessary for safe and efficient organizational operations. Business necessity has been the subject of numerous court decisions. Educational requirements often are based on business necessity. However, an employer who requires a minimum level of education, such as a high school diploma, must be

able to defend the requirement as essential to the performance of the job (job related), which may be difficult. For instance, equating a degree or diploma with the possession of math or reading abilities is considered questionable.

If employment test is clearly related to the job and tasks performed, it is not illegal simply because a greater percentage of minorities or women do not pass it. The crucial outcome is that the test must be specifically job related and cannot be judged solely on its disparate impact

Bona Fide Occupational Qualification (BFOQ): Employers may discriminate on the basis of sex, religion, or national origin if the characteristic can be justified as a “bona fide occupational qualification reasonably necessary to the normal operation of the particular business or enterprise.” Thus, a bona fide occupational qualification (BFOQ) is a characteristic providing a legitimate reason why an employer can exclude persons on otherwise illegal bases of consideration.

Burden of Proof: Another legal issue that arises when discrimination is alleged is the determination of who has the burden of proof. Burden of proof must be established to file suit against employers and establish that illegal discrimination has occurred. Based on the evolution of court decisions, current laws, and regulations the plaintiff charging discrimination must:

- ✓ Be a protected-category member, and
- ✓ Prove that disparate impact or disparate treatment existed.

Once a court rules that a preliminary case has been made, the burden of proof shifts to the employer. The employer then must show that the bases for making employment-related decisions were specifically job related and consistent with considerations of business necessity.

Dear learner, mention some of the protected groups in our country.

No *retaliation*: Employers are prohibited from retaliating against individuals who file discrimination charges. Retaliation occurs when employers take punitive actions against individuals who exercise their legal rights.

10.1.2. Equal employment opportunity policies

In order for an organization to address the issue of disadvantage in a systemic and consistent way, it needs to be guided by a policy. Increasingly, organizations are creating equal opportunity policies in order to guide managers in decision-making. Though these policies vary from organization to organization, the following ten points are good practices that employers are encouraged to adopt.

- ✓ Develop an equal opportunities policy, covering recruitment, promotion and training.
- ✓ Set an action plan, with targets, so that you and your staff have a clear idea of what can be achieved and by when.
- ✓ Provide training for all people, including managers, throughout your organization, to ensure they understand the importance of equal opportunities. Provide additional training for staff that recruit, select and train your employees.
- ✓ Assess the present position to establish your starting point, and monitor progress in achieving your objectives.
- ✓ Review recruitment, selection, promotion and training procedures regularly, to ensure that you are delivering on your policy.
- ✓ Draw up clear and justifiable job criteria, which are demonstrably objective and job related.
- ✓ Offer pre-employment training, where appropriate, to prepare potential job applicants for selection tests and interviews; consider positive action training to help ethnic minority employees to apply for jobs in areas where they are under-represented.
- ✓ Consider your organization's image: do you encourage applications from underrepresented groups and women, ethnic minority staff and people with disabilities in recruitment literature, or could you be seen as an employer who is indifferent to these groups?

- ✓ Consider flexible working, career breaks, providing childcare facilities, and so on, to help women in particular meet domestic responsibilities and pursue their occupations; and consider providing special equipment and assistance to help people with disabilities.
- ✓ Develop links with local community groups, organizations and schools, in order to reach a wider pool of potential applicants.

The willingness of organizations to adopt such guidelines varies considerably. Moreover, there is also considerable variation in the extent to which all the points are adopted. You might think of this as a sliding scale: at one extreme are those organizations that adopt a policy that meets very few of the points and at the other extreme those organizations that have addressed all ten points. Another way of looking at this is to think of different categories into which an organization might be placed according to its approach to equal employment opportunities.

Table 10.1 Types of equal opportunity organization

The negative organization	• Has no equal opportunity policy • Makes no claims of being an equal opportunity employer • Might not be complying with the law
The minimalist organization	• Claims to be an equal opportunity employer • Has no written equal opportunity policy • Has no procedure or initiatives, but will react to claims of discrimination as they arise
The compliant organization	• Has a written equal opportunity policy • Has procedures and initiatives in place to comply with some aspects equal opportunity policies
The proactive organization	• Has a written policy backed up with procedures and initiatives • Monitors the outcomes of initiatives to assess their impact • Promotes equality using full set equal opportunity policies, and might even go beyond these

10.2. Sexual harassment in the work place

Sadly, sexual harassment has always been a feature of life at work. Perhaps it is not always quite blatant today as it has been in the past, but it is still there, in more or less subtle forms, and it is just as unpleasant.

Sexual harassment refers to actions that are sexually directed, are unwanted, and subject the worker to adverse employment conditions or create a hostile work environment. Sexual harassment can occur between a boss and a subordinate, among coworkers, and when nonemployees have business contacts with employees. Most of the sexual harassment charges filed involve harassment of women by men. However, some sexual harassment cases have been filed by men against women managers and supervisors, and some have been filed by both men and women for same-sex harassment.

The definition of European Union establishes the following:

- ✓ It is an action that consists of unwanted conduct of a sexual nature or based on sex, which affects the dignity of men and women at work.
- ✓ sexual harassment can be physical or verbal in nature;
- ✓ The conduct either leads to material detriment (i.e. it affects promotion, pay, access to training, etc.) or creates an intimidating or humiliating work environment.

10.2.1. Types of Sexual Harassment

Two basic types of sexual harassment have been defined by equal employment opportunity commission (EEOC) regulations and a large number of court cases. The two types are different in nature and defined as follows:

- ✓ **Quid pro quo** is harassment in which employment outcomes are linked to the individual granting sexual favors.
- ✓ **Hostile environment** harassment exists when an individual's work performance or psychological well-being is unreasonably affected by intimidating or offensive working conditions.

In quid pro quo harassment (meaning “something for something”), an employee may be promised a promotion, a special raise, or a desirable work assignment, but only if the employee grants some sexual favors to the supervisor. The second type, hostile environment harassment, may include actions such as commenting on appearance or attire, telling jokes that are suggestive

or sexual in nature, allowing revealing photos and posters to be on display, or making continual requests to get together after work that can lead to the creation of a hostile work environment. Rude and discourteous behavior often is linked to sexual harassment.

Ways to overcome problems of sexual harassment

Persons subject to harassment can take legal action but, of course, it must be the policy of the company to make it clear that it will not be tolerated. There are no easy solutions to these problems. It may be very hard to eradicate sexual harassment completely. But an effort must be made to deal with it and the following approaches should be considered:

- ✓ Issuing a clear statement by the chief executive that sexual harassment will not be tolerated. The absolute requirement to treat all people equally, irrespective of sex, role, creed, sexual orientation or disability, should be one of the fundamental values of the organization. This should be reinforced by the explicit condemnation of harassment as a direct and unacceptable contravention of that value.
- ✓ Back up the value statement with a policy directive on sexual harassment which spells out in more detail how the company deplores it, why it is not acceptable and what people who believe they are being subjected to harassment can do about it.
- ✓ Reinforce the value and policy statements by behavior at senior level which demonstrates that they are not simply words but that these exhortations have meaning.
- ✓ Ensure that the company's policy on harassment is stated clearly in induction courses and is conveyed to everyone in the form of a strong reminder on promotion.
- ✓ Make arrangements for employees subjected to sexual harassment to be able to seek advice, support and counseling in total confidence without any obligation to take a complaint further. A counselor can be designated to provide advice and assistance covering such functions as:
 - offering guidance on handling sexual harassment problems;
 - assisting in resolving problems informally with the consent of the complainant
 - assisting in submitting a grievance if the employee wishes to complain formally

- securing an undertaking, where appropriate, by the person who is the subject of the complaint to stop the behavior which has caused offence;
 - Counseling the parties as to their future conduct where a problem has been resolved without recourse to formal procedures.
- ✓ Create a special procedure for hearing complaints about sexual harassment – the normal grievance procedure may not be suitable because the sexual harasser could be the employee's line manager.
 - ✓ Handle investigations of complaints with sensitivity and due respect for the rights of both the complainant and the accused. Ensure that hearings are conducted fairly, both parties being given an equal opportunity to put their case. Care should be taken to ensure that the careers and reputations of neither party are unjustly affected.
 - ✓ Where sexual harassment has taken place, crack down on it. It should be stated in the policy that it is regarded as gross industrial misconduct and, if it is proved, makes the individual liable to instant dismissal. Less severe penalties may be reserved for minor cases but there should always be a warning that repetition will result in dismissal.
 - ✓ Ensure that everyone is aware that the organization does take action when required to punish those who indulge in sexual harassment.
 - ✓ Provide training to managers and team leaders to ensure that the policy is properly implemented and to make them aware of their direct responsibility to prevent harassment taking place and to take action if it does.

Problems of dealing with harassment

The first problem always met in stamping out sexual harassment is that it can be difficult to make a clear-cut case. An accusation of harassment can be hard to prove unless there are witnesses. And those who indulge in this practice usually take care to carry it out on a one-to-one basis. In this situation, it may be a case of one person's word against another's. The harasser, almost inevitably a man, resorts to two defenses: one, that it did not take place ('it was all in her mind'); and two, that if anything did take place, it was provoked by the behavior of the female. In these situations, whoever deals with the case has to exercise judgment and attempt, difficult though it may be, to remove any prejudice in favor of the word of the man, the woman, the boss or the subordinate.

The second problem is that victims of sexual harassment are often unwilling to take action and in practice seldom do so. This is because of the actual or perceived difficulty of proving their case. But they may also feel that they will not get a fair hearing and are worried about the effect making such accusations will have on how they are treated by their boss or their colleagues in future – whether or not they will have substantiated their accusation.

The third and possibly the most deep-rooted and difficult problem of all is that sexual harassment can be part of the culture of the organization – a way of life, a ‘norm’, practiced at all levels.

Workforce Empowerment

Empowerment is a concept that gained immense popularity in the 1990s, and looks set to continue as a popular organizational initiative in the twenty-first century. It is a managerial ideology in its own right as well as being used with other initiatives and strategies such as BPR, TQM and the learning organization. It is strongly associated with culture change initiatives, delayering and restructuring, and usually involves devolving power and responsibilities to teams at workplace or customer level.

Empowerment is a change-management tool which helps the organization to create an environment where every individual can use his or her abilities and energies to satisfy the customer.

Unlike industrial democracy there is no notion of workers having a right to a say: it is employers who decide whether and how to empower employees. While there is a wide range of programs and initiatives which are titled empowerment and they vary as to the extent of power which employees actually exercise, most are purposefully designed not to give workers a very significant role in decision making but rather to secure an enhanced employee contribution to the organization. Empowerment takes place within the context of a strict management agenda.

Dear learner, is there a practice of empowerment in your organization? If yes in what ways does your organization empower employees? _____

Benefits of empowerment

As shown in the following table, empowerment has various benefits both to the organization and employees.

Table 10.1 Benefits of empowerment to the organization and the individual

Benefits for organizations	Benefits for employees
Greater awareness of business needs among employees	Increase in job satisfaction
Cost reduction from delayering and employee ideas	Increase day-to-day control over tasks
Improved quality, profitability and productivity Measures	Ownership of work
Organization able to respond more quickly to market changes	Increase in self-confidence
Enhanced loyalty and commitment	Creation of teamwork
Decrease in staff turnover	Acquisition of new knowledge and skills
More effective communication	

Workforce diversity

An important watchword in the twenty-first century is **workforce diversity**. It refers to the presence of individual human characteristics that make people different from one another. More specifically, this diversity comprises key demographic differences among members of a given workforce, including gender, race and ethnicity, age, and able bodiedness. Sometimes they also encompass other factors, such as marital status, parental status, and religion. The challenge is how to manage workforce diversity in a way that both respects the individual's unique perspectives and contributions and promotes a shared sense of organization vision and identity.

Success in the new workplace requires a set of skills for working successfully with a broad mix of people from different racial and ethnic backgrounds, of different ages and genders, and of different domestic and national cultures. **Valuing diversity** in the work place is very important.

It refers to managing and working with others in full respect for their individual differences. Interpersonal sensitivity and cultural respect are indispensable to valuing diversity.

Managing diversity

The concept of managing diversity in organizations emphasizes appreciation of differences in creating a setting, where everyone feels valued and accepted. An organization's success or progress in managing diversity can be monitored by organizational surveys of attitudes and perceptions, among other means. Managing diversity assumes that groups will retain their own characteristics and will shape the firm as well as be shaped by it, creating a common set of values that will strengthen ties with customers, enhance recruitment, and the like. Sometimes, diversity management is resisted because of fear of change and discomfort with differences.

In order "to maximize the utilization of its human capital, organizations must go beyond merely creating a more diverse workplace. Once there, the value of having diverse employees must be recognized. Now is the time to move beyond viewing diversity as merely the numerical representation of certain groups. It is time for a systematic application of diversity concepts to the business of the organization. Diversity is something more than a moral imperative or a business necessity-we see it as a business opportunity. Aligning diversity with the mission and business of the organization increases employee satisfaction and retention; improves competitiveness and productivity; increases responsiveness; and adds value to the customer.

Diversity Management Best Practices

There are a number of things that organizations can do to maximize the benefit of diversity in the workplace and successfully integrate a diverse workforce. The following methods can be taken as a good practice.

1. Frame the diversity management initiative as an opportunity for integration and learning.

Framing diversity initiatives in a manner that highlights previous conflict or discrimination can have a negative impact on organization's ability to successfully manage workforce diversity.

Emphasizing a learning and integration perspective has a motivating effect on both management and employees and can ensure the long-term success of the diversity program.

2. *Ensure senior management commitment and accountability*

As with any organizational change initiative, senior management needs to demonstrate their commitment to workplace diversity and hold themselves and others accountable to see that diversity policies are successfully implemented within the organization.

3. *Articulate how diversity is important to the overall functioning of the business*

Whether it is to attract new clientele from demographic groups that are not traditionally a part of your client base or to increase innovation among your staff – consideration should be given to how the new diversity strategy will benefit the company.

4. *Emphasize the value of diversity of all employees*

Focusing a diversity initiative on one demographic group, such as women for example, can sometimes have a polarizing effect on those employees who are not the target of the initiative. Diversity by definition means “a point of difference” which every individual possesses. Valuing the diversity of all employees will unite employees under one common banner.

5. *Emphasize solidarity with the team or department*

To minimize the effect of in-group/out-groups, engage workgroups in team-building exercises that help to facilitate communication and integration of work activity as well as create pride in one's work group or organization.

Chapter summary

Equal employment opportunity prohibits employers from discriminating against any individual with respect to compensation, terms, or conditions of employment because of race, color, religion, sex, or national origin.

At the core of equal employment is the concept of discrimination. There are two types of illegal employment discrimination: disparate treatment and disparate impact.

Disparate treatment occurs when members of one group are treated differently from others. Disparate impact occurs when members of a protected category are substantially underrepresented as a result of employment decisions that work to their disadvantage.

The four key concepts of EEO are: business necessity and job relatedness, bona fide occupational qualification (BFOQ), burden of proof and no retaliation.

An organization might be placed in to different category (the negative organization, the minimalist organization, the compliant organization and the proactive organization,) according to its approach to equal employment opportunities.

Sexual harassment refers to actions that are sexually directed, are unwanted, and subject the worker to adverse employment conditions or create a hostile work environment.

The two basic types of sexual harassments are: hostile environment and quid pro quo.

Empowerment is a change-management tool which helps the organization to create an environment where every individual can use his or her abilities and energies to satisfy the customer.

Workforce diversity refers to the presence of individual human characteristics that make people different from one another. This diversity characteristics comprises key demographic differences among members of a given workforce, including gender, race and ethnicity, age, and able bodiedness. They also encompass other factors, such as marital status, parental status, and religion.

 Self-check Questions 10

Part I**Choose the best answer**

1. Which one of the following cannot be used as a base to judge whether the individuals are a member of protected groups?
 - A. Physical disability
 - B. Mental disability
 - C. Pregnancy
 - D. None
2. When an organization uses employment standards/criteria that are not related to the individuals' job, it is committing_____.
 - A. Disparate treatment
 - B. Disparate impact
 - C. Protected group
 - D. A and B
3. _____ provides a legitimate reason for excluding candidates from being considered in employment.
 - A. Burden of proof
 - B. Bona fide occupational qualification
 - C. No retaliation
 - D. Business necessity
 - E. Equal employment opportunity
4. ____ refers to a kind of harassment in which employment outcomes are linked to the individual granting sexual favors.
 - A. Hostile environment
 - B. Protected group
 - C. Quid pro quo
 - D. None

5. Which one the benefit of empowerment for employees?
- A. Control over tasks
 - B. Self-confidence
 - C. Acquisition of new knowledge
 - D. Job satisfaction
 - E. All of the above

Part II Answer the following questions

6. What do you think are the advantages and disadvantages of workforce diversity in a given organization? _____

7. Have you encountered any incidents of disparate treatment or disparate impact in your employment life? If yes please mention the cases. _____

8. Why it is difficult to identify problems of sexual harassment? _____

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Answers for the self check questions

CHAPTER 1

1. C
2. B
3. F
4. Objectives

CHAPTER 2

1. B
2. E
3. C
4. Organizational culture
5. Matching

CHAPTER 4

1. E
2. C
3. A
4. B
5. C
6. E
7. E

CHAPTER 5

1. C
2. D
3. E
4. A
5. B

CHAPTER 6

1. C
2. E
3. E
4. C
5. A

CHAPTER 7

1. B
2. E
3. A
4. C
5. D
6. B
7. C

CHAPTER 8

1. A
2. E
3. D
4. D
5. B
6. C

CHAPTER 9

1. B
2. A
3. D
4. D
5. C

CHAPTER 10

1. D
2. A
3. B
4. C
5. E

Arbaminch University
College of Business and Economics
Department of management

Module Assignment

Course Name: Human resource management

Course Code: MGMT 1061



Module Assignment 30%

Personal Information

Name _____
ID _____
Centre: _____

Multiple choice questions

1. One of the following is not use of job analysis.
 - A. It provides a complete knowledge about job.
 - B. It serves as a ground to design training content
 - C. It serves as performance standard
 - D. None
2. Why most organizations prefer to give higher position vacancies to internal employees and announce to lower positions to external candidates?
 - A. Inside employees have adequate understanding of the working environment
 - B. Internal employees are well accustomed with norms, values and cultures of the organization.
 - C. To motivate employees
 - D. All
3. _____ is a man made statement developed by managers to keep employees on the track to wards their personnel objectives.
 - A. Procedure
 - B. Policy
 - C. Programmes
 - D. Project
4. The following are characteristics of personnel management.
 - A. It concerned with managing people at work
 - B. It helps employees to use their potential knowledge and skill
 - C. It is a continuous nature
 - D. All
5. Why we need to provide training for employee?
 - A. To socialize employees with new technology
 - B. To improve the efficiency of work performance
 - C. To reduce supervision time and spoilage of materials
 - D. All
6. Among the following one is on the job training.
 - A. Delegation
 - B. Conference
 - C. Job rotation
 - D. Promotion and transfer
7. The following are the purpose of appraisal. Except
 - A. Serve as a basis for change or promotion
 - B. Serve as a feed back to employee
 - C. Helps supervisors and executives to control their subordinates tightly
 - D. Serve as an important incentive to all employee
8. Which method of appraisal is modern?
 - a. Critical incident
 - b. Free essay
 - c. Field review
 - d. Appraisal by result

- Attempt the following question carefully and answer accordingly.

1. Describe the roles of personnel manager briefly.(5 pt)
2. Explain the operative functions of personnel manager.(5pt)
3. Define job analysis and its out put briefly.(5pt)