

**HUMAN RESOURCE  
MANAGEMENT  
(DMHR02)  
(M.A. HRM)**



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**LESSON – 1****HUMAN RESOURCE MANAGEMENT:  
DEFINITION, CONCEPT, SCOPE,  
DYNAMICS AND EVOLUTION****1.0 OBJECTIVE**

- To enable the students to understand human resource management definitions.
- To study the concept of human resource management.
- To analyse the scope of Human Resource Management.
- To know the Dynamics of Human Resource Management.
- To understand the evolution of Human Resource Management.

**STRUCTURE****1.1 Introduction****1.2 Definition****1.3 Nature of HRM****1.4 Importance of HRM****1.5 Meaning of Human Resource Management****1.6 Effectiveness of Human Resource Management***1.6.1 Human Resource Accounting**1.6.2 Human Resource Audit**1.6.3 Human Resources Research***1.7 Scope of HRM****1.8 Dynamics of HRM***1.8.1 The Commodity Concept**1.8.2 The Factor of Production Concept**1.8.3 The Machinery Concept**1.8.4 The Good will Concept**1.8.5 The Natural Resources Concept**1.8.6 Paternalism**1.8.7 The Humanitarian Concept**1.8.8 Human Relations Concept**1.8.9 The Citizenship Concept**1.8.10 The Partnership Concept**1.8.11 Ownership Concept**1.8.12 Self-Managed Concept***1.9 Functions of Human Resource Management***1.9.1 Managerial Functions**1.9.1.1 Planning**1.9.1.2 Organising**1.9.1.3 Directing*

***1.9.1.4 Controlling******1.9.2 Operative Functions******1.9.2.1 Employment******1.9.2.1.1 Job analysis******1.9.2.1.2 Human resource planning******1.9.2.1.3 Recruitment******1.9.2.1.4 Selection******1.9.2.1.5 Placement******1.9.2.1.6 Induction and orientation*****1.10 Evolution and Development of HRM****1.11 Recent Developments****1.12 Summary****1.13 Key words****1.14 Self Assessment Questions****1.15 Suggested Books for Further Reading****1.1. INTRODUCTION**

Over the years the importance of human factor in the accomplishment of organizational objectives has increased considerably because of increasing competition and globalization of management. Now a days, the people at work are considered the most important factor of production in factories and service in hospitals from the point of view of management. There is growing awareness on the part of the academicians and professional managers to review management as a process concerned basically with the management of people because a tremendous overhaul is under way on the human resource management. Front. These days the thrust is on to create the workplace that motivates, retains and gets the best out of people. Therefore, different organizations are adopting different strategies. Hewlett Packard India has introduced new concepts such as flexible time off- an employee can exchange his weekly off day for any other day to meet his social commitment and or domestic chores. The Houghes Soft ware Systems has launched an ethics programme called 'integrity' to boost honesty along with productivity. All employees are encouraged to report any unethical practices they observe around them. They want everyone to challenge everything that is wrong in the organization. In General Electric Company, employees are rewarded through shares for good performance. These shares are usually redeemable after three years and the employees gain as the value of share increases. The approach seems good but the path to the perfect human resource management is still slippery. Most of the organizations encounter teething troubles because employees sometimes find the new ideas a bit too radical. Therefore, in the rapidly changing management scenario, Human Resource Management has an important role to play.

Human Resource Management is a process of bringing people and organizations together so that the goals of each or met. It tries to secure the best from people by winning their wholehearted cooperation. In short, it may be defined as the art of procuring, developing and maintaining competent workforce to achieve the goals of an organization in an effective and efficient manner.

## 1.2. DEFINITION

It is rather difficult to say spontaneously what management means, though we have studied a course in Management. But it is necessary to recall what management is before studying Human Resource Management (HRM). Management has been defined by Mary Parker Follet as, “the art of getting things done through people.” But it is felt that management is much more than what is said in this definition. Management is further defined as, “...that field of human behavior in which managers plan, organize, staff, direct and control human, physical and financial resources in an organized effort, in order to achieve desired individual and group objectives with optimum efficiency and effectiveness.” It is clear from this definition that management is concerned with the accomplishment of objectives by utilizing physical and financial resources through the efforts of human resources. Thus human resources are quite popular in India with the institution of ‘Ministry of Human Resources Development’ in the Union Cabinet. But most people may not know what exactly the term human resource means.

According to Leon C. Megginson, the term human resources can be thought of as, “*the total knowledge, skills, creative abilities, talents and aptitudes of an organization’s workforce, as well as the value, attitudes and beliefs of the individuals involved.*” The term human resource can also be explained in the sense that it is resource like any natural resource. It does mean that the management can get and use the skill, knowledge, ability etc., through the development of skills, tapping and utilizing them again and again.

Thus, it is a long-term perspective whereas personnel are a short-term perspective. Human resources are also regarded as human factor, human asset, human capital and the like. The terms labour and manpower had been used widely denoting mostly the physical abilities and capacities of employees. The term personnel had been used widely in the recent past to denote persons employed in any services. Thus, this term denotes the employee as a whole but it does not clearly denote various components of human resources like skill, knowledge, values etc.

## 1.3 NATURE OF HUMAN RESOURCE MANAGEMENT

It is rather difficult to express the true nature of human resource management. Human resource management is concerned with the management of people at work. It reflects a new philosophy, a new approach and new outlook. The human factor plays such important role in the field of management that some people consider human resource management and management as one and the same thing.

## 1.4. IMPORTANCE OF HRM

People have always been central to organizations, but their strategic importance is growing in today’s knowledge based industries. An organization’s success increasingly depends on the knowledge, skills and abilities (KSAs) of employees, particularly as they help establish a set of core competencies that distinguish an organization from its competitors. With appropriate HR policies and practices an organization can hire, develop and utilize best brains in the marketplace, realize its professed goals and deliver results better than others.

## 1.5. MEANING OF HUMAN RESOURCE MANAGEMENT

Different terms are used to denote human resource management. They are: labour management, labour administration, labour-management relations, employee-employer relations, industrial relations, personnel administration, personnel management, human capital management, human asset management, human resources management and the like. Though these terms can be differentiated widely, the basic nature of distinction lies in the scope or coverage and evolutionary stage. In simple sense, human resources management means employing people, developing their resources, utilizing maintaining and compensating their services in tune with the job and organizational requirements.

## 1.6 EFFECTIVENESS OF HUMAN RESOURCES MANAGEMENT

Effectiveness of various personnel programmes and practices can be measured or evaluated by means of organizational health and human resources accounting etc.

**(a) Organizational Health:** Organisational health may be studied through the result of employee's contribution to the organization and the employee job satisfaction. The result of the employee satisfaction can be understood by labour turnover, absenteeism, commitment and the like. Low rate of absenteeism and specific and high rate of employee commitment most probably indicate employee-satisfaction about the job and the organization.

Employee contribution to the organizational goals can be measured through employee productivity of different types.

**(b) Human Resource Accounting, Audit and Research:** Effectiveness of human resources management can also be found out through human resources accounting, audit and research.

### 1.6.1 Human Resources Accounting (HRA)

It is a measurement of the cost and value of human resources to the organization. Human resource management is said to be effective if the value and contribution of human resources to the organization is more than the cost of human resources.

### 1.6.2 Human Resource Audit

Human resource audit refers to an examination and evaluation of policies, procedures and practices to determine the effectiveness of HRM. Personnel audit: (a) measures the effectiveness of personnel programmes and practices, and (b) determines what should or should not be done in future.

### 1.6.3 Human Resources Research

It is the process of evaluating the effectiveness of human resources policies and practices and developing more appropriate ones. It includes:

- (a) Conducting morale, attitude, job satisfaction and behaviour surveys.

- (b) Collecting of data and information regarding wages, cost-benefit analysis of training, benefits, productivity, absenteeism, employee turnover, strikes accidents, operations, working hours, shifts etc.
- (c) Tabulating, computing and analysing of the data and information.
- (d) Report writing and submission to the line managers.
- (e) Finding out of defects and shortcomings in the existing policies, practices etc.
- (f) Developing of more appropriate policies, procedures, programmes of personnel.

The effectiveness in performing personnel and human resources management functions, results in contributing to the objectives of the organization, individual employees and the goals of the society and/or government. The objectives of human resources management are formulated on the basis of organizational objectives, individual employee goals, social goals and the functional analysis of personnel and human resources management. Further the discussion about the meaning and definition of HRM can be made full-fledged by studying the objectives and policies of HRM. Hence, we now discuss the objectives of HRM.

## **1.7 SCOPE OF HUMAN RESOURCES MANAGEMENT**

The scope of human resources management in the modern days is vast. Infact, the scope of HRM was limited to employment and maintenance of and payment of wage and salary. The scope gradually enlarged to providing welfare facilities, motivation, performance appraisal, human resource management, maintenance of human relations, strategic human resources and the like. The scope has been continuously enlarging.

The scope of Human Resources Management includes:

Objectives of HRM

Organization of HRM

Strategic HRM

Employment

Development

Wage and Salary administration/Compensation

Maintenance

Motivation

Industrial Relations

Participative Management

Recent Developments in HRM.

## **1.8 DYNAMICS OF HUMAN RESOURCE MANAGEMENT**

Change is a must for the development of any discipline. The rationalization of attitudes towards labour and labour management relations at different stages has resulted in the emergence of various concepts of HRM. Let's look into these trends by examine the transformation of personnel function from one stage to another in a chronological sequence.

### ***1.8.1 The Commodity Concept***

One of the consequences of the Industrial Revolution (1700-1800) is that labour was considered a commodity to be bought and sold.

### ***1.8.2 The Factor of Production Concept***

This concept regarded employees as mere economic factors of production. It viewed that labour should be treated in the same way as the physical factors of production viz., materials, money and land.

### ***1.8.3 The Machinery concept***

Machinery concept of FW Taylor reflected that labour's production was what the employer purchased and employee was considered machine-like.

### ***1.8.4 The Good will Concept***

Employers began to provide various welfare measures to labour such as safety, first-aid, and rest rooms by realizing that the welfare of their employees had a direct effect upon their productivity.

### ***1.8.5 The Natural Resources Concept***

Workers were treated as a natural resource and steps were taken to protect them. Thus child –labour laws, working hours for women, workmen's compensation and health and accident legislations were passed.

### ***1.8.6 Paternalism***

Trade unions started gaining strength with the breakdown of mechanical approach due to the influence of outside forces. Then the employers began to provide various benefits to employees voluntarily. Paternalism is the concept that management must assume a fatherly and protective attitude towards employees. The father makes the decision which he feels is best of his child.

### ***1.8.7 The Humanitarian Concept***

The Humanitarian concept stated that the workers had certain "inalienable" rights as human beings and these rights were as important as the rights of other persons and that it was management's duty to recognise these rights.

### ***1.8.8 Human Relations concept***

Experimental studies in the human relations, referred to the Hawthorne experiments, that had a great effect upon the entire human relations movement, were conducted from 1927 to 1932.



### ***1.8.9 The Citizenship Concept***

Just as a citizen in a democracy have certain inalienable rights and a voice in determining and exercising these rights, so do workers, as industrial citizens, have a right to be consulted in determining the rules and regulations under which they work. This concept is pronounced in the Constitution of India.

### ***1.8.10 The Partnership Concept***

The Partnership concept implies mutual responsibilities as well as sharing the fruits of a joint endeavour. Thus, in this approach, the labour is being recognized as a co-human being schemes have come into prominence. Government of India has introduced the concept of “Participation of Workers in Management of Industries” by amending, in 1976, the ‘Directive Principles of state policy’ in the Constitution of India.

### ***1.8.11 Ownership Concept***

A more satisfying approach to HRM would allow employees to take over the reins of control of corporations. The case of Jaipur Metals and Electricals Ltd (JMEL) merits attention here. For a public sector undertaking which was almost dismissed as deadwood some years ago, JMEL has shown a remarkable revival thanks mainly to management-worker cooperation. When employees are given a legitimate share in stock ownership, they begin to feel that the organization is their own and they have to work sincerely for their own well-being.

### ***1.8.12 Self-managed Concept***

In the case of “workers takeover of kamani Tubes - A unique Experiment” , the kamani Engineering Union formed into a cooperative society and purchased all shares of kamani Tubes limited and became owners of KTL and managed its production and sale themselves.

## **1.9 FUNCTIONS OF HUMAN RESOURCE MANAGEMENT**

The functions of Human Resources Manager can be broadly classified into two categories, viz., I) Managerial functions and II) Operative functions.

### ***1.9.1 Managerial Functions***

Managerial functions of personnel HR Manager involve planning, organizing, directing, and controlling. All these functions influence the operative functions.

#### ***1.9.1.1 Planning***

It is a pre-determined course of action. Planning is determination of personnel programmes and changes in advance that will contribute to the organizational goals. In other words it involves planning of human resources, requirements, recruitment, selection, training etc. It also involves forecasting of personnel needs, changing values, attitudes and behaviour of employees and their impact on organization.

### **1.9.1.2 Organizing**

An organization is a means to an end. It is essential to carry out the determined course of action. In the words of J.C. Massie, an organization is a “*structure and a process by which co-operative group of human beings allocated its task among its members, identifies relationships and integrates its activities towards common objective*”. Complex relationships exist between the specialized departments and the general departments as many top managers are seeking the advice of the personnel manager. Thus, organization establishes relationships among the employees so that they can collectively contribute to the attainment of company goals.

### **1.9.1.3 Directing**

The next logical function after completing planning and organizing is the execution of the plan. The basic function of Human Resource Management at any level is motivating, commanding, leading and activating people. The willing and effective co-operation of employees for the attainment of organization goals is possible through proper direction. Tapping the maximum potentialities of the people is possible through motivation and command. Thus, direction is an important managerial function in building sound industrial and human relations besides securing employee contributions. Co-ordination deals with the task of blending efforts in order to ensure successful attainment of an objective. The HR manager has to co-ordinate various managers at different levels as far as personnel functions are concerned. Human Resource management function should also be co-coordinated with other functions of management like management of material, machine and money.

### **1.9.1.4 Controlling**

After planning, organizing and directing the various activities of the Human Resources management, the performance is to be verified in order to know that the Human Resource functions are performed in conform it with the plans and directions. Controlling also involves checking, verifying and comparing of the actuals with the plans, identification of deviations if any and correcting of identified deviations. Thus, action and operation are adjusted to pre-determined plans and standard through control. Auditing training programmes, analyzing labour turnover records, directing morale surveys, conducting separation interviews are some of the means for controlling the Human Resource Management function.

## **1.9.2 OPERATIVE FUNCTIONS**

The operative functions of Human Resource Manager are related to specific activities of Human Resource management, viz., employment, development, compensation and relations. All these functions are interacted by managerial functions. Further these functions are to be performed in conjunction with management functions.

### **1.9.2.1 Employment**

It is the first operative function of Human Resources Management (HRM). Employment is concerned with securing and employing the people possessing required kind and level of human resources necessary to achieve the organizational objectives. It covers the functions such

as job analysis, human resource planning, recruitment, selection, placement, induction and internal mobility.

### **1.9.2.2 Job Analysis**

It is the process of study and collection of information relating to the operations and responsibilities of a specific job. It includes:

- (a) Collection of data, information, facts and ideas relating to various aspects of jobs including men, machines and materials.
- (b) Preparation of job description, job specification, job requirements and employee specification which will help in identifying the nature, levels and quantum of human resources.
- (c) Providing the guides, plans and basis for job design and for all operative functions of HRM.

### **1.9.2.3 Human Resources Planning**

It is a process for determination and assuring that the organization will have an adequate number of qualified persons, available at proper times, performing jobs which would meet the needs of the organization and which would provide satisfaction for the individuals involved. It involves

- Estimation of present and future requirements and supply of human resources basing on objectives and long range plans of the organization.
- Calculation of net human resources requirements based on present inventory of human resources.
- Taking steps to mould, change, and develop the strength of existing employees in the organization so as to meet the future human resource requirements.
- Preparation of action programmes to get the rest of human resources from outside the organization and to develop the human resources of existing employees.

### **1.9.2.4 Recruitment**

It is the process of searching for prospective employees and stimulating them to apply for jobs in an organization. It deals with:

- (a) Identification of existing sources of applicants and developing them.
- (b) Creation/Identification of new sources of applicants.
- (c) Stimulating the candidates to apply for jobs in the organization.
- (d) Striking a balance between internal and external sources.

### **1.9.2.5 Selection**

It is the process of ascertaining the qualifications experience, skill, knowledge etc., of an applicant with a view to appraising his/her suitability to a job appraising. This function includes:

- Framing and developing application blanks.
- Creating and developing valid and reliable testing techniques.
- Formulating interviewing techniques.
- Checking of references.
- Setting up medical examination policy and procedure.
- Line manager's decision.
- Sending letters of appointment and rejection.
- Employing the selected candidates who report for duty.

### **1.9.2.6 Placement**

It is the process of assigning the selected candidate with the most suitable job in terms of job requirements. It is matching of employee specifications with job requirements. This function includes:

- Counseling the functional managers regarding placement.
- Conducting follow-up study, appraising employee performance in order to determine employee adjustment with the job. Correcting misplacements, if any.

### **1.9.2.7 Induction and Orientation**

Induction and orientation are the techniques by which a new employee is rehabilitated in the changed surrounding and introduced to the practices, policies, purposes and people etc., of the organization.

- Acquaint the employee with the company philosophy, objectives, policies, career planning and development, opportunities, product, market share, social and community standing, company history, culture etc.
- Introduce the employee to the people with whom he has to work such as peers, supervisors and subordinates.
- Mould the employee attitude by orienting him to the new working and social environment.

## **1.10 EVOLUTION AND DEVELOPMENT OF HRM**

The history of development of personnel management in India is comparatively of recent origin. But Kautilya had dealt with some of the important aspects of human resources management in his "Arthashastra," written in 400 B.C. Government in those days adopted the techniques of H.R.M. as suggested by Kautilya. In its modern sense, it has developed only since independence. Though the importance of labour officers was recognized as early as 1929, the appointment of officers to solve labour and welfare problems gained momentum only after the enactment of the Factories Act of 1948, Section 49 of the Act required the appointment of Welfare officers in the companies employing more than 500 workers. At the beginning,

Government was concerned only with limited aspects of labour welfare. The earliest labour legislation in India dealt with certain aspects of Indian labourers (Regulation of Recruitment, Forwarding and Employment) sent to various British colonies in 1830. Important phases of evolution of HRM are presented in Exhibit 1.1

### EXHIBIT 1.1 EVOLUTION OF HRM IN INDIA

Period	Development status	Outlook	Emphasis	Status
1920s 1930s	Beginning	Pragmatism of capitalists	Statutory, welfare paternalist	Clerical
1940s 1960s	Struggling for recognition	Technical legalistic	Introduction of techniques	Administrative
1970s	Achieving	Professional,	Regulatory , conforming, Imposition of	Managerial
1980s	Sophistication promising	Legalistic Impersonal	Standards on other functions	
1990s		Philosophical	Human values, Productivity Through people	Executive

### 1.11 RECENT DEVELOPMENTS

Recent development in the are of human resource management include:

Treating the employees as economic, social, psychological and spiritual men and women.

### EXHIBIT 1.2: DEVELOPMENT OF HRM IN INDIA

Year	Nature of development
1860	Employers' and workmen's' (Disputes ) Act was passed. This act was penal in character, laying down criminal penalties for breach of contract.
1881 to 1891	Factories acts of 1881 and 1891 were passed showing concern for workers' welfare. These acts were limited to working hours of women and children
1863 to 1901	The Assam Labour Acts passed between 1863-1901 were concerned with migration of labour.
1890	First Labour Organisation Bombay Mills Hands' Association was established.
1901	The Mines act, concerned with the safe working conditions in the Mines was passed in 1901
1905	The Printers' Union was established in Kolkata.
1907	The Postal Union was established in Mumbai

1907	Fact Labour Commission submitted its report to the Government of India.
1911	Factories Act, 1911 was passed consequently upon the Report of Factory Labour Commission, 1907.
1915	Calico Mills in Ahmedabad provided welfare facilities by appointing a doctor and a nurse.
1918	Massive industrial unrest prevailed following the end of World war I
1919	The All India Trade Unions Congress (AITUC) was formed.
1920	Mahatma Gandhi inaugurated the Union of Throstle department workers. This Union later became the Ahmedabad Textile Labour Association.
1922	An All India Industrial welfare Conference was conducted by Social service League in Bombay. Representatives of the Government and employers attended the meeting. Subjects discussed were workers' education, sanitation, child welfare, trade unionism, housing etc.
1923	Strikes were organized when employers tried to reduce wages as a measure to reduce cost of living. Workmen's Compensation Act was passed.
1924	Strikes were organized in cotton mills in Bombay against the managements decision to with hold the annual bonus due to trade depression
1926	Indian Trade Unions Act was passed with a provision of voluntary registration of the unions basing on certain requirements and giving certain legal protection to officers and members of unions.
1928	Strikes were organized for nearly 5 months in Jamshedpur as a consequence of retrenchment of workers.
1929	Labour Officers were appointed at the main oil installation in Bombay and Calcutta to take complete charge of all matters of labour like recruitment , promotion, discipline, retirement etc.
1934	The Bombay Trade Disputes Conciliation Act was passed.
1935	Bombay Mill Owners' Association reported to the Government that Government Labour Officer together with the association Labour Officer was successful in improving industrial relations.
1936	The Payment of Wages act (regulating the deductions from wages) was passed.
1937	Provincial Labour Legislations were passed in Bombay. For Example, Bombay Industrial Disputes act, Maternity Benefits act in Bengal etc.
1938	Bombay Mill Owners' association published a booklet called "Recommendations of labour Matters"
1939	Industrial Code under Bombay Industrial disputes act was constituted to settle the dispute under the standing procedure.
1940	Government of India convened Labour Ministers' Conference

	which continued ever since with the representatives of employers and employees. Tata school of social work started in 1940 is providing training in social welfare.
1942	Tripartite Labour Conference representing Government , employees and labour became a regular feature of labour policy (Indian Labour Conference)
1943	Tripartite Labour Conference recommended the setting up machinery to enquire into wages and earnings, employment, housing and social conditions.
1946	Report was submitted by Indian Labour Conference
1947	Industrial Disputes act was passed. Functions of Labour Officer were elaborated covering the recruitment and selection of unskilled labourers.
1948	Factories Act was enacted.
1959	The Employment Exchange (Compulsory Notification of Vacancies) act was passed.
1961	The Maternity Benefit act and the Apprentice Act were passed.
1965	An ordinance for regulating payment of bonus was issued in may 1965 and was later replaced by the payment of bonus act , 1965 in September of that year.
1969	National Commission on labour submitted its report.
1970	The Contract labour (Regulation and Abolition) Act was passed.
1972	Payment of Gratuity act was passed.
1972 to 1976	ILC did not meet during this period.
1980	Bonus was announced under productivity linked Bonus Scheme to employees working in departmentally run public sector Undertakings like Indian Railways, Posts and telegraphs.
1985	Ministry of Human Resource development was set up in the Union Cabinet – Many organizational have started changing their personnel department as departments of HRM and created HRD departments
1987	Emphasis has been shifted to various modern techniques of HRM
1995	Emphasis has been shifted to human resource development (HRD)
1998	Emphasis on HRD, cultural diversity, team work and participative management has been continuing. Further, the emerging areas are total quality in management in HRM, empowering the employees and developing empowered teams and integrating HRM with strategic management as the top management realized that HRM is the core of competencies of the 21 <sup>st</sup> century corporations.
2000	Emphasis is shifted towards empowerment of employees.
2001	Emphasis is on ‘smart sizing of the organizations’.
2002	More emphasis is laid on the positive attitude of the candidate rather than skill and knowledge, shift from intelligence quotient to emotional quotient
2003	Shift in the concept from Labour Management to Personnel

	Management and Personnel Management to Human Resource Management.
2004	Significance is shifted from skilled employees to knowledgeable employees.
2005	The most important aspect of human resource is also shifted from skill and experience to positive attitude.
2006	Organization design is shifted from hierarchical structure to flat and flexible structure.
2007	Significance of the function of controlling is getting decelerating as the application 'feed and forward' has been increasing as the companies started performing perfectly at the first time itself.

## 1.12 SUMMARY

People have always been central to organizations but their strategic importance is increasing in today's knowledge-based industries. When properly motivated, even ordinary people can deliver extraordinary results. HRM is responsible for the people dimension of the organization. It is a pervasive force, action-oriented, individually-oriented, development-oriented, future-focused, and integrative in nature and is a comprehensive function.

HRM mainly covers three broad areas: personnel aspect, welfare aspect, and industrial relations aspect. HRM aims at achieving organizational goals, meet the expectations of employees; develop the knowledge, skills and abilities of employees, improve the quality of working life and manage human resources in an ethical and socially responsible manner.

## 1.13 KEY WORDS

### *Personnel management (PM)*

Personnel means persons employed. PM is the management of people employed.

### *Human resource management (HRM)*

HRM is the management of employees' skills, knowledge, abilities, talents, aptitudes, creative abilities etc.

### *Productivity*

The quantity or volume of the major product or service that an organization provides. It includes capital investments, innovation, learning, and an employee's motivation.

### **HR Accounting (HRA):**

HRA is the process of identifying and measuring data about human resources. It is the process of developing financial assessments for people within organization and society and the monitoring of these assessments through time.



**HR Audit (HRA):**

Human Resource (HR) Audit refers to an examination and evolution of policies, procedures and practices to determine the effectiveness and efficiency of HRM.

**HR Research (HRR):**

HR Research is the task of searching for and analyzing of facts to the end that HR Problems may solved or principles and laws governing their solutions derived.

**1.14 SELF ASSESSMENT QUESTIONS**

- 1) What is human resource management?
- 2) Discuss the effectiveness of human resource management?
- 3) Describe the concept and scope of HRM in brief?
- 4) Explain the Dynamics of Human Resource Management?
- 5) Discuss briefly about the evolution of HRM?

**1.15 SUGGESTED BOOKS FOR FURTHER READING**

- Aswathappa, K., *Essentials of Business Environment*, Himalaya Publishing House, Bombay, 1995
- Edwin, B. Flippo, *Personnel Management*, Sixth Edition, Mc Graw-Hill, New York, 1984
- Subba Rao. P. *Essentials of Human Resource Management*, Himalaya Publishers, New Delhi – 2006.
- Sharma A.M, *Human Resource Management*, Himalaya Publishers, New Delhi – 2004.

**LESSON – 2****ROLE OF HRM IN HOSPITALS****2.0 OBJECTIVE**

- To enable the students to understand the role of HRM in hospitals
- To study the categories of Personnel needed for hospitals
- To analyse the Dimensions of HRM in hospitals
- To know the significance of HRM in hospitals
- To understand the importance of HRM in hospitals

**STRUCTURE****2.1 Introduction****2.2 Need for HRM in Hospitals****2.3 Categories of Personnel Needed for Hospitals****2.3.1 Doctors****2.3.2 Para-medical staff****2.3.3 Nursing Staff****2.3.4 Technicians****2.3.5 Management Staff****2.4 Dimensions of Human Resource Management:****2.5 Significance of Human Resource Management****2.6 Importance of Human Resource Management****2.6.1 For the organization****2.6.2 For the employees****2.6.3 For the society****2.7 Use of Hi-Tech Machines –An adjunct to Human Resource Management****2.8 Role of Human Resource Management in Hospitals****2.9 Human Resource Manager : A Profile****2.10 Tips for Human Resource Managers in Hospitals****2.11 Summary****2.12 Key words****2.13 Self Assessment questions****2.14 References****2.1 INTRODUCTION**

Since independence, India has achieved remarkable progress in social, political and economic fields. After the liberalization, this progress has been given further fillip, and has been recognized by the advanced countries. In the area of medical science too, commendable progress has been made during this period. Unfortunately, however hospital administration has lagged far behind. Even the most sophisticated and the so-called modern hospitals in India continue to be governed by the stereotyped system of hospital administration, appointing the senior most doctor as the medical superintendent. He is entrusted with the responsibility of the entire administration

of the hospital, irrespective of whether or not he has undergone any formal (or even informal) training in hospital administration

Times have changed and specialization has become the order of the day. It is therefore, imperative to have separate specialists for general administrative and human resource functions in hospitals. Secondly, with the tremendous expansion in health services it has become essential to have specialists or experts not only in these two fields but also in other fields of hospital administration, so that maximum efficiency can be achieved at minimum cost. Thirdly, the rapidly rising number of patients and the inadequate expansion of hospitals and medical services have thrown the hospital administration machinery completely out of gear. Hence, the need for better planning, organizing, staffing, coordinating and controlling hospitals can hardly be overemphasized. Hospital administration can no longer be left to change in hands of a person who is 'Jack-of-all trades' and 'master of none'

## **2.2 NEED FOR HRM IN HOSPITAL**

In the past, hospitals could, perhaps, afford the luxury of being unbusiness-like and of adopting hit-and-miss methods of management as a number of philanthropists made huge donations to meet the ever rising deficit in hospital budgets. Similarly, in the field of human resource management as long as the salary budget comprised only a small portion of the total budget, hospital administration could afford to neglect the introduction of scientific and progressive principles of human resource management. But they can no longer afford to do so as salary and wages now represent 65 percent or more of the total hospital budget.

Since the science and art of hospital administration are becoming more complex due to the rapidly extending field of hospital services, the advances in scientific field of medicine and surgery and increasing competition and globalization of its qualified and trained personnel, the importance of human factor in the accomplishment of hospital objective is being fully realized. Indeed, the hospital has now taken an important place in the social life of the public, that of an indispensable service dealing with life and death. Beyond its primary function of care of the sick and injured the hospital has many other obligations to discharge, both in administration and medicine. Therefore a hospital must be administered scientifically and professionally in order to perform its functions efficiently and effectively. These requisites demand that each employee engaged in hospital work of any type be thoroughly trained and adequately prepared to care for the sick and injured. At the same, he should be duly rewarded.

Never before in the history of civilization has there been a greater need for efficient administration of hospitals, including their human resource development, than today because financial, professional, trade union and educational problems constantly confronting the administrators, and the human resource managers are demanding their precious time and judicious consideration. There is a great need for capable, well trained and competent administrators and human resource managers. This is true also for other personnel for hospitals.

Though great progress has been achieved in training doctors, nurses, dieticians, medical social workers, medical record technicians, physiotherapists, pharmacists, radiographers, lady health visitors and laboratory technicians, there is still scarcity of committed and dedicated personnel in

hospitals. Therefore, different hospitals are adopting different strategies to make their work places ideal so that they may motivate, retain and get the best out of their personnel.

Today in many industries, dynamic managers who want to face global competition bravely increase their productivity and arrest the growing indiscipline in their organizations. They are reviving old values, building organization culture, making flexible policies and renovating their work place that motivates, retains and the best out of their people. Similarly, patients afflicted with various diseases are looking for alternative forms of therapies such as pranic healing, yoga, reiki, acupuncture, acupressure, ayurveda and homeopathy in place of allopathy of their treatment.

Being a non-profit-making organization, the hospitals or the healthcare organizations are supposed to subserve the social interests. The significant development in the field of medical sciences and the latest developments in the field of information superhighway have been found changing the perception of everything. We of late, live in an age of perfection where an individual or an organization or an institution is supposed to conceptualize the slogan, “differentiate or Die”, if you keep on moving the process of making the goods/ services/human resources found distinct to others, unique and different to others; your task of setting a success is made easier. The experiences of yester decades testify the fact that we have assigned due weightage to the sophistication in technologies but have underrated perfection in people which has resulted into the development of efficient people no doubt but they lack personal commitments, ethical and human values.

We are aware the fact that in hospitals, a number of personnel of different categories are found working requiring multi-disciplinary expertise and excellence. The doctors, para-medical staff, nursing staff and staff of managerial cadre have been found playing an important role in offering the health care services. It is essential that a hospital manager knows about the qualitative-cum-quantitative requirements of different departments and manages different dimensions of people management in required fashion.

Recruitment and selection is considered to be an important dimension of human resources management and the recruitment processes are to be managed professionally so that hospitals succeed in getting quality people with rich credentials. It is also essential that the process of recruitment is cost effective, since we find use of information and communication technologies even in hospitals, the recruitment process can be made of cost-effective and result-oriented.

Since we find sky the only limit for perfection, it is pertinent that a hospital managers organizes different types of training programmes to enable the personnel to develop knowledge and credentials. The development of personnel should have a correlation the development and adoption of technologies. While imparting to the personnel training facilities, it is also important that we let them know about the behavioral management. Even for training purposes, we find the sophisticated communication very much effective because audio-visual exposure sensitizes the personnel in a very effective way.

Compensation and motivation play an important role in the managing the human resources. In this context, it is essential that we offer to the hospital personnel, financial and non-financial incentives. While going through the problem, we also need motivational factors are also required to be managed properly. The quality of environment at the work place where medical and paramedical staff and nurses work should be friendly and cohesive so that the personnel don't face any problem, specially while working otherwise, monotony and fatigue would make possible degeneration in the level of efficiency besides a hospital manager is also required to make it sure that hospital personnel don't face any problem at the places where they live. The behavioral dimension also become impact generating because we find departmental relationship playing an incremental in satisfying the patients. A hospital manager is required to make the environment conducive.

Control or hospital audit is also considered to be an important dimension of human resource management. It is not only sufficient that you fix the target and don't make an evaluation of their efforts. It is in this context that we talk about hospital audit. A human resource manager requires to make a time-to-time evaluation of the personnel of different category and to know about their performance and expectations

The motive of managing the human resources is to make available to the hospital world class professionals besides making the process of development of human resources cost – effective. We go through different dimensions of human resource management hospitals.

Over the years, the importance of human factor in the accomplishment of organizational objectives has increased considerably because of increasing competition and globalizations of management. Now a days, the people at work are considered the most important factor of production in factories and of service in hospitals from the point of production in factories and of service in hospitals from point of view of management. There is growing awareness on the part of the academicians and professional managers to review management as a process concerned basically with the management of people because a tremendous overhaul is under way on human resource management front. These days the thrust is on to create a workplace that motivates, retains, and gets the best out of people. Therefore, different organizations are adopting different strategies. Hewlett

Packard India has exchange his weekly off day for any other day to meet his social commitment and or domestic chores. The Houghes Software Systems has launched an ethics programme called 'integrity' to boost honesty along with productivity. All employees are encouraged to report any unethical practices they observe around them. They want everyone to challenge everything that is wrong in the organization. Stock options are being increasingly favored both as a means of rewards and to promote a sense of ownership that helps organizations in retaining their personnel. In general Electric Company, employees are rewarded through shares for good performance. These shares are usually redeemable after three years and employees gain as the value of the shares increases. The approach seems good but the path to the perfect human resource management is still slippery. Most organizations encounter teething troubles because employees sometimes find the new ideas a bit too radical. Therefore, in the rapidly changing management scenario, Human Resource Management has an important role to play.

## 2.3 CATEGORIES OF PERSONNEL NEEDED FOR HOSPITALS

In modern hospitals, we find different categories of staff working in different capacities. The doctors, nursing staff, para-medical staff, different types of technicians, management personnel contribute substantially to the smooth functioning of the health care organizations. Of course all of them are supposed to work with single motto of making available to the patients the services upto their expectations but they work in different conditions and make use of the different types of technologies. Before we go through management of human resources in hospitals, it is essential that we know about the human resources engaged in hospitals.

**2.3.1 Doctors:** they are considered to be the lever spring of hospitals. Even in this category we find different sub-categories based on credentials, experiences and expertise. These required to be motivated properly so that they work not only with professional comments but also show personal commitments, ethics and humanity. They are required and trained properly so that in addition to the professional excellence they also come to know about the behavioural management. Since we find degeneration in work culture gaining momentum it is pertinent that we also go through the supervision and control.

**2.3.2 Para-medical staff:** In the hospitals, we find a number of para-medical staff working according to their qualifications and expertise. They play an incremental role in improving the quality of hospital services. The diagnostic and treatment process considerably depend on the expertise of para-medical staff. It is essential that are in adequate number and are paid suitably. With the evolving technologies, they also need training facilities . A careful supervision or control is found essential to increase the level of efficiency of the para medical staff.

**2.3.3 Nursing Staff:** they are considered to be the backbone hospitals because in almost all the hospitals, at almost all the points, they are found working with a sense. They need to be given due weightage because despite of their significant contributions to the health care services, we don't find suitable incentives for them. Proper education and training facilities required for nursing staff, sympathy and empathy are found essential for them.

**2.3.4 Technicians:** in addition to para-medical staff, we also find some general technologies for proper functioning of the hospitals. This draws our attention on the personnel needed for managing, power, water, transportation, communications, construction, repairing or so. Since we find the services of hospitals sizeably influenced by the uninterrupted the availability of supporting infrastructural facilities, we need their cooperation at almost all the stages. We need to motivate them so that an increase in the level of their efficiency is made possible. On account of a change in the nature of general technologies, it is pertinent that we make provisions for their training. Besides, we also need to control them.

**2.3.5 Manangement Staff:** in almost all hospitals we find aforesaid categories of personnel working and we also aware of the poor quality of healthcare services made available by a majority of the hospitals. This speaks of the fact that nothing is managed properly. If we don't have an efficient manager. In this context that we talk about hospital management and feel the urgency of different echelons of management to increase the operational or overall productivity of hospitals. We can't deny the fact that professionally-sound and personally-committed managers help health care organizations or hospitals to sub serve the organizational as well as

the social interest. It is high time that the policy-makers or the boardrooms realize the instrumentality of management staff in making possible a radical change in the quality and costs of health care services.

As a hospital manager you bear the prime responsibility of managing hospitals or health care institutions, government or private hospitals, big on small hospitals rural or urban hospitals. We can't deny the fact that management of hospital plays an important role and a hospital manager bearing the responsibility of managing the hospitals requires to assign due weightage to management of hospital personnel. The sophisticated technologies and equipment no doubt play a significant role in the up gradation of quality but ultimately it is quality of personnel assuming a dominance in the entire process of hospital management.

## **2.4 DIMENSIONS OF HUMAN RESOURCE MANAGEMENT**

Being a hospital manager, you bear the responsibility of managing the hospital personnel in a right fashion so that the hospitals and healthcare organizations succeed in getting quality people. Since talk about quality in totality, it is pertinent that the hospitals are made available quality personnel. We can't deny the fact that in a majority of the hospitals, the quality of personnel is not found to be superior which has rapidly been decreasing their levels of efficiency. Not only the patients but even we find hospitals facing the consequences of degeneration in the quality of hospital personnel. We agree with view that a number of hospitals have been made available sophisticated bio-medical equipment in addition to the attractive buildings but ultimately the personnel prove to be a focal point.

A hospital manager while acting or making decisions related to the management of human resources needs to perceive the right meaning of quality hospital personnel so that the task of managing the human resources is found proactive. Your motto is to make the process cost-effective so that the hospitals succeed in minimizing the administration and establishment bills. Your mission is to generate quality hospital personnel so that the hospitals succeed in defending their existence in the society.

## **2.5 SIGNIFICANCE OF HUMAN RESOURCE MANAGEMENT**

Importance of human factor, the only animate resource in the accomplishment of organizational goals, has been growing rapidly. As Drucker remarked, "the resources capable of enlargement can only be human resources. All other resources stand under the laws of mechanics. They can be better or worse utilized but they can never have an output greater than the sum of the inputs. Man alone, of all the resources available to man can grow and develop".

Philosophy of management is also changing in tune with growing importance of human factor. The modern philosophy of management seeks to take in account, the nature of man which confirms the Mc Gregor's theory. According to this theory man is potentially creative, trust worthy and cooperative. He also possesses potential for growth, achievement and constructive action with others.

## **2.6 IMPORTANCE OF HUMAN RESOURCE MANAGEMENT**

### ***2.6.1 For the organization***

- (i) maintaining adequate manpower supply through recruitment, selection, placement, training and promotion policies
- (ii) developing right attitudes and required skills among employees through training, refresher courses, workshops and performance appraisals.
- (iii) Maintaining high morale of workers through incentive schemes, worker's participation in management and proper grievance handling and redressal policies and procedures.
- (iv) Developing good industrial relations by treating the workers as human beings and thus reducing loss caused by – unnecessary strikes and lockouts.

### ***2.6.2 For the employees***

- (i) improving quality of work life through various welfare measures.
- (ii) Enhancing the dignity of labour through worker's participation in management and treating them as human beings.
- (iii) Raising workers morale by giving them opportunities for personal development and job satisfaction.

### ***2.6.3 For the society***

- (i) Maintaining good industrial relations and thus minimizing loss caused by frequent strikes and lockouts
- (ii) Increasing productivity through worker's participation and motivation
- (iii) Better utilization of human resource through proper recruitment, selection, placement and training.
- (iv) Maintaining adequate manpower supply through appropriate man power planning and training policies and procedures.

## **2.7 USE OF HI-TECH MACHINES –AN ADJUNCT TO HUMAN RESOURCE MANAGEMENT**

It is high time for management of all kinds of organizations such as industries, hotels or hospitals to make full use of high-tech machines. Though these machines may seem costly in some of their areas yet they can increase efficiency, save time and reduce human bias to a great extent. So far as industries and hotels are concerned, their management had accepted hi-tech machines in all areas of their work quite sometime back because they had the financial resources. However, management of hospitals prefer to utilize hi-tech machines in that areas only where than can increase the output and accuracy of results such as physiotherapy, medical laboratory, X-ray department, operation theatre, laundry, etc; but not in a department like human resource department where they can work manually. But the fact remains that by using hi-tech machines in this department as well, hospital management will not only be increasing the efficiency of human resource department, but also minimize the human bias factor to a great extent. For example, frequently, there are disputes over late reporting on duty between the time office staff



and employees. Installation of computerized electronic time recorder to record arrival and departure time of employees will be of immense use they will feel that their time has been recorded correctly. Time keeper will have no disputes over the attendance data of employees, and the department heads also can get daily information about man-hour employed and lost by their employees. Thus not only bias factor and differences which generally arise in the minds of employees, their department heads, time keeper and personnel manager will get eliminated, but also daily reports of late arrival and early departure will have a salutary effect on punctuality and regularity. Proxy punching by employees can be prevented, dated received from the computerized electronic time recorder when processed further will produce wealth of information for better manpower planning and management. Departmental summary of attendance will show to each department head the available manpower for each shift. Not only this, all the data required for time office for salary calculation will be available in no time from the computerized electronic time recorder. Thus, installation of just one such machine can avoid misunderstanding which is generally caused by human bias factor and at the same time many reports required by the time office staff, human resource department and concerned departmental heads can be made available within minutes without loss of time.

## **2.8 ROLE OF HUMAN RESOURCE MANAGEMENT IN HOSPITALS**

The hospital, an institution dedicated to the attention of human suffering the treatment of human ailments and the promotion of general health of the community, has to take care of the welfare of those who run it, its personnel. Every individual engaged in the singular service of promoting the cause and mission of a hospital is a vital link in its overall chain, be he a skilled surgeon or an unskilled sweeper. The lower rungs of hospital staff should never be bracketed as 'labour' in trade union terms. They should be, in fact, considered as essential to hospital functioning as a physician or a staff nurse.

Recent trends indicate that employees can no longer be viewed as a commodity . the socialistic pattern of society, the advent of intervention by the state and the overall idea of a welfare state must make the alert manager recognize the importance of human relations and his actions must result in social justice. Workers today are more progressive in their outlook. They are better organized today through trade unions. These factors highlighted the need to motivate them in the right direction, to develop their morale and contribute the happier management-employee relations. Human resource management can no longer be done by intuition or hunch. The human resource manager must be familiar with the relevant findings of the behavioral sciences. He should be aware of the contributions made towards it by psychology, business management and sociology, besides being conversant with the labour laws of the land.\

There are several reasons for this

1. The increasing size of hospitals has made impossible the continuance of the employee-employer relationship in which employee and employer worked side by side, knew each other as individuals and understood mutual problems. In small hospitals such a relationship is still possible. In big hospitals, supervisors have been introduced to function as links between administration and employees; but in most cases, these supervisors are only interested in getting the work done and are

- in need of training in the human relationship which are involved in their own work situation.
2. The increasing complexity of the various problems in dealing with employee relations demands a specially trained individual who can give these problems continued attention so that desirable working relationship may be established among all employees of the hospital.
  3. One of the problems confronting health-care institutions is the lack of adequately-trained personnel. This shortage and the dangers it presents to our expanding health-care needs have been stressed repeatedly by health-care leaders. It is a vital problem that has already led to the deterioration of hospital services in India.
  4. India is facing the problem of brain drain of its personnel. Previously, the United state of America, Australia, Canada and Germany were literally 'snatching away' our trained personnel and scientists. Now the Arabian countries too have started attracting them by offering attractive salaries which no employer can afford to pay in India. Proper human resources management can result in enhanced job satisfaction making it more attractive to remain in India to work.
  5. During the last quarter-century, numerous labour legislations imposing legal restrictions on employment in hospitals, have been passed. It is therefore, essential that a human resource manager well versed in the labour laws can be of immense service.
  6. Proper employee selection, training and control play a vital role in bringing about economy and efficiency in the operation of a hospital. Employee selection, training and control require special skills, time and effort which cannot, usually be provided by the person charged with the general administration work of the hospital.
  7. The rising costs of hospital care have an implication for hospital similar that of rising production costs to the industry. It is essential that unit cost of operation be re-examined to ensure optimum performance by each employee. The worker must be given adequate training and provided with the necessary tools for satisfactory work. He must be given proper guidance. His working conditions must be congenial.
  8. There is a belief that hospital employees are not usually unionizing because they are working in most of the cases, with missionaries and religious bodies. They too become dedicated and do not charter their demands like the employees of industries through their union leaders. But this is not wholly true as most of the hospitals today have unions to fight against poor working conditions, low salary scales and allowances and few fringe benefits prevailing in hospitals in comparison with those in industries.

These factors acquire even more significance when we recognize the hospital personnel are not dealing with machines and tools but with human beings. The human beings with whom these employees are brought in contact with belong to four groups: management, medical staff, patients and visitors. Their dealings with each of these four groups involve a wide range of interpersonal relationships. Unless these relationships are of positive nature, it is likely to affect the functioning of a hospital.

Human resource management functions have always been performed in hospitals too. Employees have been recruited. They might have worked happily or unhappily. They might have left the employment of the hospital in a friendly mood or with resentment. But it is very important in a period of rising costs and shortage of trained hospital employees, that every possible step to taken to reduce employee 'turnover' this is possible by pursuing a course aimed at establishing the best possible human relations. Good personnel practices can produce much better results through employees who are well selected, thoroughly trained and who work under satisfactory working conditions.

## 2.9 HUMAN RESOURCE MANAGER IN HOSPITALS

Every one admits that human resource management being one of the newest of the arts and sciences is yet to be recognized by the hospitals. They admit further that human resource management is one of the most important and complex responsibilities of the hospital administration where more than 50% of the average hospital's total budget is allocated for pay roll alone. However, on close scrutiny of any hospital's board meeting, one will find that 40% of the time at these meetings is spent by the board members discussing finances, 20% buildings and equipments, 15% medical, paramedical and nursing problems, 10% services, 10% public relations and 5% miscellaneous matters including human resource management. In spite of the hospital management realizing the importance of the people oriented nature of hospital administration, the human resource management in hospitals has been too often the victim of the tendency of the part of some hospital administrators to delegate some responsibility to human resource managers with one hand and take it back with the other.

There is no denying the fact that hospital administrators more often than not burden the human resource managers with additional responsibility of looking after miscellaneous matters such as hospital transport, house -keeping, public relations, besides the main responsibility of recruitment of personnel. However, in practice, the administrative team nor they given directions to the line managers to take seriously the counseling of the human resource managers. In the absence of the above, the line managers are likely to about the personnel of their own. However, if the hospital administrator makes it clear to the line managers that the advice of the human resource manager is to be taken seriously, its influence on day-to-day decisions will grow. However, much will depend on the proficiency of the human resource manager in giving them helpful counsel without trying to usurp their power and authority. In short, if the hospital administrator gives due importance to the human resource manager in the hospital administration, he (human resource manager) can recommend, counsel and counsel and cooperate with the line managers, and they to increase their efficiency. Only then the hospital administrators can expect from the human resource managers the production of programmes which afford employees the opportunity for continued self-development and the possibility of realizing their potentialities

Though there is a human resource development institute in New Delhi, yet it has not conducted any survey in hospitals according some reliable source of the knowledge of information. Therefore, it is difficult to give a profile of human resource managers based on a study, but the author will like to share his experience on the basis of his knowledge that human resource managers have not been employed even in 1% of the health care institutions in India.

However, wherever they have been employed, they are getting salary between fifteen to twenty thousand rupees per month on average, they are postgraduates or diploma holders either in personnel management or in human resource management; they possess five to fifteen years of experience to their credit. Human resource managers are particularly remembered when the hospital administration is in trouble either due to strike/demonstration threat given by the employees/their unions, or en masse resignations received from the medical/paramedical/nursing personnel, or another the smallest department in the hospital. Whenever any replacement or extra person is required in any department, requisition for recruitment of personnel duly approved by the hospital administrator is forwarded to the human resource department, which thereafter is primarily responsible to notify the vacancy in the employment exchange or to place an advertisement in the newspapers, conduct interviews and complete necessary formalities with regard to the appointment.

Human resource managers focus the attention of the hospital administrator and medical superintendent upon the social and psychological needs of the hospital. He does this by giving sound advice to them. Therefore, he is to serve them as one of the organization leaders. He must be an active member of the top administrative team, should participate in organizational planning by projecting the organization into the future, evaluate the present manpower and develop programmes to improve skills by conducting surveys which indicate staffing patterns in similar organizations in the region, and compare them with his own organization.

## **2.10 TIPS FOR HUMAN RESOURCE MANAGERS IN HOSPITALS**

Human resource managers should always keep in mind that they are working in health care organizations which render the highest and noblest form of service to the public at large through a team of dedicated and committed personnel. Being entirely people oriented institutions, people from the axle of health care institutions and their development become the prime concern of the human resource managers. Therefore, they should develop team spirit amongst their personnel who have diverse social, educational, ethnic and economic backgrounds. By keeping management, philosophy and organizational goals in their minds, they should frame recruitment policy, salary structure, appraisal system, training programmes, channels of human resource development, motivation, sound communication policy, grievance redressal procedures, etc. Their aims should be to employ and retain dedicated and committed personnel not only at the top level but all levels and at all costs. They should see to it that there is proper distribution of personnel in all departments of hospital. There should neither be shortage of skilled and managerial personnel in one department nor surplus in another. No decision should be taken which would lower the morale of personnel because health care organizations in particular, cannot afford to do that. They should leave no stone unturned to motivate their employees by adopting a fair and suitable salary structure, employees welfare schemes, incentive schemes, promotion policies, effective communication system, and effective supervision. Human Resource Managers often have to deal with employees who may be creative as well as trouble shooters. They should try to provide an environment in which creative employees can flourish and show their creativity, e.g., surgeons of high caliber, or skilled workers of maintenance and food service departments. However, troublesome employees should be handled rather tactfully, and carefully. The goal should be to clarify and firmly warn them of their unbecoming and unwanted behavior and lay

down clearly what is expected of them. The sooner they fall in line with, the better it would be for both the employees and the organization. Human resource managers should remember that employees whether of industries or of well organized through their trade unions. Thus human resource management has become a challenging profession ever than before. Therefore, human resource managers are not only required to have through knowledge of human resource management but also of psychology of human behavior and prevalent labour laws of the land because at times they may have to take a tough stand and advise their management accordingly. Before advising the management to take strict disciplinary action they should ensure fairness, and the erring employees should be provided sufficient opportunities to mend themselves. It is because the ultimate aim of human resource managers is to build team morale by taking good care of their employees at all levels so that the organization keeps going and continues to serve the sick persons.

Human resource management gives more emphasis on human aspect and believes in providing them as much amenities as it can by adopting human approach towards them. It develops among its employees a sense of commitment to achieve the overall goals and objectives of the organization. It considers personnel as resources rather than as costs. Recently dynamic and enlightened management have started conducting value based training workshops cherishing Indian culture, tradition and ethos because they believe that management skills and practices have their origin in the ancient values of India. It is heartening to not that there is an increasing appreciation and recognition of this fact.

Now the management experts like to give examples from the holy Ramayan, Gita, Bible, Guru Granth Sahab and Quran to inculcate good habits and to make them good employees committed to their work as well as their family. They think urbanization, industrialization and breaking of joint families have caused more harm than good and its is the duty of employer to guard them of their ill effects. No wonder, some employers have gone to the extent of creating a working atmosphere affection and trust which can get the best out of their employees as partners and not as workers as suggested by Mahatma Gandhi. In this way, Indian organizations which are headed by professionally qualified ideas are giving a lead on the human resource management front. Their employees have started realizing that what they are learning is actually helping them participate better in the system including their workplace, family and the society at large. This is a real attitudinal change being brought about by the human resource managers.

## 2.11 SUMMARY

Thus human resource management is a staff function through which managers recruit, select, train and develop their employees and develop the organization as well. It can assure the organization of an adequate, timely and constant supply of skilled as well as unskilled employees. The success of human resource department is largely dependent on the way that treat their employees, formulate policies and recruit personnel. If they formulate just and fair policies, their success will be thrity three percent.

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of the organization. It considers personnel as resources rather than as costs. Recently dynamic and enlightened management have started conducting value based training workshops cherishing Indian culture, tradition and ethos because they believe that management skills and practices have their origin in the ancient values of India. It is heartening to not that there is an increasing appreciation and recognition of this fact

## 2.12 KEY WORDS

**Para-medical staff:** In the hospitals, we find a number of para-medical staff working according to their qualifications and expertise. They play an incremental role in improving the quality of hospital services. The diagnostic and treatment process considerably depend on the expertise of para-medical staff

**Nursing Staff:** they are considered to be the backbone hospitals because in almost all the hospitals, at almost all the points, they are found working with a sense

**Technicians:** in addition to para-medical staff, we also find some general technologies for proper functioning of the hospitals. This draws our attention on the personnel needed for managing, power, water, transportation, communications, construction, repairing or so

## 2.13 SELF – ASSESSMENT QUESTIONS

1. Discuss the Need of HRM in Hospitals
2. Explain the Categories of Personnel Needed for Hospitals
3. Describe the Dimensions of Human resource Management
4. Analyse the significance of Human Resource Management
5. Explain the Human Resource Management
6. Describe the Role Of Human Resource Management in Hospitals.

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**LESSON – 3****HUMAN RESOURCE PLANNING****3.0 OBJECTIVE**

- To the end of this lesson students are able to understand the concept and process of human resource planning.
- Students are learning how to forecast the required human resources quantitatively and qualitatively.
- Students may know the techniques of forecasting the qualitative and quantitative human resources.

**STRUCTURE****3.1 Introduction****3.2 Objectives of Human Resource Planning****3.3 Definitions of Human Resource Planning****3.4 Growing Importance****3.5 Meaning and Significance****3.6 HRP at Different Levels****3.6.1 National level****3.6.2 Sectorial level****3.6.3 Industry level****3.6.4 Unit level****3.6.5 Departmental level****3.6.6 Job level****3.7 Process of Human Resource Planning****3.7.1 Demand Forecasting****3.7.1.1 Managerial Judgment****3.7.1.2 Statistical Techniques****3.7.1.3 Work Study Techniques****3.7.2 Supply Forecasting****3.7.2.1 Existing Inventory****3.7.2.2 Potential Losses****3.7.2.3 Potential Additions****3.7.3 Analysing Sources of Supply****3.7.4 Estimating the Net Human Resource Requirements****3.7.5 Action Plan for Redeployment, Redundancy, Retrenchment****3.7.6 Forecast Future Supply from All the Sources****3.7.7 Action Plan for Recruitment, Development Etc.,****3.7.8 Modify the Organizational Plan****3.7.9 Retention Plan****3.7.10 Control and Review Mechanism****3.8 Summary****3.9 Key Words**

### **3.10 Self Assessment Questions**

### **3.11 Books Suggested For Further Reading**

## **3.1. INTRODUCTION**

Man power planning is the prime function of the hospital human resource manager but before he starts filling individual jobs, he should consider the overall management problem of making the best use of available human resources. Just as the controller of finance budgets for best use of financial resources, the human resource manager is basically concerned with budgeting for best use of human resources. Man power planning calls for the integration of information, formulation of policies and forecasting of future requirements of human resources so that the right personnel are available for the right job at the right time.

## **3.2. OBJECTIVES OF HUMAN RESOURCE PLANNING**

The important objectives of manpower planning in an organization are : (i) to recruit and retain the human resource of required quantity and quality; (ii) to foresee the employee turnover and make the arrangements for minimizing turnover and filling up of consequent vacancies; (iii) to meet the needs of the programmes of expansion, diversification etc.; (iv) to foresee the impact of technology on work, existing employees and future human resource requirements; (v) to improve the standards, skill, knowledge, ability, discipline etc.; (vi) to assess the surplus or shortage of human resources and take measures accordingly; (vii) to maintain congenial industrial relations by maintaining optimum level and structure of human resources; (viii) to minimize imbalances caused due to non-availability of human resources of right kind, right number in right time and right place; (ix) to make the best use of its human resources; and (x) to estimate the cost of human resources.

## **3.3. DEFINITIONS OF HUMAN RESOURCE PLANNING**

E.W.Vetter viewed human resource planning as “a process by which an organization should move from its current manpower position to its desired manpower position. Through planning management strives to have the right number 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-run benefit.”

According to Leon C. Megginson human resource planning is “an integrated approach to performing 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.”

Human resource planning may be viewed as foreseeing the human resource requirements of an organization and the future supply of human resources and (i) making necessary adjustments between these two and organizational plans; and (ii) foreseeing the possibility of developing the supply of human resources in order to match it with requirements by introducing necessary changes in the functions of human resource management. In this definition, human resource means skill, knowledge, values, ability, commitment, motivation etc., in addition to the number of employees.



### 3.4 GROWING IMPORTANCE

Corporate manpower planning was practically unknown in the non-communist world before the sixties. Today, a large number of industrial organization business houses, and financial institutions have developed their own systems of human resource planning (manpower planning). Not only in Europe and North America. Interest in micro level manpower planning as an indispensable part of human resource management is fast growing in many individual undertakings even in the third world countries.

The Indian industrial and business organizations are currently passing through an era of rapid changes. The new industrial policy announced by the Government has accelerated the growth of industrial activities, particularly by inviting foreign investment and participation of multinational companies (MNC's). It has started making heavy demands on the management of the corporate sector in India. In the new era of liberalization and globalization, emphasis is placed on improving quality of goods and services, cutting down the cost (competitive prices), Competitive edge and sustained growth. Such expansion linked with massive changes in the industrial arena naturally call for greater attention to planning for human resources.

### 3.5 MEANING AND SIGNIFICANCE

Corporate manpower planning refers to the application of planning process in order to access the requirements of manpower and also for processing, utilizing and developing the human resources at the level of the enterprise for the attainment of corporate objectives of the organization.

In the final analysis human resources are the most important element which determine the success and failure of an organization. The need for having the right number of personnel of relevant categories and of utilizing them properly assumes special significance. In this respect, an organization cannot afford either to be overstaffed or understaffed. If over-staffed, the productivity per man would fall, the labour courts would unnecessarily rise and there would be problems of work, place accommodation, proper distribution of work, fall of moral and all other problems connect ed with redundant manpower. On the other hand, if the organization is undermanned, the volume and the quality of work would suffer the time-schedule of production may not be maintained orders may be delayed and there may even be industrial relation problems. Moreover, retrenchment and layoff being undesirable and attains rather dangerous for the management, once some men are taken even to meet the rise in the level of work on a temporary basis, it is very difficult to throw them out. Employment of the right number of personnel without any surplus and shortage thus is very important for the organization today. Manpower planning, by forecasting the future requirements as well as the supply of manpower and also by identifying ways and means of removing any imbalance cardinal role in this regard.

### 3.6 HRP AT DIFFERENT LEVELS

Different institutions make HRP at different levels for their worn purposes, of which national level, industry level, unit level, departmental level and job level are important.

**3.6.1 National level:** Generally government at the centre plan for human resources at the national level. It forecasts the demand for and supply of human resources for the entire nation.

**3.6.2 Sectorial level:** Manpower requirements for a particular sector like agricultural sector, industrial sector tertiary sector are projected based on the government policy, projected output/operations etc.

**3.6.3 Industry level:** Manpower needs of a particular industry like cement, textile, and chemicals are predicted taking into account the output/operational level of that particular industry.

**3.6.4 Unit level:** This covers the estimation of human resource needs of an organization a company based on its corporate plan.

**3.6.5 Departmental level:** This covers the manpower needs of a particular department in a company.

**3.6.6 Job level:** Manpower needs of a particular job family within department like mechanical engineers are forecasted at this level.

### **3.7 PROCESS OF HUMAN RESOURCE PLANNING**

**Analyzing Organizational Plans:** The various plans like production plan, marketing plan, plans for expansion, diversification etc., are analysed to know the quantum of future work activity.

**Demand Forecasting:** Forecasting the overall human resource requirements in accordance with the organizational plan.

**Supply Forecasting:** Obtaining the data and information about the present inventory to human resources and forecast the future changes in human inventory.

From the above three steps the actual and required manpower situation can be known. Basing that information people are recruited if required. In case the analysis shows a surplus than the excess manpower is redeployed a retrenched or laid off as per the convenience of the organization.

**Action plans for redeployment/retrenchment:** In case of future surplus, plan for redeployment, retrenchment and lay-off. In case of future deficit, forecast the future supply of human resources from all sources with reference to plans of other companies.

**Action plans for recruitment:** Plan for recruitment, development and internal mobility in future supply is more than or equal to net human resource requirements. Plan to modify or adjust the organizational plan if future supply will be inadequate with reference to future net requirements.

#### **3.7.1 Demand of Forecasting**

Forecasting the overall Human Resource requirements:

The existing job design and analysis may thoroughly be reviewed keeping in view the future capabilities, knowledge and skills of present employees. Further the jobs should be redesigned and reanalyzed keeping in view the organizational and unit wise plans and

programmes, future work quantum, future activity or task analysis, future skills, values, knowledge and capabilities of present employees and prospective employees. The jobs generally should be designed and analysed reflecting the future human resource and based on future organizational plans. Job analysis forecasts about the future components of human resource whereas demand forecasting is the forecasting of the quality of human resource in addition to quantity of human resources. Important forecasting methods are (a) Managerial Judgment (b) Statistical method and (c) Work Study techniques.

### 3.7.1.1 MANAGERIAL JUDGMENT

Most of the small and unorganized industries cannot have systematic data-banks for man power information and job analysis. Such organizations resort to the management judgment approach under this method the managers or supervisors who are well under this method the managers or supervisors who are well acquainted with the work load, efficiency and ability of employees, think about their future work load, future capabilities of employees and decide on the number and type of human resources to be required. This is done by the supervisors concerned who send the proposals to the top officials for approval. Under this bottom-up approach, the management at the top compares the proposals with the organizational plans, makes necessary arrangements and finalise the plans.; Alternatively this exercise can also be done by the top management which in turn sends the information at the top prepares the organizational plans, departmental plans and human resource plans. But the best approach is participative approach where both the management at the top and supervisors at the bottom meet and decide on the human resource needs based on the experiences of the supervisors and plans formulated by the top officials.

**3.7.1.2 Statistical Techniques:** There are two types of statistical techniques useful for human resources planning viz.,

(i) Ratio- trend analysis and (ii) economic models.

(i) **Ratio-Trend Analysis:** Under this method, the ratios are calculated, for the past data relating to number of employees of each category and production level, sales level, activity level, work load level and direct employees and indirect employees. Future production level, sales level, activity level/work load are estimated with an allowance for changes in organization, methods and jobs. Future ratios are also estimated when these changes come in organization and human resource. Then future human resource is calculated on the basis of established ratios. The following example gives clear idea

Present level of production	(1-1-2008)	3,000 Units
Present number of foremen	(1-1-2008)	6
Ratio is 6: 3,000 i.e., 1: 500		
Estimates Production on	(1-1-2009)	10,000 Units
Foremen required as on	(1-1-2009)	20

(Without giving any provision for changes)

- (ii) **Econometric Models:** Econometric models from human resource planning are built up by analyzing the past statistical data and by bringing the relationship among variables. These variables include those factors which affect man power requirement directly and indirectly like investment, production., sales activities/work load etc. The econometric model or formula is used to forecast man power needs based on movements in various variables.

### 3.7.1.3 Work Study Techniques:

These techniques are most suitable when the volume of work is measurable. Under this method, total production and activities in terms of clear units are estimated in a year. Man hours required to produce/performance each unit is calculated. Work ability of each employee is estimated in terms of man hours after giving due weightage to absenteeism, rest etc., Then the required number of employees is calculated. The following example gives clear idea.

- |       |   |   |            |
|-------|---|---|------------|
| (i)   | Planned operations during the year<br>2008 (for Clerical Selection of Personnel<br>Department of ABC Corporation Ltd.,) | = | 1,60,000   |
| (ii)  | Standard man hours needed to perform each<br>Unit in 2008   | = | 0.25 hours |
| (iii) | Planned man hours needed per year<br>In 2008  | = | 40,000     |
| (iv)  | Work ability per employee in man hours<br>In the year 2008  | = | 2,000      |
| (v)   | Number of employees required in 1997 for<br>Clerical Selection of Personnel<br>Department of ABC Corporation Ltd.,      | = | 40,000     |

Another classification of methods of Human Resources Demand estimation are:

- (i) Estimates based on opinions of departmental heads. This method is similar to managerial judgment.
- (ii) Imitation of existing practices in other organization in the country and/or abroad. This method may be used as a supplementary device for checking the authenticity of the methods adopted.
- (iii) Organization – cum – Succession charts and superannuation data.
- (iv) Work study method. It includes ascertainment of output target, operationalise output targets, find basic labour requirements for each operation or segment of production schedule. This is similar to economic models.
- (v) Estimation based on technology, equipment, layout and design considerations.
- (vi) Estimation based on various laws,. Some laws affect the quantity of HR whereas some laws affect the composition of HRs.
- (vii) Historic record of production.
- (viii) Job analysis

- (ix) **Statistical methods:** The two important types are projection of basic manpower ratios and regression and correlation analysis. This is similar to statistical techniques.

After estimating the overall human resource requirements the present human resource inventory be obtained.

**3.7.2 Supply forecasting :**The first step of forecasting the future supply of human resource is to obtain the data and information about the present human resource inventory.

**3.7.2.1 Existing inventory:**The data relating to present human resource notary in terms of human resource components, number, designation – wise and department – wise should be obtained. Principal dimensions of human resources inventory are.

- (i) Head counts regarding total, depart-wise, sex-wise, designation-wise, skill-wise, payroll-wise etc.,
- (ii) Job Family Inventory : It includes number and category of employees of each job family, i.e., all jobs related to some category like clerks, typists, cashiers, stones etc., each sub jobs-family, i.e., all jobs having common job characteristics (skills, qualification, similar operations) like production engineer (mechanical) and maintenance (mechanical) and based job families like general administration, production, etc.,
- (iii) Age inventory: it includes age-wise number and category of employees. It indicates age-wise imbalance in present inventory which can be correlated in future selections and promotions
- (iv) Inventory of skill, experience, values, capabilities
- (v) Inventory of qualifications and training including minute qualifications and training received.
- (vi) Inventory of salary grades – pay-wise, allowance –wise and totally salary-wise
- (vii) Sex-wise inventory
- (viii) Local and non-local –wise inventory
- (ix) Inventory of past performance and future potentialities

#### **3.7.2.2 Potential Losses:**

The second step of supply forecasting is estimation of future losses of human resources of each department and of entire organization potential losses to organization includes voluntary quits, deaths, retirements, dismissals, lay-off, disablement due to ill health or involvement in accidents, loss of values, aptitude etc., due to change in the attitude of existing employees towards the job, department and organization.. Potential losses to particular department of sub units includes factors like promotions out, transfers out and demotions out.

The reason for potential loss can be classified as: (a) permanent total loss : (b) permanent partial loss (c) Temporary total loss ; and (d) Temporary partial loss.

- (a) Permanent Total Loss is due to labour turnover, labour turnover is measured by following formula.

$$\text{Labour turn over rate} = \frac{\text{Number of Employees left during specified period}}{\text{Average number of employees left during the same period}} \times 100$$

- (a) Management has to calculate the rate of labour turnover, conduct exit interviews regarding dismissal etc. This helps to forecast the rate of potential loss, reasons for loss etc., and reduce loss. Management also calculates labour stability index (rate of employees with certain period of experience to total number of employees), survival rate (The portion of employees who are engaged in certain periods who remain with the firm after so many months or years of service) which helps the management to encourage stability and minimize undesirable turn-over.
- (b) Permanent partial loss consists of wastage of skills, capabilities etc., due to ill health and involvement of employees in accident. Such loss can be estimated on the basis of health of employees, working conditions and occupational diseases in organizations, safety measures provided and past data relating to sickness rate and accidents rate. These data not only help to estimate loss of some components of human resources like physique, ability etc., but also suggest measures to be taken in order to minimize loss of human resources. Concussions of morale studies or surveys are helpful to forecast the loss of values, aptitude etc., of the existing employees.
- (c) Temporary total loss of human resource is due to absenteeism and depositions out. ; Past data about absenteeism, the reasons therefore, measures already taken or under implementation to minimize absenteeism help to forecast loss of human resource due to absenteeism loss of human resources due to depositions can be anticipated through agreements of one organization or employees with other organizations.
- (d) Temporary partial loss includes consultancy, advisory and other services offered by the employees to others. Potential additions should also be estimated after forecasting potential loss.

### 3.7.2.3 Potential Additions

Similar to potential loss there will also be additions to the present inventory to human resource. Potential additions are new hires, promotions in, transfers in, and demotions in (a) permanent total (b) permanent partial (c) Temporary total and (d) Temporary partial.

Permanent total additions to the organizations consist of new hires. It can be estimated based on work-load; interim programme etc, permanent total additions in case of departments includes promotions, demotions and transfers within the organization. These addition can be estimated based on detailed programme permanent partial additions consists of acquisition of new skills, knowledge, values, aptitude etc., by the existing employees.

This addition can be foreseen with the help of morale studies, surveys organizational programmes, general level of values etc. Deputation in, are estimated on the basis of agreement of the organization, with the employees of the other companies. Consultancy, and advisory

services needed are estimated based on future changes in technology and special programme or activities to be undertaken.

The multiple effects of promotions and transfers on the total moves should be analysed and taken into consideration in forecasting changes in human resource supply in various departments. For example, if one officer in grade C is promoted to Grade D, three more employees will also get promotions (clerk to officer A, officer B, officer B to Officer C). Thus, there are four moves for one promotion. The rates of moves for promotion at higher level are relatively greater than those at lower level.

The difference between the potential loss and potential additions is to be added or subtracted as the case may be to the present inventory of human resource in order to forecast the supply of man power.

### **3.7.3 Analysing Sources Of Supply**

After estimating future supply of human resources, sources of supply should be analysed with a view to ensure the availability. Both internal and external factors affecting manpower supply should be analysed. Internal factors include training facilities, salary levels, benefits, inter-personal relationship, company relationship, company programmes, scope for self advancement and growth, promotional opportunities, pride for creative and innovative ideas, providing challenging work etc.,

The external factors are classified into local factors and national factors.

Local factors are population density in the area, local unemployment level, availability of employees of part time, temporary and casual basis, current and future competition for the similar categories, outcome from local educational and training institutes, local transport and communication facilities, availability of man power with required qualifications and skills, the pattern of immigration and migration, local housing, shopping, medical facilities, regulations, of local government like reservation of local candidates, candidates belonging to scheduled, backward and minority communities etc.,

*National Factors Include:* Trends in growth of working population, training institutes and scheme in the country, outcome from technical, professional and educational institutes in the country. Social security measures (like unemployment benefits, layouts, retirements benefits etc.) cultural factors, customs, national demands for certain categories of man power like technologists, scientists, management graduates, computer professional etc.,

### **3.7.4 Estimating The Net Human Resource Requirements**

Net human resource requirements in terms of number and components are to be determined in relation to the overall human resource requirements (demand forecast) for a future date and supply forecast for the date. The human difference between overall human requirements and future supply of human resource is to be found out.

### ***3.7.5 Action Plan For Redeployment, Redundancy Retrenchment***

If future surplus is estimated, the organization has to plan for redeployment, redundancy etc.,. If surplus is estimated in some jobs/departments employees can be redeployed in other jobs/departments where the deficit of employees estimated organization should also plan for training or reorientation before redeployment of employees. Redeployment taken place in the form of transfers in the deficit is not estimated in any job/department and surplus is estimated for the entire organization, the organization, in consultation with the trade unions, has to plan for redundancy or retrenchment.

Redundancy plan includes: Type and number of employees time of and place of retrenchment, type of help to be extended to retrench employees in the form of compensation, help in getting new job, and priority in filling future vacancies.

### ***3.7.6 Forecast Future Supply From All The Sources***

If deficit is estimated in any department and in the entire organizations, managements has to forecast future supply of human resources from various sources like internal sources, comparable organizations, educational and training institutes, employment exchanges labour market etc.,.

### ***3.7.7 Action Plan For Recruitment, Development Etc.,***

If the future forecast relating to future supply of manpower from internal sources of the organizations shows favorable trends, the management may prefer internal candidates and plan for promotion, transfer, training and development. It suitable candidates will not be available from internal sources and, if the forecasts relating to future supply from external sources indicate the availability of required human resources, plan for recruitment and selection.

The promotion plan includes, establishing of the ratio of internal promotional channel, reservations in promotions, etc. The transfer plan includes channel, company rules regarding organization initiated transfers and employee initiated transfers.

The training and development plan covers areas to be developed, training techniques, training time, training programme, availability of trainer, in plant training or institute training, new courses to be developed or changes to the existing courses, cost benefit analysis of training, development of the employees and matching of their improved skill with future job requirements etc.,.

The productivity plan includes maximization of productivity or minimization of labour cost per unit output through technological changes, improving/stream lining methods, procedures and systems, productivity bargaining, training, financial, incentives, developing various scheme, motivation, commitment, organization development programmes, job enrichment/enlargement, participation etc., it ;also includes improving of productivity efficiency.



Recruitment and selection plan covers the number and type of employees required, why they are required for the job, time necessary for recruitment and selection process, recruitment sources, recruitment techniques to be used, selection of the required candidates. It also covers the time factor for induction preliminary training and placement.

### ***3.7.8 Modify The Organizational Plan***

If future supply of human resources from all the external sources is estimated to be inadequate or less than the requirements, the manpower planner has to suggest the management to alter or modify the organizational plan.

### ***3.7.9 Retention Plan***

Though there is the problem of unemployment, organizations experience shortage of some categories of employees. And some organizations experience shortage of some other categories of employees due to employee mobility. Hence, the organizations have to plan for retention of the existing employees by improving the quality of work life.

### ***3.7.10 Control And Review Mechanism***

After the action plan is implemented regarding redeployment (like promotion, transfer, demotion), redundancy/retrenchment, recruitment, selection, training, development and retention, human resources structure and system should be controlled and reviewed with a view to keep them in accordance with the plan.

## **3.8 SUMMARY:**

The demand and supply forecasting which come under the preview of HRP are important functions in every organization. They form the basis for a number of other activities which follow the process of HRP. Those activities include searching for prospective human resources, attracting them to the (work organization finding out suitability to the job and organization.) Requirements and finally taking steps to absorb those human resources as organs of the company.

## **3.9 KEY WORDS:**

***Human Resource Planning:*** The process of getting the right number of qualified people into the right job at the right time, so that an organization can meet its objectives.

***Potential:*** capable of being developed

***Productivity:*** The quantity or volume of the major product or service that an organization provides. It includes capital investments, innovation, learning, and an employee's motivation.

***Supply Forecasting:*** Obtaining the data and information about the present inventory to human resources and forecast the future changes in human inventory

**Demand Forecasting:** Forecasting the overall human resource requirements in accordance with the organizational plan.

### **3.10 SELF ASSESSMENT QUESTIONS**

1. Briefly outline the methods of Demand Forecasting?
2. What is supply forecasting? What is the factor to be considered in supply forecasting?
3. Briefly explain the process of Human Resource Planning?

### **3.11 BOOKS SUGGESTED FOR FURTHER READING**

1. Flippo E.B. Personnel Management Tata McGraw Hill, New Delhi.
2. Werther. W.B. and Davis Kieth. Human Resources and Personnel Management, Tata McGraw Hill, New Delhi.
3. Michael V.P. Human Resources Management and Human Relations. Himalaya Publishing House, New Delhi.

**LESSON – 04****JOB ANALYSIS AND DESIGN; CONCEPT,  
PROCESS, METHODS, COMPETENCY  
DETERMINATION, USES OF JOB-ANALYSIS****4.0 OBJECTIVE**

- The students are enabling to understand the concept of job analysis.
- Students can distinguish the concepts of job description and job specification.
- They have clear understood on uses of job analysis.
- To know about the competency determination.
- To understand the methods of Job Analysis

**STRUCTURE****4.1. Introduction****4.2. Job Analysis: Definition****4.3. Job Analysis Process****4.3.1 Birds-Eye View of Job Structure in the Organisation****4.3.2 Selection of Job for Analysis****4.3.3 Data Resourcing For Job Analysis****4.4. Techniques of Job Analysis****4.4.1 Interview****4.4.2 Questionnaire****4.4.3 Types of Questionnaires****4.4.4 Observation****4.4.5daily Records****4.5. Job Description****4.6. Job Specification****4.7 Methods of Collecting Job Analysis Data****4.7.1 Job Performance****4.7.2 Personal Observation****4.7.3 Critical Incidents****4.7.4 Interview****4.7.5 Panel of Experts****4.7.6 Dairy Method****4.7.7 Questionnaire Method****4.7.7.1 The Position Analysis Questionnaire (PAQ)****4.7.7.2 Management Position Description Questionnaire (MPDQ)****4.8 Competency Determination****4.9 Uses of Job Analysis****4.9.1 Human Resource Planning****4.9.2 Recruitment****4.9.3 Selection**

**4.9.4 Placement and Orientation****4.9.5 Training****4.9.6 Counseling****4.9.7 Employee Safety****4.9.8 Performance Appraisal****4.9.9 Job Design and Redesign****4.9.10 Job Evaluation****4.10. Summary****4.11. Keywords****4.12. Self Assessment Questions****4.13. Suggested Books for Further Reading****4.1. INTRODUCTION**

To fulfill its goals, any organization must first go for a good recruitment and selection procedure, keeping in mind the exact requisites of the organization. The basis for job definition has been provided by job analysis and job description.

Job can be defined as duties and responsibilities which an individual employee is assigned to discharge. A job consists of numerous activities which are performed to complete it. When these activities are clubbed together it is called job.

After understanding a job and what it entails, let us step by step proceed further to understand more about the job and its performance.

- Job analysis
- Job description
- Job evaluation
- Job specification

For example, there is a need for telephone operator in the organization. The job of a telephone operator is a job under which various activities are to be performed. Job analysis is a systematic process of collecting data and making certain judgments about all the important information related to the nature of a specific job i.e. the whole job is broken into various activities to be performed.

- Activities of a telephone operator are:
- Receiving calls
- Recording messages
- Maintaining the entire telephone system
- Transferring calls

Results of job analysis serve as input for job description. Data of job analysis is summarized into format of a job description form which contains.

1. Identification of a job by its title.
2. Definition of a job: What it entails and the various activities.

Jobs are then evaluated as per the importance and weightage in the organization. Job evaluation helps in fixing wages and salaries accordingly.

Job specification on the other hand tells about the attributes required in a person to perform the job. For example attributes of a telephone operator are ----

1. Minimum education (can read, write and understand)
2. Professional qualification experience
3. Clear diction
4. Prompt in action
5. Basic etiquettes.

Let us now study in detail each aspect of a job.

## **4.2 JOB ANALYSIS DEFINITION**

A Job analysis is a systematic exploration of the activities within a job. It is a basic technical procedure, one that is used to define the duties, responsibilities, and accountabilities of a job. This analysis involves compiling a detailed description of tasks, determining the relationship of the job to technology and to other jobs and examining the knowledge, qualifications or employment standards accountabilities and other incumbent requirement.

In fewer words, we can say that a job analysis indicates what activities and accountabilities the job entails. There is no mystery to a job analysis; it is just an accurate recording of the activities involved.

In recording these activities, we are simply gathering information. And while every job is multifaceted, we must confine our information gathering to specific job attribute

## **4.3. JOB ANALYSIS PROCESS**

It involves various steps needed to be followed for successful job analysis.

### ***4.3.1 Birds-Eye View of Job Structure in the Organisation***

This implies that a macro view of the organizational activities divided into jobs is taken. Such a view enables an inference of the interconnections between jobs, as also between jobs and the organizational objectives. The productivity or efficiency of each job is also determined. Tools used for such an analysis include the organization map and process flow charts. Such flow charts show how the job in question relates to other jobs and where it fits in the over all organization. These charts also define the responsibility and authority of each specific job.

### ***4.3.2 Selection of Job for Analysis***

Job analysis is not a very simple and quick process. Infact a comprehensive and effective job analysis is quite time consuming. Thus it is always better to prioritise the representative jobs for analysing.

### ***4.3.3 Data Resourcing for Job Analysis***

There are numerous ways of collecting data on the responsibilities and tasks entailed on the job. The data for job analysis can be normally collected from the following sources:

- The Human Resource Manager

- The Employee at the job
- The Employee supervisor, who inspects his employees task
- Consultants in the particular field.

#### 4.4. TECHNIQUES OF JOB ANALYSIS

1. Interview
2. Questionnaire
3. Observation
4. Data from Daily Log Books.

##### 4.4.1 Interview

Interview is probably the most widely used method for determining the job duties and responsibility. It allows the employee to report activities and duties which would be otherwise difficult to get. Interview entails a direct approach to the people actually in the job. The interviewees are asked questions related to the job and their experiences in it. Thus it is getting the data directly from the horses' mouth. Interview being based on a personal involvement such data should give information about all possible requirements of the job e.g. about the nature of job and the proportional skills needed in the jobbers, etc. The methods of data collection can be many, but care should be taken in selecting a method that best suits the organization's objectives, resources and requirements. Needless to say that data, irrespective of the process by which it is procured, must be reliable.

##### 4.4.1 Interviews may be conducted in two formats

Separate interview with each employee is conducted if personal attributes of those at the particular job, are to be observed. Also when an employee is at work on an individual basis, it makes no sense to call him for being interviewed in a group. Thus, a mechanic, draftsman, driver, etc., would be called for *individual interview*. Group interview as a corollary, would thus imply an interview conducted on a large number of people performing similar works, with work of one employee being interrelated with the other employees work. A supervisor working over a group of workers may also be interviewed thus making this an indirect group interview or an individual interview.

Care must be taken by the interviewer in framing questions that will give the maximum information regarding the job.

##### 4.4.2 Questionnaire

This consists of a set of questions, printed or hand written. The questionnaire is then sent out to the concerned employees seeking their replies to the questions posed in the questionnaire. Drafting a questionnaire requires a lot of intelligence because the words of the question communicate to the reader, what he is asked. Thus the language of the questions must be simple reader-friendly, clear, unambiguous and as unoffending as possible. The questions must relate to the answer and extract as much information about the job as possible. Once the questionnaire is fully filled up by the answer, it is to be sent back to the sender of the form. Answers on the form are then analysed, researched and a profile of actual job requirement is developed.

#### **4.4.3 Types of Questionnaires**

- CODAP ---Comprehensive Occupational Data Analysis Programmes.
- PAQ ----Position Analysis Questions
- FJA----Functional Job Analysis.
- MPDQ ----Management Position Description Questionnaire.
- JAIF ----Job analysis Information Form

#### **4.4.4 Observation**

Direct observation is useful when the job is of a physical activity i.e. the productivity is measurable. But where the output is of a mental caliber or where the work is of a creative nature, it is obviously difficult to measure the output e.g. writers, copywriters, journalists etc. In such a situation observation is neither reliable nor preferable.

#### **4.4.5 Daily Records**

Usually in order to systematize their tasks, employees maintain a diary or a roster of their custodian's activities, mentioning, his responsibilities and duties, as also job-objectives. Occasionally, a note is made of the various problems and hurdles that an employee facts during the daily discharge of his/her duties. A caveat to be added here is that, such chronological records may give more than needed and sometimes rather useless information too. Likewise, some useful information may not be mentioned at all. Thus, in order of priorities, preferably this method should be chosen only after usage of other methods is either not possible or, has already been made.

### **4.5. JOB DESCRIPTION**

One of the chief and most useful products of job analysis is job description. Job description as mentioned before delineates the various duties, responsibilities and tasks involved in the job. Ideally, a job description must contain knowledge about:

- (i) Organizations Position
- (ii) Individual Assignment
- (iii) Job summary – what the job entails
- (iv) Working conditions, hazards of the job
- (v) Duties and Responsibilities
- (vi) Equipments and machines used

### **4.6. JOB SPECIFICATION**

This is the other chief process of job analysis. Job specification tells about the attributes referring to education, training, skills, aptitude and experience required to perform the job. It tells what kind of a person to recruit. A job specification format would ideally report:

- (i) Position title i.e. the designation's name

- (ii) Educational background for the job
- (iii) Experiences that can be foreseen in the job
- (iv) Skills needed
- (v) Aptitude level

## 4.7. METHODS OF COLLECTING JOB ANALYSIS DATA

A variety of methods, are used to collect information about jobs. None of them, however, is perfect. In actual practice, therefore, a combination of a several methods used for obtaining job analysis data. These are discussed bellow.

### 4.7.1 Job performance

In this method, the job analyst actually performs the job in question. The analyst thus receives first-hand experience of contextual factors on the job including physical hazards, social demands, emotional pressures and mental requirements. This method is useful for jobs that can be easily learned. It is not suitable for jobs that not hazardous or for jobs that require extensive training.

### 4.7.2 Personal observation

The analyst observes the workers doing the job. The tasks performed, the pace that which activities are done, the working conditions etc., are observed during observation, certain precautions should be taken:

- The analyst must observe average workers during average conditions.
- The analyst should observe without getting directly involved in the job.
- The analyst must make note of the specific job needs and not the behaviors specific to particular workers.
- The analyst must make sure that he obtains a proper sample for generalization.

This method allowed for a deep understanding of job duties. It is appropriate for manual, short period job activities. On the negative side, the methods fail to take note of the mental aspects of the mental aspects of jobs.

### 4.7.3 Critical incidents

The critical incident technique (CIT) is a qualitative approach to job analysis used to obtain specific, behaviorally focused descriptions of work or other activities. The incidents so collected are analysed and classified according to the job areas they describe. The job requirements will become clear once the analyst draws the line between effective and ineffective behaviors of workers on the job. For example, if a shoe salesman comments on the size of a customers feet and the customers leaves the store in a huff, the behavior of a salesmen may be judge as ineffective in terms of the result it produced. The critical incidents are recorded after the events have already taken place- both routine and non-routine. The process of collecting a fairly good number of incidents is a lengthy one. Since incidents of behavior can be quite dissimilar, the process of classifying date into usable job descriptions can be difficult. The analyst overseeing the work must have analytical skills and ability to translate the content of descriptions into meaningful statements.



#### **4.7.4 Interview**

The interview method consists of asking questions to both incumbents and supervisors in either an individual or a group setting. The reason behind the use of this method is that job holders are most familiar with the job and can supplement the information obtained through observation. Workers know the specific duties of the job and supervisors are aware of the job's relationship to the rest of the organization.

Due diligence must be exercised while using the interview method. The interviewer must be trained in proper interviewing techniques. It is advisable to use a standard format so as to focus the interview to the purpose of the analyst. Although the interview method provides opportunities to elicit information sometimes not available through other methods, it has its limitations. First, it is time consuming and hence costly. Second, the value of data is primarily dependent on the interviewers' skills and may be faulty if they put ambiguous questions to workers. Last, interviewees may be suspicious about the motives and may distort the information they provide. If seen as an opportunity to improve their wages, workers may exaggerate their job duties to add greater weight to their positions.

#### **4.7.5 Panel of experts**

This method utilizes senior job incumbents and superiors with extensive knowledge of the job. To get the job analysis information, the analyst conducts an interview with the group. The interaction of the members during the interview can add insight and detail that the analyst might not get from individual interviews.

#### **4.7.6 Diary method**

Several job incumbents are asked to keep diaries or logs of their daily job activities – according to this method – and record the amount of time spent on each activity. By analyzing these activities over a specified period of time, a job analyst is able to record the job's essential characteristics. However, it is a time consuming and costly exercise in that the analyst has to record entries for a painfully long time.

#### **4.7.7 Questionnaire method**

The questionnaire is a widely used method of analyzing jobs and work. Here the job holders are given a properly designed questionnaire aimed at elective relevant job related information. After completion, the questionnaires are handed over to supervisors. The supervisors can seek further clarifications on various items by talking to the job holders directly. After everything is finalized, the data is given to the job analyst.

The success of the method depends on various factors. The structured questionnaire must cover all job task related and behaviours. Each task or behaviour should be described in terms of features such as importance, difficulty, frequency, relationship to overall performance, etc., the job holders should be asked to properly rate the various job factors and communicate the same on paper. The ratings thus collected are then put to close examination with a view to find out the actual job requirements.

The questionnaire method is highly economical as it covers a large number of job holders at a time. The collected data can be quantified and processed through a computer. The participants will complete the items leisurely. Designing questionnaire, however, is not an

easy task. Proper care must be taken to frame the questions in such a way that the respondents are unlikely to misinterpret the questions. Further, it is difficult to motivate the participants to complete the questionnaires truthfully and to return them.

Some of the standard questionnaires that are widely used are discussed below:

#### ***4.7.1.1 The position analysis questionnaire (PAQ)***

The PAQ is a standardized questionnaire developed at Purdue University to quantitatively sample work oriented job elements. It consists 194 items divided into six major divisions. The PAQ permits management to scientifically and quantitatively group interrelated job elements into job dimensions.

#### ***4.7.1.2 Management Position Description Questionnaire (MPDQ)***

MPDQ is a standardized instrument designed specifically for use in analyzing managerial jobs. The 274 item questionnaire contains 15 sections. It would take 2 ½ hours to complete the questionnaire. In most cases the respondents are asked to state how important each item is to the position.

#### ***4.7.1.3 Functional Job Analysis (FJA)***

FJA is a worker-oriented job analysis approach that attempts to describe the whole person on the job. It tries to examine the fundamental components of “data, people and things”. There are five steps to be followed:

- The first involved the identification of the organization’s goals for the FJA analysis. This analysis describes what should be, as well as, what is.
- The second step is the identification and description of the tasks, wherein tasks are defined as actions. The task actions may be physical, mental, or interpersonal. The task statements developed in FJA must conform to a specific written format.
- The third step deals with analysis of tasks. Each task is analysed using 7 scales. These include three worker function scales (data, people, things), a worker instruction scale (degree of supervision imposed) and three scales of reasoning, mathematics and language
- In the fourth step, the analyst develops performance standards to assess the results of worker’s task
- The final step deals with government jobs. It provides a quantitative score of each job as a function of its complexity in relationship with people, data and things. The results are helpful in fixing wage rates and in developing employee succession plans. On the negative side, FJA takes a lot of time. Training in its use may mean considerable investment of money.

## **4.8 COMPETENCY DETERMINATION**

The competency determination to job analysis focuses on linking business strategies to individual performance efforts. Where organizations operate in a fast-changing environment, employees may have to work in different terms, take up tasks of varied nature and perform multiple roles (such as leaders, supporter, tactician, technical expert, administrator etc.) from time

to time. The competency approach to job analysis, therefore, encourages employees to develop role-based competency (knowledge, skill and abilities to play multifarious roles) that may be used in diverse work situations, instead of being boxed into a job. These competencies would, in the final analysis, be in line with the organizations culture and strategy and might include such things as interpersonal communication skills decision-making ability, conflict resolution skills, adaptability and self motivation. Infosys technologies, for example, are a role-based organization now. this in other words, means that every position in the organization is defined in terms of skills- and attitude- based competencies.

## **4.9 USES OF JOB ANALYSIS**

Good human resource management demands of both the employee and the employer a clear understanding of the duties and responsibilities to be performed on a job. Job analysis helps in this understanding by drawing attention to a unit of work and its linkage with other units of work. More specifically, the uses of job analysis may be summarized thus:

### ***4.9.1 Human Resource Planning***

Job analysis helps in forecasting human resource requirements in terms of knowledge and skills. By showing lateral and vertical relationships between jobs, it facilitates the formulation of a systematic promotion and transfer policy. It also helps in determining quality of human resources needed in an organization.

### ***4.9.2 Recruitment***

Job analysis is used to find out how and when to hire people for future job openings. An understanding of the skills needed and the positions that are vacant in future helps managers to plan and hire people in a systematic way. For example, a company might be traditionally hiring MBA students for equity research. A recent job analysis showed that the positions could be filled by graduates with an analytical bent of mind. Now, this would help the company hire equity analysts from a greater number of available graduates even by offering a slightly lower salary.

### ***4.9.2 Selection***

Without a proper understanding of what is to be done on a job, it is not possible to select the right person. If a super Bazaar manager has not clearly identified what a clerk is to do, it is difficult to ascertain if the person selected is to position stores items, run a cash register, or keep the account books.

### ***4.9.3 Placement and orientation***

After selecting people, we have to place them on jobs best suited to their interests, activities and aptitude. If we are not sure about what needs to be done on a job, it is not possible to identify the right person suited for the job. Similarly, effective job orientation cannot be achieved without a proper understanding of the needs of each job. To teach a new employee how to handle a job, we have to clearly define the job.

#### ***4.9.4 Training***

If there is any confusion about what the job is and what is supposed to be done, proper training efforts cannot be initiated. Whether or not a current or potential job holder requires additional training can be determined only after the specific needs of the jobs have been identified through a job analysis.

#### ***4.9.5 Counseling***

Managers can properly counsel employees about their careers when they understand the different jobs in the organization. Likewise, employees can better appreciate their career options when they understand the specific needs of various other jobs. Job analysis can point out areas that an employee might need to develop to further a career.

#### ***4.9.6 Employee safety***

A thorough job analysis reveals unsafe conditions associated with a job. By studying how the various operations are taken up in a job, managers can find unsafe practices. This helps in rectifying things easily.

#### ***4.9.7 Performance appraisal***

By comparing what an employee is supposed to be doing (based on job analysis) to what the individual has actually done, the worth of that person can be assessed. Ultimately, every organization has to pay a fair remuneration to people based on their performance. To achieve this, it is necessary to compare what individuals should do (as per performance standards) with what they have actually done (as per job analysis).

#### ***4.9.8 Job design and redesign***

Once the jobs are understood properly, it is easy to locate weak spots and undertake remedial steps. We can eliminate unnecessary movements, simplify certain steps and improve the existing ones through continuous monitoring. In short, we can redesign jobs to match the mental make-up of employees.

#### ***4.9.9 Job evaluation***

Job analysis helps in finding the relative worth of a job, based on criteria such as degree of difficulty, type of work done, skills and knowledge needed, etc. This, in turn, assists in designing proper wage policies, with internal pay equity between jobs.

### **4.10 SUMMARY**

Jobs are important to individuals as well as organizations. They are subject to change. Job analysis is a systematic investigation of the tasks, duties and responsibilities necessary to do a job. Job analysis information is useful for a variety, of organization purposes ranging from

human resource planning to career counseling. Seven general techniques are generally used to collect job analysis data: job performance, observation, critical incidents, interview, panel of experts, diary logs and questionnaire method. Behavioral factors such as the tendency to exaggerate facts, employee anxieties, resistance to change, overemphasis on current efforts etc., must be taken care of while carrying out a job analysis. The end products of job analysis are (a) Job descriptions, a written statement of what the job holder does, and (b) job specifications, which list the knowledge, skills and abilities (KSAs) required to perform a job satisfactorily. In recent times, the traditional way of jobs having a clearly-delineated set of duties and responsibilities is being increasingly questioned. Trends such as flatter organizations, work teams, re-engineering efforts have virtually compelled employees to be prepared for playing multiple roles while at work.

#### 4.11 KEY WORDS

- **Job :** A group of positions similar in their significant duties such as technical assistants, computer programmers etc.,
- **Skill:** By regular practice obtain the ability to do something.
- **Job analysis:** The total study of a particular job.
- **Job description:** The duties, responsibilities and working conditions of a particular job.
- **Job specification:** The profile of the human characteristics (knowledge, skills and abilities) needed by a person doing a job.

#### 4.12 SELF ASSESSMENT QUESTIONS

- 1) Distinguish between job analysis, job description and job specification?
- 2) What is job analysis? Describe the techniques used for analysis of job?
- 3) Explain the uses of job analysis?
- 4) Give a brief a note on methods of collecting Job Analysis data?

#### 4.13 SUGGESTED BOOKS FOR FURTHER READING

1. Michael Armstrong, *Handbook of Personal Management*, Kogan Page Ltd., London, 1976, P.101.
2. F.W. Taylor, *The Principles of Scientific Management*, Harper and Row, New York, 1911, p.21.
3. G. Dessler, "*Human Resource management*", Prentice Hall, New Delhi, 2003.
4. H.J. Bernardin, "*Human Resource Management*", Tata McGraw Hill, New Delhi, 2004.
5. S.D.Punekar, "*The Personnel Manager in India*", Industrial Relations, March-April 1973.

**LESSON 5****RECRUITMENT: CONCEPT, FACTORS AFFECTING RECRUITMENT AND CHALLENGES, POLICY, SOURCES AND METHODS, INDIAN EXPERIENCE****5.0 OBJECTIVE**

- To the end of this lesson students are able to understand the concept of recruitment.
- Students may know the factors affecting recruitment.
- To analyse the sources and methods of recruitment.
- To know the policy and the challenges of recruitment.

**STRUCTURE****5.1 Introduction****5.2 Definition****5.3 Factors Affecting Recruitment****5.3.1 Complexity Of The Function Of Recruitment****5.3.2 Hr Journal/Hr Practice****5.3.2.1 Aptitude, Not Skill****5.3.2.2 Money the Top, But...****5.3.2.3 A Caring Workplace Is A Bottom-Line Issue****5.3.2.4 Promote From Within****5.3.2.5 Build The Employment Brand****5.4 Challenges****5.4.1 Poor Image****5.4.2 Unattractive Job****5.4.3 Conservative Internal Policies****5.4.3 Limited Budgetary Support****5.4.4 Restrictive Policies Of Government****5.4.5 Situation Audit For Recruitment****5.5 Recruitment Policies And Procedures****5.5.1 The Economic Environment****5.5.2 The Social Environment****5.5.3 The Technological Environment****5.5.4 The Political Environment****5.5.5 The Legal Environment****5.5.5.1 The Factories Act, 1948****5.5.5.2 The Apprentices Act, 1961****5.5.5.3 The Employment Exchange Act, 1959****5.5.5.4 The Contract Labour Act, 1970****5.5.5.5 Bonded Labour System (Abolition) Act, 1976**

**5.5.5.6 The Child Labour Act, 1986****5.6 Sources Of Recruitment****5.6.1 Internal Sources****5.6.2 External Sources****5.7 Methods Of Recruitment****5.7.1 Internal Methods****5.7.1.1 Promotions And Transfers****5.7.1.2 Job Posting****5.7.1.3 Employee Referrals****5.8.2 Direct Methods****5.8.2.1 Campus Recruitment****5.8.2.2 Guidelines For Campus Recruiting****5.8.2.2.1 Shortlist Campuses****5.8.2.2.2 Choose Recruiting Team Carefully****5.8.2.2.3 Pay Smartly, Not Highly****5.8.2.2.4 Present A Clear Image****5.8.2.2.5 Do Not Oversell Yourself****5.8.2.2.6 Get In Early****5.8.2.2.7 Not Every One Fits The Bill****5.8.3 Indirect Methods****5.8.3.1 Advertisements****5.8.3.2 News Paper Ads****5.8.3.2 Television And Radio Ads****5.8.4 Third Party Methods****5.8.4.1 Private Employment Search Firms****5.8.4.2 Employment Exchanges****5.8.4.3 Gate Hiring And Contractors****5.8.4.4 Unsolicited Applicants/Walk-Ins****5.8.4.5 Internet Recruitment****5.9 Recruitment: Indian Experiences****5.10 Summary****5.11 Key Words****5.12 Self Assessment Questions****5.13 Books Suggested For Further Reading****5.1 INTRODUCTION**

One of the important responsibilities of the human resource department in a hospital is to recruit and select the right persons for the right jobs. Hospitals are particularly dependent upon their employees and their commitments, because patients and visitors are more impressed and concerned with the sympathetic attitude and attention of the health care personnel than with any other aspects of the hospital.

A human resource manager should never hire personnel in haste they may not only cost him fortunes salary wise but may also play with the lives of patients. Recently, the operations of an ultramodern operation theatre of a renowned hospital came to a standstill as the human resource manager and the management of the hospital relied on the low cost and low skilled workforce to run it. Hospital authorities invest considerable amount of time and effort to choose

the right location, architecture, equipment, but they fail to view employment as a strategic function which leads them ultimately to a lot of harm. They tend to overlook that recruitment as a strategic function which generates an impact across all departments, makes or mar patient satisfaction and has a significant impact on the service rendered by the organization.

## 5.2 DEFINITION

Recruitment is the process of locating and encouraging potential applicants to apply for existing or anticipated job openings. It is actually a linking function, joining together those with jobs to fill and those seeking jobs. Recruitment, logically, aims at (i) attracting a large number of qualified applicants who are ready to take up the job if it's offered and (ii) offering enough information for unqualified persons to self-select themselves out (for example, the recruitment ad of a foreign bank may invite applications from chartered accountants who have cleared the CA examination in the first attempt only).

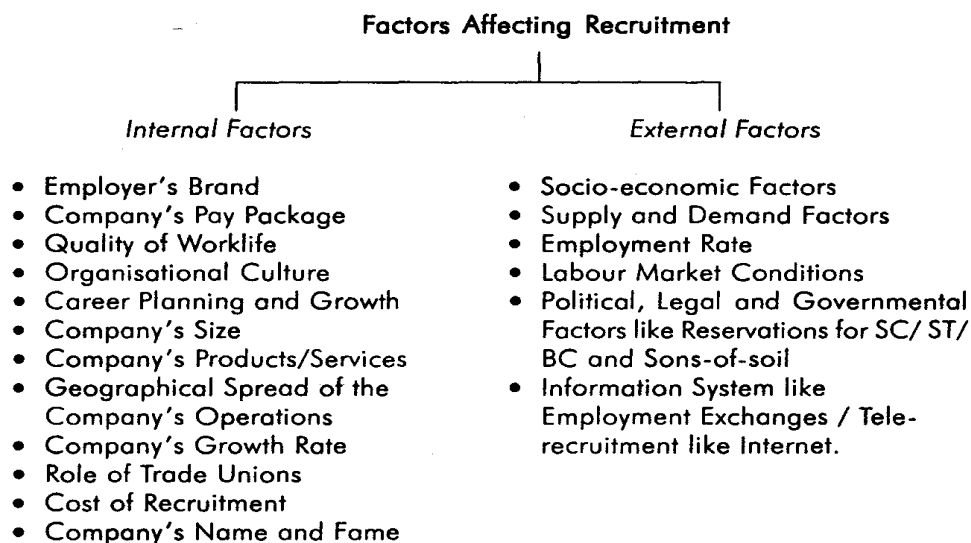
## 5.3 FACTORS AFFECTING RECRUITMENT

Both internal and external factors affect recruitment. The external factors include supply of and demand for human resources, employment opportunities and unemployment rate, labour market conditions, political, legal requirement and government policies, social factors, information systems, etc.

The internal factors include the company's pay package including salary, fringe benefits and incentives, quality of work life, organizational culture, career planning and growth opportunities, size of the company, company's product/services, geographical spread of the company's operations viz., local, national or global, company's growth rate, role of trade unions and cost of recruitment.

### 5.3.1 Complexity of the Function of Recruitment

Performing the function of recruitment, i.e., increasing the selection ratio is not as easy as it seems to be. This is because of the hurdles created by the internal factors and external factors





Which influence an organisation? The first activity of recruitment, i.e., searching for prospective employees is affected by many factors like:

- organizational policy regarding filling up of certain percentage of vacancies by internal candidates;
- local candidates (sons of soil);
- influence of trade unions;
- government regulations regarding reservations of certain number of vacancies to candidates based on community/region/caste/sex; and
- Influence of recommendations, nepotism, etc.

As such, the management is not free to find out or develop the source of desirable candidates and alternatively it has to divert its energies for developing the sources within the limits of those factors though it cannot find suitable candidates for the jobs. The other activity of recruitment is consequently affected by the internal factors such as:

- working conditions;
- promotional opportunities;
- salary levels, type and extent of benefits;
- other personnel policies and practices;
- image of the organisation;
- ability and skill of the management to stimulate the candidates.

It is also affected by external factors like: (i) personnel policies and practices of various organisations regarding working conditions, salary, benefits, promotional opportunities, employee relations, etc.; (ii) career opportunities in other organisations; and (iii) government regulations. However, the degree of complexity of recruitment function can be minimised by formulating sound policies.

### **5.3.2 HR Journal/HR Practice**

#### **Marriott's Recruitment Principles**

**5.3.2.1 Aptitude, Not Skill:** Emphasise on candidate's aptitude and attitude rather than skill. Marriott felt better hire the people with 'the spirit to serve' and train them to acquire job skills.

**5.3.2.2 Money the top, but..:** Marriott takes care of total package and other factors like work-life balance, leadership, opportunity for advancement, quality of work, etc.

**5.3.2.3A Caring Workplace is A Bottom-Line Issue:** Marriott provides safe, secure and welcome work place. They provide associate commitment like meeting to review basic values, and personal concerns, celebrate birthdays and anniversaries, etc.

**5.3.2.4 Promote from Within:** More than 50% of Marriott's current managers are promoted from within. This works as an 'opportunity for advancement.' This is a powerful tool for retention also.

**5.3.2.5 Build the Employment Brand:** It attracts employees as it attracts customers. It provides employment brand by acting as a model employer

## 5.4 CHALLENGES

In actual practice, it is always not easy to find and select a suitable candidate for a job opening. The recruiter's choice of a communication medium (e.g. advertising in a trade journal read by the prospective candidate) may not be appropriate. Some of the bright candidates may begin to view the vacancy as not in line with their current expectations (e.g. challenging work, excellent rewards, and flexible schedules and so on).

The most suitable ones may not have been motivated to apply due to several other constraints.

**5.4.1 Poor image:** If the image of a firm is perceived to be low (due to factors such as operating in a declining industry earning a bad name because of environmental pollution, poor quality products, nepotism, insider trading allegations against promoters etc.), the likelihood of attracting a large number of qualified applicants is reduced.

**5.4.2 Unattractive job:** If the job to be filled is not very attractive, most prospective candidates may turn indifferent and may not even apply. This is especially true in case of jobs that are dull, boring, anxiety producing, devoid of career growth opportunities and generally do not reward performance in a proper way. (e.g., jobs in departmental undertakings such as Railways, Post and Telegraphs, public sector banks and Insurance companies failing to attract talent from premier management institutes.)

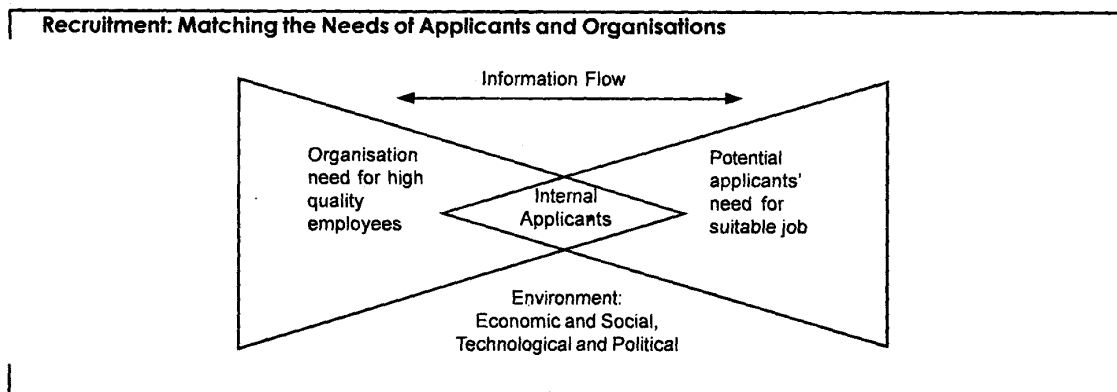
**5.4.3 Conservative internal policies:** A policy of filling vacancies through internal promotions based on seniority, experience, job knowledge etc. may often come in the way of searching for qualified hands in the broader job market in an unbiased way. Likewise, in firms where powerful unions exist, managers may be compelled to pick up candidates with questionable merit, based on issues such as caste, race, religion, region, nepotism, friendship etc.

**5.4.4 Limited budgetary support:** Recruiting efforts require money. Sometimes because of limited resources, organisations may not like to carry on the recruiting efforts for long periods of time. This can, ultimately, constrain a recruiter's efforts to attract the best person for the job.

**5.4.5 Restrictive policies of government:** Governmental policies often come in the way of recruiting people as per the rules for company or on the basis of merit/seniority, etc. For example, reservations for special groups (such as scheduled castes, scheduled tribes, backward classes, physically handicapped and disabled persons, ex-servicemen, etc.) have to be observed as per Constitutional provisions while filling up vacancies in government corporation's departmental undertakings, local bodies, quasi-government organisations, etc.

**5.4.6 Situational Audit for Recruitment:** Recruitment provides employees — the most productive of all resources — to an organisation. This has two important aspects: the first is to find out the number of vacancies to be notified and the type of applicants needed to fill them; the second is to appeal to potential applicants through novel advertising, to apply for such vacancies. Both the steps are, thus, closely related to the environment (economic, social, technological and political) in which the company operates. No organisation is likely to recruit successfully without taking care of these aspects.

## 5.5 RECRUITMENT POLICIES AND PROCEDURES



One of the first steps in planning for the recruitment of employees into the organisation is to establish proper policies and procedures. A recruitment policy indicates the organisations' code of conduct in this area of activity. A typical policy statement for recruitment may run thus:

Once the recruitment policy is made explicit, the company can evolve a detailed procedure to make the whole exercise systematic. Such a systematic approach will enable people within (or outside) the organisation to follow a predictable path. The recruitment procedures should, however, be flexible enough to permit HR department to respond quickly to demands made on them by various departments and by potential candidates. Recruitment, it should be remembered, is a marketing activity as well as a public relations exercise. When recruiting people, organisations are going out into their external environment and competing with others for suitable candidates. Such activities, therefore, should be conducted in a manner that sustains or enhances the prestige and public image of the organisation concerned. Fair and objective recruitment policies and standards would add to the image of the organisation in the long run. One way in which managers engaged in recruiting people can follow a systematic approach is to adopt a checklist such as the one given below:

### 5.5.1 The Economic Environment

Economic conditions quietly influence the recruitment process in all organisations. Liberalisation, privatisation and globalisation (LPG era) have contributed to the growing demand for management graduates possessing fund-raising, risk management, and marketing skills initially. The demand for engineers, especially in the manufacturing sector, has not kept pace, and most engineers have to make a beeline for finance/marketing degrees or diplomas to encash

the job opportunities. Companies have to resort to extensive advertising (newspaper ads, campus hiring, search firms, employee referrals etc.) for recruiting people with requisite skills. However, by the late 90s, the rules of the game changed dramatically. Recession in sectors such as software, automobiles, pharmaceuticals etc., has forced companies to cut down recruitment costs drastically by resorting to less expensive media advertising only. The outsourcing, contract manufacturing deals (in software, pharmaceuticals, and automobiles) in early 2000 have, once again, created great demand for people having engineering, research and design skills. Recruiters, not surprisingly, are back in the arena in a big way, exploiting the opportunities through various means.

### ***5.5.2 The Social Environment***

Major social changes in the past two decades have caused organisations to place increased emphasis on recruitment. Modern employees look for a satisfying career in place of 'just a job'. If the opportunities for career growth are missing in an organisation, they do not hesitate to leave and go in search of greener pastures outside. To ward off such threats, companies nowadays emphasise opportunities for training and development and progression through a series of jobs within the same organisation. They also try to present a more realistic picture of the job and the encouraging career openings to prospective employees through innovative recruitment campaigns. For example, companies like Intel Technologies India go to the extent of saying openly: "At Intel, a manager's main job is to take care of his employee's career development." Each Intel employee has a development plan, on which he charts his career. The employee and his manager talk about the former's goal, and Intel invests on the training the employee requires. If the Organisation is not aware of – and is insensitive to – prevailing social values and norms, the recruitment efforts could go off the track. The Securities Scam (1992) has also brought considerable bad publicity to scam-tainted banks, financial institutions and companies. Subsequent enquiries and investigations made many employees to leave the parent companies and seek employment elsewhere. Major employers that manufactured ammunitions and supplies for the Vietnam War faced strong resistance during that period from college students.

### ***5.5.3 The Technological Environment***

New technologies create new jobs. The existing jobs undergo a rapid change. As a result, sometimes applicants with unusual combinations of skills and knowledge must be found. The Liberalisation Programme after 1991 brought about rapid changes in the fields of banking, electronics, telecommunications, automobiles, software and pharma industries, etc. Several old jobs have disappeared almost overnight, as it were. At the same time, there is a chronic shortage of people with requisite skills and knowledge especially in the fields of software, telecommunication, health care insurance, etc. In such a scenario, companies have to step up their recruitment efforts to compete successfully for the small number of suitable candidates available in the market.

### ***5.5.4 The Political Environment***

In the late 80s, "equal employment opportunity" had become a major slogan in corporate circles. Companies realised that employment needs must be defined in terms of ability to

perform the job, not in terms of race, colour, religion, sex or national origin. Phrases such as “only men need apply”; and “age 25-35 group preferred” no longer appeared in advertisement for job vacancies. Organisations have taken a number of steps to find and attract women and minority applicants (e.g., advertisements in related journals; sending recruitment teams to women’s colleges; colleges run by minority groups, etc.). Political compulsions, constitutional provisions covering reservations for special groups, providing employment to “sons of the soil” especially in states like Andhra Pradesh, Tamilnadu, Arunachal Pradesh; offering jobs to displaced persons whose lands have been acquired in order to set up projects of national importance — also come in the way of recruiting people, based solely on qualifications, skills and experience. Factors such as influence of unions, recommendations of friends and relatives of management also play an important role in influencing recruitment policies followed by a firm.

### ***5.5.5 The Legal Environment***

The different legislative policies governing child labour, night shift work, bonded labour, contract labour, reservation, ‘sons of the soil’ have brought the legal environment to be a major item to be looked into carefully by all companies intending to recruit people for various positions. Let’s examine these issues more elaborately:

***5.5.5.1 The Factories Act, 1948:*** The Act prohibits the employment of women (night work, underground work, carrying heavy loads, etc.) and child labour (below 14 years of age) in certain jobs.

***5.5.5.2 The Apprentices Act, 1961:*** The Act provides for a machinery to lay down syllabi and specii period of training, mutual obligations of apprentices and employees, etc. The responsibility for engagement of apprentice lies solely with the employer. The apprentice, after serving a contractual term of training, can be taken on regular rolls. The Act, as amended in 1986, provides for revised rates of compensation during the apprenticeship period and for failure on the part of the employer to execute the terms of the contract.

***5.5.5.3 The Employment Exchanges Act, 1959:*** The Act requires all employers to notify the vacancies arising in their establishments to prescribed employment exchange before they are filled. The Act covers all establishments in Public Sector and nonagricultural establishments employing 25 or more workers in the private sector.

***5.5.5.4 The Contract Labour Act, 1970:*** The Act is applicable to every establishment (contractor) employing 20 or more persons. It tries to regulate the employment conditions of contract labour in certain establishments and also provides for the abolition of contract labour in certain circumstances.

***5.5.5.5 Bonded Labour System (Abolition) Act, 1976:*** The Act provides for the abolition of bonded labour (system of forced labour to liquidate debts payable to parties who are bent on exploiting the vulnerability of the victim) or his family members.

***5.5.5.6 The Child Labour Act, 1986:*** The Act prohibits the employment of children below 14 years of age in certain employments. This has become a serious issue in India recently when

German firms refused to accept carpets exported from Uttar Pradesh, objecting to the employment of child labour in the carpet industry.

## 5.6 SOURCES OF RECRUITMENT

The sources of recruitment may be broadly divided into two categories: internal sources and external sources. Both have their own merits and demerits. Let's examine these.

### 5.6.1 Internal Sources

Persons who are already working in an organisation constitute the 'internal sources'. Retrenched employees, retired employees, dependents of deceased employees may also constitute the internal sources. Whenever any vacancy arises, someone from within the organisation is upgraded, transferred, promoted or even demoted.

**Merits and Demerits of 'Recruiting People from Within'**

Merits	Demerits
(i) <b>Economical:</b> The cost of recruiting internal candidates is minimal. No expenses are incurred on advertising.	(i) <b>Limited choice:</b> The organisation is forced to select candidates from a limited pool. It may have to sacrifice quality and settle for less qualified candidates.
(ii) <b>Suitable:</b> The organisation can pick the right candidates having the requisite skills. The candidates can choose a right vacancy where their talents can be fully utilised.	(ii) <b>Inbreeding:</b> It discourages entry of talented people, available outside an organisation. Existing employees may fail to behave in innovative ways and inject necessary dynamism to enterprise activities.
(iii) <b>Reliable:</b> The organisation has knowledge about the suitability of a candidate for a position. 'Known devils are better than unknown angels!'	(iii) <b>Inefficiency:</b> Promotions based on length of service rather than merit, may prove to be a blessing for inefficient candidates. They do not work hard and prove their worth.
(iv) <b>Satisfying:</b> A policy of preferring people from within offers regular promotional avenues for employees. It motivates them to work hard and earn promotions. They will work with loyalty, commitment and enthusiasm.	(iv) <b>Bone of contention:</b> Recruitment from within may lead to infighting among employees aspiring for limited, higher-level positions in an organisation. As years roll by, the race for premium positions may end up on a bitter note.

### 5.6.2 External Sources

External sources lie outside an organisation. Here the organisation can have the services of: (a) Employees working in other organisations; (b) Job aspirants registered with employment exchanges; (c) Students from reputed educational institutions; (d) Candidates referred by unions, friends, relatives and existing employees; (e) Candidates forwarded by search firms and contractors; (f) Candidates responding to the advertisements, issued by the organisation; and (g) Unsolicited applications/walk-ins.

The merits and demerits of recruiting candidates from outside an organisation may be stated thus:

Merits and Demerits of External Sources of Recruitment	
Merits	Demerits
<p><b>Wide choice:</b> The organisation has the freedom to select candidates from a large pool. Persons with requisite qualifications could be picked up.</p> <p><b>Injection of fresh blood:</b> People with special skills and knowledge could be hired to stir up the existing employees and pave the way for innovative ways of working.</p> <p><b>Motivational force:</b> It helps in motivating internal employees to work hard and compete with external candidates while seeking career growth. Such a competitive atmosphere would help an employee to work to the best of his abilities.</p> <p><b>Long term benefits:</b> Talented people could join the ranks, new ideas could find meaningful expression, a competitive atmosphere would compel people to give of their best and earn rewards, etc.</p>	<p><b>Expensive:</b> Hiring costs could go up substantially. Tapping multifarious sources of recruitment is not an easy task, either.</p> <p><b>Time consuming:</b> It takes time to advertise, screen, to test and to select suitable employees. Where suitable ones are not available, the process has to be repeated.</p> <p><b>Demotivating:</b> Existing employees who have put in considerable service may resist the process of filling up vacancies from outside. The feeling that their services have not been recognised by the organisation, forces them to work with less enthusiasm and motivation.</p> <p><b>Uncertainty:</b> There is no guarantee that the organisation, ultimately, will be able to hire the services of suitable candidates. It may end up hiring someone who does not 'fit' and who may not be able to adjust in the new set-up.</p>

## 5.7 METHODS OF RECRUITMENT

The following are the most commonly used methods of recruiting people.

### 5.7.1 Internal Methods

#### 5.7.1.1 Promotions and Transfers

Many organisations prefer to fill vacancies through promotions or transfers from within wherever possible. Promotion involves movement of an employee from a lower level position to a higher level position accompanied by (usually) changes in duties, responsibilities, status and value. The Tatas, the Birlas and most multinationals (e.g. HLL's Lister programme tracking star performers at an early stage and offering stimulating opportunities to grow vertically) have fast-track promotion systems in place. The credo now is reward performance, but promote competency. In the recent past, the AV Birla group has placed over 200 people through the fast-tracker system (promoting star performers quickly). A transfer, on the other hand, involves lateral movement within the same grade, from one job to another. It may lead to changes in duties and responsibilities, working conditions, etc., but not necessarily salary. Internal promotions and transfers certainly allow people greater scope to experiment with their careers, kindling ambitions and motivating them to take a shot at something they might otherwise never have considered. The system, of course, works best for young executives who are willing to take risks.

#### 5.7.1.2 Job Posting

Job posting is another way of hiring people from within. In this method, the organisation publicises job openings on bulletin boards, electronic media and similar outlets. Hindustan Lever introduced its version of open job postings in early 2002 and over 40 positions have since been filled through the process. HLL even allows its employees to undertake career shifts, for example from technical positions to non-technical jobs such as marketing, market research etc., through the open job posting system. The AV Birla group allows its employees an opportunity to

apply not just for jobs within their own companies, but for jobs in any company in the Birla group both in India and abroad.

One of the important advantages of this method is that it offers a chance to highly qualified applicants working within the company to look for growth opportunities within the company without looking for greener pastures outside.

### ***5.7.1.3 Employee Referrals***

Employee referral means using personal contacts to locate job opportunities. It is a recommendation from a current employee regarding a job applicant. The logic behind employee referral is that “it takes one to know one”. Employees working in the hospital in this case, are encouraged to recommend the names of their friends working in other hospitals for a possible vacancy in the near future. In fact, this has become a popular way of recruiting people in the highly competitive Information Technology industry nowadays. Hospitals offer rich rewards also to employees whose recommendations are accepted --after the routine screening and examining process is over --and job offers extended to the suggested candidates.

To obtain effective results, the details of a referral scheme should percolate down to all levels using various means such as posters, e-mails, kick off parties etc. Employees should understand that they are being entrusted with a critical task. And those making a referral should get prompt feedback so that they come back with more referrals. An upper limit for the number of referrals and the rewards to be doled out could be fixed in advance to avoid any disappointment in this regard later on. Every attempt however should be made to ensure quality. The firm should constantly measure the quality and performance of employees recruited through the programme. Finally, when the firm decides to shut down the programme, it should give advance notice and clearly communicate the reason for doing so.

### ***5.7.2 Direct Methods***

#### ***5.7.3 Indirect Methods***

##### ***5.7.3.1 Advertisements***

These include advertisements in newspapers; trade, professional and technical journals; radio and television; etc. In recent times, this medium has become just as colorful, lively and imaginative as consumer advertising. The ads generally give a brief outline of the job responsibilities, compensation package, prospects in the organisation, etc. This method is appropriate when (a) the organisation intends to reach a large target group and (b) the organisation wants a fairly good number of talented people — who are geographically spread out. To apply for the advertised vacancies, let’s briefly examine the wide variety of alternatives available to a company — as far as ads are concerned:

##### ***5.7.3.2 Newspapers ads***

Here it’s easy to place job ads without much of a lead time. It has flexibility in terms of information and can conveniently target a specific geographic location. On the negative side, newspaper ads tend to attract only those who are actively seeking employment at that point of



time, while some of the best candidates who are well paid and challenged by their current jobs may not be aware of such openings. As a result, the company may be bombarded with applications from a large number of candidates who are marginally qualified for the job — adding to its administrative burden. To maintain secrecy for various reasons (avoiding the rush, sending signals to competitors, cutting down expenses involved in responding to any individual who applies, etc.), large companies with a national reputation may also go in for blind-box ads in newspapers, especially for filling lower level positions. In a blind-box ad, there is no identification of the advertising organisation. Job aspirants are asked to respond to a post office box number or to an employment firm that is acting as an agent between the job seeker and the organisation.

### **5.7.3.3 Television and radio ads**

These ads are more likely to reach individuals who are not actively seeking employment; they are more likely to stand out distinctly, they help the organisation to target the audience more selectively and they offer considerable scope for designing ads creatively. However, these ads are expensive. Also, because television or radio is simply seen or heard, potential candidates may have a tough time remembering the details, making application difficult.

### **5.7.4 Third Party Methods**

#### **5.7.4.1 Private Employment Search Firms**

A search firm is a private employment agency that maintains computerised lists of qualified applicants and supplies these to employers willing to hire people from the list for a fee. Firms like Arthur Anderson, Noble and Hewitt, ABC consultants, SB Billimoria, KPMG, Ferguson Associates offer specialized employment-related services to corporate houses for a fee, especially for top and middle level executive vacancies. At the lower end, a number of search firms operate — providing multifarious services to both recruiters and the recruiters.

Private search firms have many plus points to their credit. They have many contacts and are especially good at contacting qualified, currently employed candidates who are not actively looking to change jobs. They can keep the firm's name confidential till the deal is struck. They can advertise vacancies on their own, pre-screen hundreds of applicants and identify the right candidates in a highly professional way. On the negative side, the fees charged by search firms could be very high, sometimes over 30 per cent of the annual salary for the position to be filled. Again, some search firms may be more interested in persuading a firm to hire a candidate than in finding one who can deliver the results. To get the best out of a search firm, it is necessary to follow certain guidelines: (i) Make sure the firm is capable of carrying out a thorough search (ii) Meet the person(s) who actually handle the assignment and explain fully what sort of candidate is required and why (iii) Find how much the search firm charges and get everything in writing (iv) Before striking the deal, meet the search firm's clients and find whether the firm has completed recent assignments satisfactorily, in a silent and secret way.

#### **5.7.4.2 Unsolicited Applicants/Walk-ins**

Companies generally receive unsolicited applications from job seekers at various points of time. The number of such applications depends on economic conditions, the image of the

company and the job seeker's perception of the type's of jobs that might be available etc. Such applications are generally kept in a data bank and whenever a suitable vacancy arises, the company would intimate the candidate to apply through a formal channel. One important problem with this method is that job seekers generally apply to a number of organisations and when they are actually required by the organisation, either they are already employed in other organisations or are simply not interested in the position. The walk-ins, in any case, should be treated courteously and diplomatically, for the sake of both the recruiting company's community image and the applicant's self-esteem.

#### **5.7.4.3 Internet Recruiting**

In recent years most companies have found it useful to develop their own website and list job openings on it. The website offers a fast, convenient and cost effective means for job applicants to submit their resume through the Internet. Infosys Technologies Ltd., for example, gets over 1000 resumes a day from prospective candidates through the Net. The resumes are then converted into a standard format using the software that the company has developed for short listing candidates according to set criteria such as alma mater, qualifications, experience etc. The HR manager has to key in his or her requirement and 'profiles' of candidates from the company's database get generated. There are a variety of websites available — in addition to a company's own website — where applicants can submit their resumes and potential employers can check for qualified applicants. (Such as (i) [www.jobsahead.com](http://www.jobsahead.com) (ii) [www.headhunters.com](http://www.headhunters.com) (iii) [www.naukri.com](http://www.naukri.com) (IV) [www.monsterindia.com](http://www.monsterindia.com) (v) [www.mafoi.com](http://www.mafoi.com) (vi) [www.abccconsultants.net](http://www.abccconsultants.net) (vii) [www.datamaticsstaffing.com](http://www.datamaticsstaffing.com) (viii) [www.timesjobs.com](http://www.timesjobs.com) etc.) Internet recruiting, as mentioned earlier, generates fast, cost-effective, timely responses from job applicants from different parts of the world. And that's whei problem lies: the website might be flooded with resumes from unqualified job seekers. Applications may also come from geographic areas that are unrealistically far away. 10

### **5.8 RECRUITMENT: INDIAN EXPERIENCES**

The experiential guide brought out by Business Today, Jan 7-21, 1996, summarizing the results of a path-breaking survey of Indian industries, commented thus about the recruitment function: "Woven into strategic planning, recruitment no longer involves short-term vacancy-filling measures or the annual ritual of campus recruitment. Translating corporate strategies into a manpower plan and developing a long-term hiring programme accordingly, corporations are tracking down people with the combination of knowledge, experience, skills and behaviour best suited to achieving the company's objectives".

#### **What do Indian companies expect from job-seekers?**

The expectations of recruiters are inextricably intertwined with the corporate culture in which they operate. They are in line with the overall philosophy of the company in question. Let's summarise these in capsule form thus:

### **5.9 SUMMARY:**

Recruitment is the process of finding and attracting capable applicants for employment. The responsibility is normally associated with the specialists in HR department, called recruiters.

Recruitment is influenced by a variety of environmental factors- economic, social, technological, political, legal etc.

The sources of recruitment may be broadly divided into two categories: internal sources and external sources. A firm may choose a particular recruiting method such as job posting, employee referral, campus hiring, advertisements, private search firms or internal promotions etc, depending on the skills required, the nature of the Job and budgetary support etc.

### 5.10 KEYWORDS:

**Recruitment:** The discovering of potential applicants for actual or anticipated organizational vacancies.

**Employee referral:** A recommendation from a current employee regarding a job applicant.

**Out sourcing:** Letting outside vendors provides services.

**Job Posting:** It is a method of publicizing job openings on bulletin boards, electronic media and similar outlets by a company.

### 5.11 SELF ASSESSMENT QUESTIONS

1. What are the various of recruitment? How can an organization evaluate the worth of these sources?
2. What are the factors affecting recruitment?
3. Give a brief note on recruitment Policy and Indian experience in recruitment?

### 5.12 SUGGESTED BOOKS FOR FURTHER READINGS

1. V.S.P Rao, Human Resource Management, Excel-Books, New Delhi, 2006
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5. Mondy, Wayne and Noe, Rober, Human Resource Management, Allwyns and Bacon, London.
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**LESSON 6****SELECTION OF HUMAN RESOURCES**

(CONCEPT, PROCESS, METHODS, CHALLENGES, POLICY SOURCES AND METHODS, INDIAN EXPERIENCE)

**6.0 OBJECTIVE:**

- To know the objective and the purpose of the selection.
- To analyse the methods of selection.
- To study the process of selection.
- To understand the socialization process.

**STRUCTURE:****6.1 Introduction****6.2 Definition****6.3 Purpose****6.4 The process****6.4.1 Reception****6.4.2 Screening Interview****6.4.3 Application Blank****6.4.4 Weighted Application Blanks (WABs)****6.4.5 Selection Testing****6.4.5.1 Intelligence Testes****6.4.5.2 Aptitude Testes****6.4.5.3 Personality Testes****6.4.5.3.1 Projective Testes****6.4.5.3.2 Interest Testes****6.4.5.3.3 Preference Testes****6.4.5.4 Achievement Testes****6.4.5.5 Simulation Testes****6.4.5.6 Assessment Centre****6.4.5.6.1 The in- basket****6.4.5.6.2 The Leaderless group discussion****6.4.5.6.3 Business Games****6.4.5.6.4 Individual Presentations****6.4.5.6.5 Structured Interview****6.4.5.7 Graphology Testes****6.4.5.8 Polygraph Testes****6.4.5.9 Integrity Testes****6.4.6 Testes as Selection Tools****6.4.7 Standards for selection testes****6.4.7.1 Reliability****6.4.7.2 Testes-rest reliability****6.4.7.3 Inner- rater reliability****6.4.7.4 Intra-rater reliability**

- 6.4.7.5 Validity
- 6.4.7.6 Qualified people
- 6.4.7.7 Preparation
- 6.4.7.8 Suitability
- 6.4.7.9 Usefulness
- 6.4.7.10 Standardization
- 6.4.8 Selection Interview
  - 6.4.8.1 Types of Interview
    - 6.4.8.1.1 The non- directive Interview
    - 6.4.8.1.2 The Directive or Structured Interview
    - 6.4.8.1.3 The situational Interview
    - 6.4.8.1.4 The behavioural Interview
    - 6.4.8.1.5 Stress Interview
    - 6.4.8.1.6 Panel Interview
  - 6.4.8.2 Interviewing Mistakes
  - 6.4.8.3 The Interview Process
    - 6.4.8.3.1 Preparation
    - 6.4.8.3.2 Reception
    - 6.4.8.3.3 Information Exchange
    - 6.4.8.3.4 Termination
    - 6.4.8.3.5 Evaluation
  - 6.4.8.4 Medical Examination
  - 6.4.8.5 Reference Checks
  - 6.4.8.6 Hiring Decision
- 6.5 Methods of Selection
  - 6.5.1 E- Recruitment
  - 6.5.2 Business Games
  - 6.5.3 Group Discussion
  - 6.5.4 Physical Examination
- 6.6 Challenges to selection
- 6.7 Recent Trends in Selection
  - 6.7.1 Selection by invitation
  - 6.7.2 Leasing
  - 6.7.3 360 degrees Selection Programme
- 6.8 Socialization
- 6.9 The organizational Culture
- 6.10 roles
- 6.11 Values
- 6.12 Norms
- 6.13 Socialization Process
  - 6.13.1 Underlying Assumptions
  - 6.13.2 Socializations Influences Performance
  - 6.13.3 New Employees Suffer anxiety
  - 6.13.4 Socialization does not occur in a vacuum
  - 6.13.5 People adjust in similar ways
- 6.14 Summary

**6.15 Key Words****6.16 Self Assessment Question****6.17 Suggested Books for Further Readings****6.1 INTRODUCTION**

The selection process starts when applications are received and screened in human resource department. Those applications which are neat, carefully planned, and well expressed create a favourable impression while the others which appear untidy, incomplete and full of mistakes find their way to the waste paper basket. The attempt is to find ‘ a round pet for a round hole’ this is the first stage at which unsuitable candidates are weeded out. Those applicants who seem to meet the job requirements are sent blank job-application forms and are directed to fill them up and return the same for the further action .

**6.2 DEFINITION**

To select means to choose. Selection is the process of picking individuals who have relevant qualifications to fill jobs in an organisation. The basic purpose is to choose the individual who can most successfully perform the job, from the pool of qualified candidates.

**6.3 PURPOSE**

The purpose of selection is to pick up the most suitable candidate who would best meet the requirements of the job and the organisation — in other words, to find out which job applicant will be successful, if hired. To meet this goal, the company obtains and assesses information about the applicants in terms of age, qualifications, skills, experience, etc. The needs of the job are matched with the profile of candidates. The most suitable person is then picked up after eliminating the less suitable applicants through successive stages of the selection process. How well an employee is matched to a job is very important because it directly affects the amount and quality of the employee’s work. Any mismatch in this regard can cost an organisation a great deal in terms of money, time and trouble, especially, by way of training and operating costs. In course of time, the employee may find the job distasteful and leave in frustration. He may even circulate ‘hot news’ and juicy bits of negative information about the company, causing incalculable harm in the long run. Effective selection, therefore, demands constant monitoring of the ‘fit’ between the person and the job.

**6.4 THE PROCESS**

Selection is usually a series of hurdles or steps. Each one must be successfully cleared before the applicant proceeds to the next. Figure 7.1 outlines the important steps in the selection process of atypical organisation. The time and emphasis placed on each step will of course vary from one organisation to another and, indeed, from job to job within the same organisation. The sequencing of steps may also vary from job to job and organisation to organisation. For example, some organisations may give importance to testing, while others may emphasise interviews and reference checks. Similarly, a single brief selection interview might be enough for applicants for

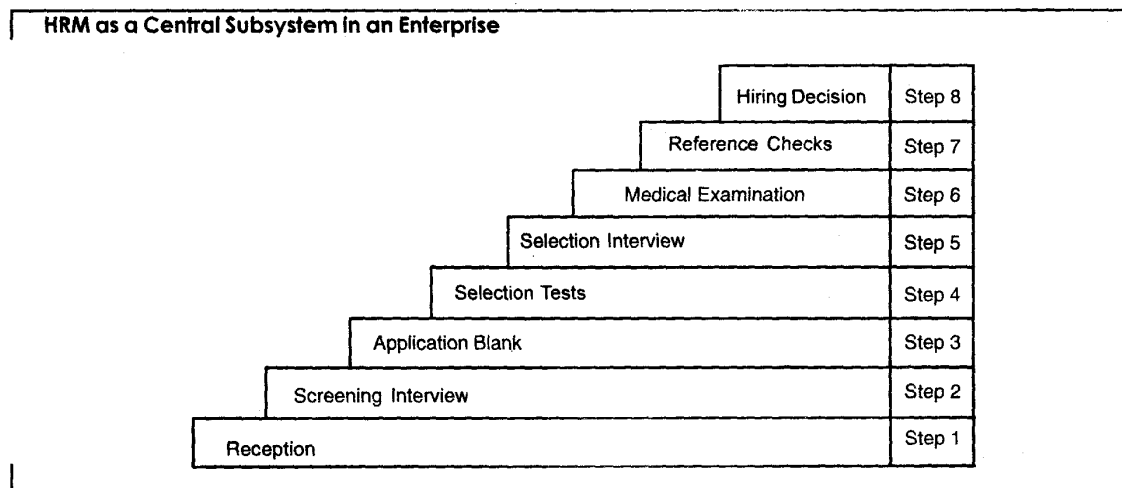
lower level positions, while applicants for managerial jobs might be interviewed by a number of people.

### 6.4.1 RECEPTION

A company is known by the people it employs. In order to attract people with talent, skills and experience, a company has to create a favorable impression on the applicants right from the stage of reception. Whoever meets the applicant initially should be tactful and able to extend help in a friendly and courteous way. Employment possibilities must be presented honestly and clearly. If no jobs are available at that point of time, the applicant may be asked to contact the HR department after a suitable period of time has elapsed.

### 6.4.2 SCREENING INTERVIEW

A preliminary interview is generally planned by large organisations to cut the costs of selection by allowing only eligible candidates to go through the further stages in selection. A junior executive from the HR Department may elicit responses from applicants on important items determining the suitability of an applicant for a job such as age, education, experience, pay expectations, aptitude, location choice etc. This 'courtesy interview', as it is often called, helps the department screen out obvious misfits. If the department finds the candidate suitable, a prescribed application form is given to the applicants to fill and submit.



### 6.4.3 Application Blank

Application blank or form is one of the most common methods used to collect information on various aspects of the applicants' academic, social, demographic, work-related background and references. It is a brief history sheet of an employee's background, usually containing the following things:

Even when applicants come armed with elaborate resumes, it is important to ask the applicants to translate specific resume material into a standardized application form. Job seekers tend to exaggerate, or overstate their qualifications on a resume. So it's always better to ask the applicant to sign a statement that the information contained on the resume or application blank is true and that he or she accepts the employer's right to terminate the candidate's employment if any of the information is found to be false at a later date.

In some organizations, different job-application forms are prepared for different categories of employees. Similarly in hospitals also 6 different job-applications forms can be prepared for (a) senior medical staff; (b) junior medical staff; (c) para-medical staff; (d) nursing staff; (e) general staff;(f) skilled/semi-skilled/unskilled employees.

A job – application form serves three main purposes

1. It enables the hospital authorities to weed out unsuitable candidates
2. It acts as a frame of reference for the interview
3. It forms the basis for the personal record file of the successful candidates

#### **6.4.4 Weighted Application Blanks (WABs)**

To make the application form more job-related, some organisations assign numeric values or weights to responses provided by applicants. Generally, the items that have a strong relationship to job performance are given high scores. For example, for a medical representative's position, items such as previous selling experience, marital status, age, commission earned on sales previously, etc., may be given high scores when compared to other items such as religion, sex, language, place of birth, etc. The total score of each applicant is obtained by summing the weights of the individual item responses. The resulting scores are then used in the selection decision. The WAB is best suited for jobs where there are many workers, especially for sales and technical jobs and it is particularly useful in reducing turnover. There are, however, several problems associated with WABs. It takes time to develop such a form. The cost of developing a WAB could be prohibitive if the organisation has several operating levels with unique features. The WAB must be "updated every few years to ensure that the factors previously identified are still valid predictors of job success". And finally, the organisation should be careful not to depend on weights of a few items while selecting an employee.

#### **6.4.5 Selection Testing**

Another important decision in the selection process involves applicant testing and the kinds of tests to use. A test is a standardized, objective measure of a person's behaviour, performance or attitude. It is standardized because the way the test is carried out, the environment in which the test is administered and the way the individual scores are calculated — are uniformly applied. It is objective in that it tries to measure individual differences in a scientific way, giving very little room for individual bias and interpretation.

Over the years, employment tests have not only gained importance but also a certain amount of inevitability in employment decisions. Since they try to objectively determine how well an applicant meets job requirements, most companies do not hesitate to invest their time and money



in selection testing in a big way. Some of the commonly used employment tests may be stated thus:

#### **6.4.5.1 Intelligence tests**

These are mental ability tests. They measure the incumbent's learning ability and also the ability to understand instructions and make judgments. The basic objective of intelligence tests is to pick up employees who are alert and quick at learning things so that they can be offered adequate training to improve their skills for the benefit of the organisation. Intelligence tests do not measure any single trait, but rather several abilities such as memory, vocabulary; verbal fluency, numerical ability, perception, spatial visualization, etc., Stanford-Binet test, Binet-Simon test, The Wechsler Adult Intelligence Scale are examples of standard intelligence tests. Some of these tests are increasingly used in competitive examinations while recruiting graduates and post-graduates at entry level management positions in Banking, Insurance and other Financial Services sectors.

#### **6.4.5.2 Aptitude tests**

Aptitude tests measure an individual's potential to learn certain skills — clerical, mechanical, mathematical, etc. These tests indicate whether or not an individual has the ability to learn a given job quickly and efficiently. In order to recruit efficient office staff, aptitude tests are necessary; Clerical tests, for example, may measure the incumbent's ability to take notes, perceive things correctly and quickly locate things, ensure proper movement of files, etc. Aptitude tests, unfortunately, do not measure on-the-job motivation. That is why the aptitude test is administered in combination with other tests, like intelligence and personality tests.

#### **6.4.5.3 Personality tests**

Of all the tests required for selection, personality tests have generated lot of heat and controversy. The definition of personality, methods of measuring personality factors and the relationship between personality factors and actual job criteria have been the subject of much discussion. Researchers have also questioned whether applicants answer all the items truthfully or whether they try to respond in a socially desirable manner. Regardless of these objections, many people still consider personality as an important component of job success.

Personality tests are used to measure basic aspects of an applicant's personality such as motivation, emotional balance, self-confidence, interpersonal behaviour, introversion, etc. The most frequently used tests are the Minnesota Multiphasic Personality Inventory (MMPI), the California Psychological Inventory the Manifest Anxiety Scale, Edwards Personal Performance Schedule, etc. Some of the items in personality inventory run thus:

There are three types of PIP tests: projective (personality), interests and preferences. Let's examine these in detail.

##### **6.4.5.3.1 Projective tests**

These tests expect the candidates to interpret problem or situations based on their own motives, attitudes, values, etc. Many personality tests are projective in nature. A picture is presented to the person taking the test who is then asked to interpret or react to it. Since the pictures are clouded, the person's interpretation must come from inside — and thus get projected. The person supposedly projects into the picture his or her own emotional attitudes,

motives, frustrations, aspirations and ideas about life. Standard tests are also frequently used to assess the personality of the testee. For example, in the Thematic Appreciation Test, the testee is shown a picture and is asked to make up a story based on the picture. The responses are analyzed and a profile of personality is developed. However, projective tests have been under attack since they are unscientific and often reveal the bias of the test evaluator, particularly if he is not properly trained.

#### **6.4.5.3.2 Interest tests**

These are meant to find how a person in tests compares with the interests of successful people in a specific job. These tests show the areas of work in which a person is most interested. The basic idea behind the use of interests tests is that people are most likely to be successful in jobs they like. These tests could be used as effective selection tools. Obviously if you can select people whose interests are roughly the same as those of successful investments by using, say the Strong-Campbell inventory, in the jobs for which you are recruiting, it is more likely that the applicants will be more successful in their new jobs. The chief problem with using the interest tests for selection purposes is that responses to the questions are not always sincere.

#### **6.4.5.3.3 Preference test**

These tests try to compare employee preferences with the job and organisational requirements. The job diagnostic survey developed by Hackman and Oldham is an example of a preference test. This test shows how people differ in their preferences for achievement, meaningfulness, discretion etc., in their jobs.

#### **6.4.5.4. Achievement tests**

These are designed to measure what the applicant can do on the job currently, i.e., whether the testee actually knows what he or she claims to know. A typing test shows typing proficiency, a shorthand test measures the testee's ability to take dictation and transcribe, etc. Such proficiency tests are also known as work sampling tests. Work sampling is a selection test wherein the job applicant's ability to do a small portion of the job is tested. These tests are of two types; Motor, involving physical manipulation of things (e.g., trade tests for carpenters, plumbers, electricians) or Verbal, involving problem situations that are primarily language-oriented or people-oriented (e.g., situational tests for supervisory jobs).

Since work samples are miniature replicas of actual job requirements, they are difficult to fake. They offer concrete evidence of the proficiency of an applicant as against his ability to do the job. However, work-sample tests are not cost effective, as each candidate has to be tested individually. It is not easy to develop work samples for each job. Moreover, it is not applicable to all levels of the organisation. For managerial jobs it is often not possible to develop a work sample test that can take one of all the full ranges of managerial abilities.

#### **6.4.5.5 Simulation tests**

Simulation exercise is a test which duplicates many of the activities and problems an employee faces while at work. Such exercises are commonly used for hiring managers at various levels in an organisation. To assess the potential of a candidate for managerial positions, assessment centres are commonly used.

#### **6.4.5.6 Assessment centre**

An assessment centre is an extended work sample. It uses procedures that incorporate group and individual exercises. These exercises are designed to simulate the type of work which the candidate will be expected to do. Initially a small batch of applicants comes to the assessment centre (a separate room). Their performance in the situational exercises is observed and evaluated by a team of 6 to 8 trained assessors. The assessors' judgments on each exercise are compiled and combined to have a summary rating for each candidate being assessed. The assessment centre approach, thus, evaluates a candidate's potential for management on the basis of multiple assessment techniques, standardized methods of making inferences from such techniques, and pooled judgments from multiple assessors.

Initially a small batch of applicants comes to the assessment centre (a separate room). Examples of the simulated exercises based on real-life, included in a typical assessment centre are as follows:

##### **6.4.5.6.1 The in-basket**

Here the candidate is faced with an accumulation of reports, memos, letters and other materials collected in the in-basket of the simulated job he is supposed to take over. The candidate is asked to take necessary action within a limited amount of time on each of these materials, say, by writing letters, notes, agendas for meetings, etc. The results of the applicant's actions are then reviewed by the evaluators. In-baskets are typically designed to measure oral, and written communication skills, planning, decisiveness, initiative and organisation skills.

##### **6.4.5.6.2 The leaderless group discussion (LGD)**

This exercise involves groups of managerial candidates working together on a job-related problem. The problem is generally designed to be as realistic as possible and is tackled usually in groups of five or six candidates. A leader is not designated for the group, but one usually emerges in the course of the group interaction. Two or more assessors typically observe the interaction as the group tries to reach consensus on a given problem. The LGD is used to assess dimensions such as oral communication, tolerance for stress, adaptability, self confidence, persuasive ability etc.

##### **6.4.5.6.3 Business games**

Here participants try to solve a problem, usually as members of two or more simulated companies that are competing in the market place. Decisions might include how to advertise and produce, how to penetrate the market, how much to keep in stock, etc. Participants thereby exhibit planning and organisational abilities, interpersonal skills and leadership abilities. Business games may be simple (focussing on very specific activities) or complex models of complete organisational systems. They may be computer-based or manually operated, rapidly programmed or flexible. In computer based games, participants typically draw up plans for an organisation to determine such factors as the amount of resources to allocate for advertising, product design, selling and sales effort. The participants arrive at a number of decisions, and then the computer tells them how well they did in comparison to competing individuals or teams. Business games have several merits: they reduce time, events that might not take place for months or years are made to occur in a matter of hours. They are realistic and competitive in nature. They also offer immediate feedback.

#### **6.4.5.6.4 Individual presentations**

Participants are given a limited amount of time to plan, organise and prepare a presentation on an assigned topic. This exercise is meant to assess the participant's oral communication skill, self-confidence, persuasive abilities, etc.

#### **6.4.5.6.5 Structured interview**

Evaluators ask a series of questions aimed at the participant's level of achievement, motivation, potential for being a 'self-starter' and commitment to the company.

#### **6.4.5.7. Graphology tests**

Graphology involves using a trained evaluator to examine the lines, loops, hooks, strokes, curves and flourishes in a person's handwriting to assess the person's personality and emotional make-up. The recruiting company may, for example, ask applicants to complete application forms and write about why they want a job. These samples may be finally sent to a graphologist for analysis and the results may be put to use while selecting a person. The use of graphology, however, is dependent on the training and expertise of the person doing the analysis. In actual practice, questions of validity and just plain scepticism have limited its use.

#### **6.4.5.8. Polygraph (lie-detector) tests**

The polygraph (The lie detector consists of a rubber tube around the chest, a cuff round the arm, and sensors attached to the fingers that record the physiological changes in the examinee as the examiner puts questions that call for an answer of yes or no) records physical changes in the body as the test subject answers a series of questions. It records fluctuations in respiration, blood pressure and perspiration on a moving roll of graph paper. The polygraph operator forms a judgment as to whether the subject's response was truthful or deceptive by examining the biological movements recorded on the paper. Polygraphs, despite strong resistance by many applicants, are increasingly being used by companies which have problems with inventory and security of funds. Government agencies have begun to use the polygraph, though in a limited way, after the passage of the Employee Polygraph Protection Act in USA in 1988, especially for filling security, police, fire and health positions. Critics, however, question the appropriateness of polygraphs in establishing the truth about an applicant's behaviour. The fact is that polygraph records biological reaction in response to stress and does not record lying or even the conditions necessarily accompanying lying. Is it possible to prove that the responses recorded by the polygraph occur only because a lie has been told? What about those situations in which a person lies without guilt (a pathological liar) or lies believing the response to be true? The fact of the matter is that polygraphs are neither reliable nor valid. Since they invade the privacy of those tested, many applicants vehemently oppose the use of polygraph as a selection tool.

#### **6.4.5.9. Integrity tests**

These are designed to measure employee's honesty to predict those who are more likely to steal from an employer or otherwise act in a manner unacceptable to the organisation. The applicants who take these tests are expected to answer several 'yes' or 'no' type questions. Often these tests contain questions that repeat themselves in some way and the evaluator then examines the consistency in responses. Companies that have used integrity tests have reported success in tracking employees who indulge in 'theft'. However, these tests ultimately suffer from the same weaknesses as polygraph and graphology tests.

#### **6.4.6 Tests as Selection Tools**

Tests are useful selection devices in that they uncover qualifications and talents that can't be detected otherwise. They can be used to predict how well one would perform if one is hired, why one behaves the way one does, what situational factors influence employee productivity, etc. Tests also provide unbiased information that can be put to scientific and statistical analysis.

However, tests suffer from sizeable errors of estimate. Most psychological tests also have one common weakness, that is, we can't use scales which have a known zero point and equal intervals. An intelligence test, for example starts at an arbitrary point, where a person may not be able to answer questions properly. This does not mean that the person is totally lacking in intelligence. Likewise, a person who is able to answer all the 10 questions correctly cannot be called twice as intelligent as one who is able to answer only 5 questions correctly. If the test has commenced at some other point, where there were easier questions, their scores might have been different. Tests also fail to elicit truthful responses from testees. To compound the problem further test results are interpreted in a subjective way by testers and unless these testers do their homework well, the results may not be reliable.

#### **6.4.7 Standards for Selection Tests**

To be useful as predictive and diagnostic selection tools, tests must satisfy certain basic requirements:

##### **6.4.7.1 Reliability**

Test scores should not vary widely under repeated conditions. If a test is administered to the same individual repeatedly, he should get approximately identical scores. Reliability is the confidence that an indicator will measure the same thing every time. "A yardstick that measures me 60 inches tall everytime I use it is reliable". Generally speaking HR managers should choose instruments that have the following types of reliability:

##### **6.4.7.2 Test-retest reliability**

Where the technique gives the same results when administered repeatedly to the same person. For example, if a person takes the same hearing test twice during the week and receives the same result, the test-retest reliability is high.

##### **6.4.7.3 Inner-rater reliability**

where the instrument gives the same results when used by two or more different raters. For example, if two supervisors interview the same worker and evaluate the worker similarly, the interview has high inner-rater reliability.

##### **6.4.7.4 Intra-rater reliability**

where the technique gives the same results when repeatedly used by the same rater to rate the same behaviours or attitudes at different times.

##### **6.4.7.5 Validity**

Validity is the extent to which an instrument measures what it intends to measure. In a typing test, validity measures a typist's speed and accuracy. To determine whether it really measures the speed and accuracy of a typist is to demonstrate its validity. The question of determining the

validity of a selection test, thus, has a lot to do with later performance on the job (known as criterion: a selection tool such as a test or an interview is referred to as a predictor and what it measures — job performance — is a criterion). If a person has done well both in selection and subsequently on the job, the test of selection would be accepted as a valid 'technique for selection'.

There are three types of validity important in the selection and recruitment of human resources. Content validity is the degree to which the content of the test represents the actual work situation. For example, a typing test has high content validity for a typist. Construct validity is the degree to which a specific trait is related to successful job performance. For example, honesty would be important for a bank cashier. Criterion related validity is the degree to which a specific selection tool accurately predicts the important elements of work. (Job performance or criterion). Criterion related validity is subdivided into two types: predictive and concurrent. Predictive validity involves picking a criterion predictor such as a test, administering the test to the entire pool of job applicants and then hiring people to fill the vacancies without taking their test scores into account. At a later date, the test scores are correlated with the criterion of job success to find out whether those people with high test scores performed substantially better than those with low test scores. This kind of validation is not frequently used because it is costly and slow. To use this, a large number of new employees must be hired at the same time without regard to their test scores. This would mean hiring both good and bad employees. Further, for criteria to be predictive, all new employees must have equivalent orientation or training. Concurrent validity involves identifying a criterion predictor such as a test, administering the test to present employees and correlating the test scores with the present employees' performance on the job. A high degree of correlation indicates (e.g.,  $r = + 0.80$  or higher) that the tests can be used for hiring future employees.

#### **6.4.7.6 Qualified people**

Tests require a high level of professional skills in their administration and interpretation. Professional technicians are needed for skilled judgmental interpretations of test scores.

#### **6.4.7.7 Preparation**

A test should be well prepared. It should be easy to understand and simple to administer.

#### **6.4.7.8 Suitability**

A test must fit the nature of the group on which it is applied. A written test comprising difficult words would be fruitless when it is administered on less educated workers.

#### **6.4.7.9 Usefulness**

Exclusive reliance on any single test should be avoided, since the results in such a case are likely to be criticised. To be useful, it is always better to use a battery of tests.

#### **6.4.7.10 Standardisation**

Norms for finalising test scores should be established. There must be prescribed methods and procedures for administering the test and for scoring or interpreting it.

#### **6.4.8 Selection Interview**

Interview is the oral examination of candidates for employment. This is the most essential step in the selection process. In this step, the interviewer tries to obtain and synthesise information about the abilities of the interviewee and the requirements of the job. Interview gives the recruiter an opportunity to

- size up the interviewee's agreeableness;
- ask questions that are not covered in tests;
- obtain as much pertinent information as possible;
- assess subjective aspects of the candidate — facial expressions, appearance, nervousness and so forth;
- make judgments on interviewee's enthusiasm and intelligence;
- give facts to the candidate regarding the company, its policies, programmes, etc., and promote goodwill towards the company.

#### **6.4.8.1 Types of Interviews**

Several types of interviews are commonly used depending on the nature and importance of the position to be filled within an organisation.

##### **6.4.8.1.1 The non-directive interview**

In a non-directive interview the recruiter asks questions as they come to mind. There is no specific format to be followed. The questions can take any direction. The interviewer asks broad, open-ended questions such as 'tell me more about what you did on your last job' — and allows the applicant to talk freely with a minimum of interruption. Difficulties with a non-directive interview include keeping it job related and obtaining comparable data on various applicants.

##### **6.4.8.1.2 The directive or structured interview**

In the directive interview, the recruiter uses a predetermined set of questions that are clearly job related. Since every applicant is asked the same basic questions, comparison among applicants can be made more easily. Structured questions improve the reliability of the interview process, eliminate biases and errors and may even enhance the ability of a company to withstand legal challenge. On the negative side, the whole process is somewhat mechanical, restricts the freedom of interviewers and may even convey disinterest to applicants who are used to more flexible interviews. Also, designing a structured interview may take a good amount of time and energy.

##### **6.4.8.1.3 The situational interview**

One variation of the structured interview is known as the situational interview. In this approach, the applicant is confronted with a hypothetical incident and asked how he or she would respond to it. The applicant's response is then evaluated relative to pre-established benchmark standards.

##### **6.4.8.1.4 The behavioural interview**

The behavioural interview focuses on actual work incidents (as against hypothetical situations in the situational interview) in the applicant's past. The applicant is supposed to reveal what he or she did in a given situation, for example, how he disciplined an employee who was smoking inside the factory premises.

#### **6.4.8.1.5 Stress interview**

In stress interview, the interviewer attempts to find how applicants would respond to aggressive, embarrassing, rude and insulting questions. The whole exercise is meant to see whether the applicant can cope with highly stress-producing, anxious and demanding situations while at work, in a calm and composed manner. Such an approach may backfire also, because the typical applicant is already somewhat anxious in any interview. So, the applicant that the firm wants to hire might even turn down the job offer under such trying conditions.

#### **6.4.8.1.6 Panel interview**

In a typical panel interview, the applicant meets with three to five interviewers who take turns asking questions. After the interview, the interviewers pool their observations to arrive at a consensus about the suitability of the applicant. The panel members can ask new and incisive questions based on their expertise and experience and elicit deeper and more meaningful responses from candidates. Such an interview could also limit the impact of the personal biases of any individual interviewer. On the negative side, as an applicant, a panel interview may make you feel more stressed than usual.

#### **6.4.8.2 Interviewing Mistakes**

The interview is a good selection tool in the hands of the person who knows how to use it. If it is not used properly or the interviewer himself is not in a positive frame of mind, mistakes may occur. The interviewer, for example, may:

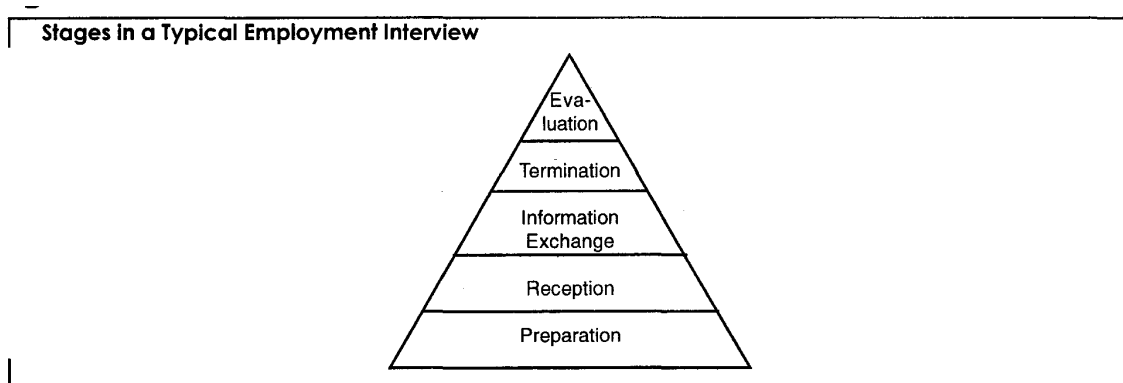
- favor applicants who share his own attitudes;
- find it difficult to establish rapport with interviewees, because he himself does not possess good interpersonal skills;
- not be asking right questions and hence not getting relevant responses;
- Resort to snap judgements, making a decision as to the applicant's suitability in the first few minutes of the interview. Too often interviewers form an early impression and spend the balance of the interview looking for evidence to support it;
- may have forgotten much of the interview's content within minutes after its conclusion;
- may have awarded high scores by showing leniency (leniency);
- may have been influenced by 'cultural noise' . To get the job, the applicants try to get past the interviewer. If they reveal wrong things about themselves, they realize that they may not get the job, so they try to give the interviewer responses that are socially acceptable, but not very revealing. These types of responses are known as cultural noise — responses the applicant believes are socially acceptable rather than facts;
- may have allowed himself to be unduly influenced by associating a particular personality trait with a person's origin or cultural background and that kind of stereotyping/generalizing ultimately determining the scores of a candidate (stereotyping). For example, he may feel that candidates from Bihar may find it difficult to read, write and speak English language and hence not select them at all!
- May allow the ratings to be influenced by his own likes and dislikes (bias)



- May conclude that a poorly dressed candidate is not intelligent attractive females are good for public dealings, etc. This is known as 'halo effect', where a single important trait of a candidate
- Affects the judgment of the rater. 'Halo effect is present if an interviewer allows a candidate's accomplishments in athletics to overshadow other aspects and leads the interviewer to like the applicant because 'athletes make good sales people';
- Have rated an applicant poorly, following the interview of very favorable or unfavorable candidates (an anomaly known as candidate-order error; the order in which you interview applicants can also affect how you rate them);
- Have been influenced more by unfavorable than favorable information about, or from, the candidate. Unfavorable information is given roughly twice the weight of favorable information. According to Dobmeyer and Dunette, a single negative characteristic may bar an individual from being accepted, whereafter no amount of positive features will guarantee a candidate's acceptance. 13
- Have been under pressure to hire candidates at short notice;
- Have been influenced by the behaviour of the candidates (how he has answered, his body language), his or her dress (especially in the case of female candidates) and other physical factors that are not job related.

#### 6.4.8.3 The Interview Process

Interviewing is an art. It demands a positive frame of mind on the part of the interviewers. Interviewees must be treated properly so as to leave a good impression (about the company) in their minds. HR experts have identified certain steps to be followed while conducting interviews:



**6.4.8.3.1 Preparation:** Effective interviews do not just happen. They are planned. This involves:

- Establishing the objectives of the interview and determining the areas and specific questions to be covered.
- Reviewing the candidate's application and resume, noting areas that are vague or that may show candidate's strengths and weaknesses on which questions could be asked.
- Keeping the test scores ready, along with interview assessment forms.
- Selecting the interview method to be followed.

- Choosing the panel of experts who would interview the candidates (list the number of experts to be called plus the chairman).
- Identifying a comfortable, private room preferably away from noise and interruptions (neat and clean; well furnished, lighted and ventilated) where the interview could be held.

#### **6.4.8.3.2. Reception**

The candidate should be properly received and led into the interview room. Greet the candidate with a warm, friendly, greeting smile. Names are important. So tell the applicant what to call you and then ask the applicant for his preferred form of address. Tell briefly about yourself and put the applicant at ease so that he may reciprocate with personal information. Ask the applicant about hobbies, activities or some other topic so as to break the ice. As a rule, treat all candidates — even unsolicited drop-ins at your office — courteously, not on humanitarian grounds but because your company's reputation is at stake. Start the interview on time.

#### **6.4.8.3.3. Information Exchange**

To gain the confidence of the candidate, start the interview with a cheerful conversation. The information exchange between the interviewer and the interviewee may proceed thus:

- State the purpose of the interview, how the qualifications are going to be matched with skills needed to handle the job. Give information about the job for which the interviewee is applying. Known as a realistic job preview, such an exercise would be most fruitful when the applicant gets a realistic picture of what he is supposed to do on the job. A realistic job preview helps minimise surprises for the new recruit, enhancing the comfort level and decreasing ambiguity and uncertainty in the early stages of work. Also, the first impression a firm makes on a new hire is one of being an honest organisation, that stays with the employee, increasing the employee's level of commitment.
- Begin with open-ended questions where the candidate gets enough freedom to express himself freely instead of 'yes' or 'no' type of responses.
- Do not put words in the applicant's mouth by asking: You have worked in a private management institute before. Haven't you?
- Do not telegraph the desired answer by nodding or smiling when the right answer is given.
- Do not interrogate the applicant as if the person is a prisoner and do not be patronising, sarcastic or ultra-critical.
- Do not monopolies the conversation, giving very little chance to the applicant to reveal himself.
- Do not let the applicant dominate the interview by rambling from point to point so you cannot ask all your questions. Establish an interview plan and stick to it.
- Do not use difficult words to confuse the applicant. Provide information as freely and honestly as possible
- Focus on the applicant's education, training, work experience, etc. Find unexplained gaps in applicants past work or college record and elicit facts that are not mentioned in the resume. Avoid questions that are not job-related.
- Listen to the applicant's answers attentively and patiently. And pay attention to non verbal cues (applicant's facial expressions, gestures, body language, etc.). To increase

reliability and avoid discrimination, ask the same questions of all applicants for a particular job. Keep careful notes and record facts.

#### **6.4.8.3.4. Termination**

End the interview as happily as it began without creating any awkward situation for the interviewee. Here, avoid communicating through unpleasant gestures such as sitting erect, turning towards the door, glancing at watch or clock, etc. Some interviewers terminate the show by asking: do you have any final questions? At this point inform the applicant about the next step in the interview process, which may be to wait for a call or letter. Regardless of the interview performance of the candidate and interviewer's personal opinion, the applicant should not be given any indication of his prospects at this stage.

#### **6.4.8.3.5 Evaluation**

After the interview is over, summarise and record your observations carefully, constructing the report based on responses given by applicant, his behaviour, your own observations and the opinions of other experts present during the interview. Better to use a standardised evaluation form for this purpose.

#### **6.4.8.4 Medical Examination**

Certain jobs require physical qualities like clear vision, acute hearing, unusually high stamina, tolerance of arduous working conditions, clear tone of voice, etc. Medical examination reveals whether or not a candidate possesses these qualities. Medical Examination can give the following information:

- i. Whether the applicant is medically suitable for the specific job or not;
- ii. Whether the applicant has health problems or psychological attitudes likely to interfere with work efficiency or future attendance;
- iii. Whether the applicant suffers from bad health which should be corrected before he can work satisfactorily (such as the need for spectacles);
- iv. Whether the applicant's physical measurements are in accordance with job requirements or not.

#### **6.4.8.5 Reference Checks**

Once the interview and medical examination of the candidate is over, the personnel department will engage in checking references. Candidates are required to give the names of two or three references in their application forms. These references may be from individuals who are familiar with the candidate's academic achievements, or from applicant's previous employer, who is well-versed with the applicant's job performance, and sometimes from co-workers. In case the reference check is from the previous employer, information in the following areas may be obtained. They are: job title, job description, period of employment, pay and allowances, gross emoluments, benefits provided, rate of absence, willingness of the previous employer to employ the candidate again, etc. Further, information regarding candidate's regularity at work, character, progress, etc., can be obtained. Often a telephone call is much quicker. The method of mail query, provides detailed information about the candidate's performance, character and behaviour. However, a personal visit, is superior to the mail and telephone methods and is used

where it is highly essential to get a detailed, first-hand information which can also be secured by observation. Reference checks are taken as a matter of routine and treated casually or omitted entirely in many organisations. But a good reference check, when used sincerely, will fetch useful and reliable information to the organisation.

#### **6.4.8.6 Hiring Decision**

The Line Manager concerned has to make the final decision now — whether to select or reject a candidate after soliciting the required information through different techniques discussed earlier. The line manager has to take adequate care in taking the final decision because of economic, behavioural and social implications of the selection decisions. A careless decision of rejecting a candidate would impair the morale of the people and cause them to suspect the selection procedure and the very basis of selection in a particular organisation. A true understanding between line managers and HR managers should be established so as to facilitate good selection decisions. After taking the final decision, the organisation has to intimate this decision to the successful as well as unsuccessful candidates. The organisation sends the appointment order to the successful candidates either immediately or after some time, depending upon its time schedule.

## **6.5 METHODS OF SELECTION**

While application blank, test and interview, are the most popular methods of selection, certain positions require use of other techniques of selection. In this section a brief discussion of some of these techniques is presented.

### **6.5.1 e-Recruitment**

With the advent of information technology, a number of HR practices are now online. The most significant of them is e-recruitment. Also called internet recruitment, it involves the use of internet for attracting and retaining job seekers. Specifically, it is used for advertising available position on the internet, posting job applications — which are then filled out by eligible candidates—and outline short-listing of the candidates by asking them to complete a screening instrument (also called the process of delection). It involves matching applicants with job specifications and validating their qualifications. Some major advantages of e-recruitment are:

1. Information about job vacancies can reach a larger population.
2. The total selection process becomes faster, saves time by posting the list of selected candidates, and generally, the selection decisions are quickly made.
3. Saves cost by avoiding costly advertising in print media, postage and man hours spent in the selection process.
4. It frees HR personal from processing, and provides them time to carry out other duties.
5. Helps in generating talent pool for future vacancies, and a data base for research, policy formulation and/or policy review.
6. Reduces dependency on recruitment agencies or other middlemen.
7. It helps in searching for potential candidates on the global scale.
8. Helps in building a favourable image of the organisation.

One of the disadvantages of e-recruitment is that it may exclude those who do not have access to internet, and in the process, may lose some of the most potentially effective employees.

### **6.5.2 Business Games**

For positions where decision-making is the most important component, some techniques are developed to assess the decision-making ability of the applicants. These are called business games. Applicants for supervisory or managerial positions are put in a simulated exercise of actual decision-making. A problem is provided to them along with all the necessary information and constraints. The applicant is asked to make a decision and the quality of this decision is judged by how well the applicant has processed the information provided to him. The processing of information is supposed to be guided by knowledge of operating realities and clear-cut understanding of the goals and policies of the organisation (Erving, 1964). One example of business games is the “in-basket” techniques.

In-basket technique for selecting managers was developed by Lopez (1966). It consists of providing the applicant with background material on the organisation such as its history, organisation structure, operating procedures, roles, financial data, targets, and past achievement, etc. It helps to set the applicant in more or less realistic situation. Along with this information a set of problems are provided. In-basket is like an in-tray in an office where the incoming papers are placed. The problems contained in the in-tray by way of memos, letters and reports are related to each other in some way and are also related to a master plan. The idea is that the decision taken should be in consonance with the overall reality of the organisation and should be not an isolated case (Jaffee, 1971). Once the exercise is over the applicant’s judgement and performance is evaluated. The applicant explains the decisions that he took and why he took those decisions.

It is a powerful technique for selection, particularly for the managerial cadre and provides insight into the applicant’s abilities and behaviour. However, the development of such an exercise is time consuming. Often the exercise may not be taken seriously by the participants; hence the behaviour may not be very spontaneous. Not much research is available on the validity and reliability of these exercises either in the West or in India. The reasons are many. Foremost is the fact that sample sizes in these cases are very small leading to a judgmental evaluation rather than statistical evaluation. Secondly, unless the decision taken is evaluated in terms of quality by a number of judges, one cannot determine the reliability or validity. This is true because given the same information different applicants may come up with different decisions. Hence, it is not the decision perse but the quality of the decisions which is important.

In the Indian context this exercise is quite often practised but as part of interview. Here the interviewer may provide a situation to the applicant and ask him to indicate what he would do and why. However, as an independent selection tool its use has been nominal. These are, however, individual attempts. No research study or paper is published on the use or the effectiveness of in- basket technique.

### **6.5.3 Group Discussion**

Another frequently used technique for the selection of supervisory and management staff and particularly for management trainees in India is known as leaderless group discussion or just

group discussion. Before the individual, face-to-face, interview takes place a group of applicants ranging from six to ten are either provided a company situation or a topic on which they are allowed some time, to discuss among themselves. The discussion is preceded by a preparation time which provides an opportunity to the applicants to think of the subject matter and evolve a strategy of making their contribution.

Group discussions are generally unstructured. There are no predetermined expectations of who will perform what role. What is seen is how the group takes its shape, what is this shape, and who has contributed most to this. Depending upon the job expectation a variety of things could be examined. Generally, the quality of content, its delivery time management, interpersonal competence, and behaviour in the group are assessed. The assessment is done by more than one person who are also members of the interview panel. These assessments are done independently.

Since the assesses are also members of the interview panel, it provides them an opportunity to follow up certain points during the face-to-face interview. This method is extremely useful as it generates some very useful data on the behaviour, personality, and leadership qualities in the group. it is time saving as six to ten applicants can be observed simultaneously. However, the assessors have to be careful because vocal applicants with better schooling may score better because of their delivery. Hence emphasis should be placed on content and general behaviour (Willing, 1962).

#### ***6.5.4 Physical Examination***

This, as a method of selection, is most useful where physical strength is most important or where physically handicapped are employed. Given the employment situation in India and lack of social security, very often organisations use it to protect themselves from employees filing compensation claims for injuries caused by pre-existing ailments. Although in public sector, armed forces and government jobs, physical examination is a must, very often a very cursory check up is done. There are many ailments about which not much is known. Hence, if the organisation wants the working environment to be free from infectious diseases the physical check up has to be thorough and done by specialists.

Other than providing a sound, hygienic environment and legally protecting the organisation, there does not seem to be any other reason why physical examination should be undertaken. Research on accidents has shown that a sound physical condition is no guarantee against accidents. Similarly, with increasing automation, one wonders if physical strength would be a necessary input in performing the job well.

### **6.6 Challenges to Selection**

The selection process relies on three helpful inputs, as Figure 8-1 shows. Job analysis information, discussed in Chapter 5, yields the description of the jobs, the human specifications, and the performance standards each job requires. HR plans, explained in Chapter 6, identify likely job openings and allow selection to proceed in a logical and proactive manner. Chapter 7 described how recruits form a pool of applicant's form which employees are selected. Other challenges to the selection process limit the actions of HR specialists and line managers. As

Chapter 4 outlined, laws against discrimination reinforce external prohibitions, and the international challenges discussed in Chapter 3 complicate nearly every HR activity. At the same time, workforce diversity and other internal challenges further complicate, and thus slow, the HR department's selection activities.

Although computerized applicant tracking within the HR information system can speed up the department's processing, line managers may see days slip into weeks or months and then pressure employment managers for action. But quick action may mean that qualified applicants are few or nonexistent. Whichever side of the trade-off quickness versus quality employment specialists choose, criticisms from operating managers are likely.

## **6.7 RECENT TRENDS IN SELECTION**

New trends have been emerging in selection techniques along with other areas of human resource management. The recent trends in selection include: (1) selection by invitation, (ii) leasing and (iii) 360° selection programme.

### ***6.7.1 Selection by Invitation***

Management observes the performance of key executives of competitors. If the performance of the key executives is excellent or the key executives are change agents, the management invites such executives to join the organisation by offering attractive salary and benefits. Thus, the significant performance of the executives forms basis for selecting them by invitation.

### ***6.7.2 Leasing***

Presently, the organisations need to employ specialists to take-up the highly skilled jobs. In fact, the changes in technology demand highly skilled employees. It would be very difficult for small organisations to employ skilled employees as they demand high pay. Added to this employees may not have enough work. These factors enabled the consultancy organisations to employ experts and depute these employees to the needy companies on lease. These consultancy organisations are principal employers and the needy organisations draw the required employees from the pool on lease and pay the agreed fee to the consultancy firms. The consultancy firms pay the salary to the employees.

This type of arrangement is beneficial to the consultants, employees on lease and the industrial organizations. The business organisations can utilise the services of the experts with less cost. The employees get high pay and benefits. The leasing company derives surplus from its charges and fees.

### ***6.7.3 360° Selection Programme***

Normally, superiors administer the selection tests and interviews. They judge the fit between the job and the candidate. But the employee skills, knowledge and performance affect not only superiors but also subordinates and the employees of the same level. Hence, the organisations started involving the subordinates and the employees of the same level in administering the employment tests and interviews. This type of selection programme is called 360° selection programme.

## 6.8 Socialization

It is not unusual to confuse a new employee's initial orientation on the job with the socialization process. In actuality, orientation is only a small part of the overall socialization of a new organizational member.

Orientation covers the activities involved in introducing a new employee to the organization and to his or her work unit. It expands upon the information received during the recruitment and selection stages and helps to reduce the initial anxiety we all feel when we first begin 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 personnel policies such as hours of work, pay procedures, overtime requirements, and fringe 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 superior and co worker 9-1 illustrates an orientation program in one firm.

Who is responsible for orienting the new employee? This can be done either by the new employee's supervisor, by the people in personnel, or some combination thereof.

In many medium-sized and most large organizations, the personnel department takes charge of explaining such matters as overall organizational policies and employee benefits. In other medium-sized and most small firms, new employees will receive their entire orientation from their supervisor. *Figure 9-1* demonstrates a situation where the process is shared between the personnel department staff and the new member's supervisor.

Of course, the new employee's orientation may not be formal at all. For instance, in many small organizations, orientation may mean the new member reports to her supervisor, who then assigns the new member to another employee who will introduce her to those persons with whom she will be closely working. This may then be followed by a "quickie" tour to show her where the lavatory is, how to make her way to the cafeteria, and how to find the coffee machine. Then, the new employee is shown her desk and left to fend for herself.

## 6.9 THE ORGANIZATIONAL CULTURE

Every organization has its own unique culture. This culture includes longstanding, and often unwritten, rules and regulations; a specific language that facilitates communication among members; shared standards of relevance as to the critical aspects of the work that is to be done; matter-of-fact prejudices; standards for social etiquette and demeanor; established customs for how members should relate to peers, subordinates, superiors, and outsiders; and other traditions that clarify to members what is appropriate and "smart" behavior within the organization and what is not. An employee who has been properly socialized to the organization's culture, then, has learned how things are done, what matters, and which work-related behaviors and perspectives are acceptable and desirable and which ones are not.

To better understand the concept of unique organizational cultures, we should look at the concepts of roles, values, and norms.



## 6.10 ROLES

Every job requires the incumbent to behave in certain specified ways. These behaviors are more or less expected of persons who are identified with certain jobs. We call the set of such behaviors a role. Your instructor acts a certain way in the classroom, but that is not the way this individual behaves in a nightclub on Saturday night. Why? Because your instructor is probably not “playing teacher” on Saturday night.

## 6.11 VALUES

Employees do not play out their role in a vacuum. Their role is significantly influenced by the values and norms held by members of their work group. Values are basic convictions about what is right or wrong, good or bad, desirable or not. Every individual has a value system, rarely explicit, which represents a prioritizing or ranking of values in terms of their relative importance. A teacher of business subjects in a university finds that departmental colleagues identify with the values of competition, efficiency, free enterprise, and the profit ethic. On the other hand, they tend to denigrate values like socialism, rewarding employees based solely on seniority, and government intervention. What organizational members value, then, will significantly influence the behavior of new members.

## 6.12 NORMS

The new employee’s work group will have its own standards of acceptable behavior. These norms tell members what they ought or ought not to do under certain circumstances. They might include: not producing too little and thus drawing unnecessary attention to the work unit, defending your co-workers against attacks from the boss, or avoiding giving any assistance to “those idiots in the auditing department.”

## 6.13 SOCIALIZATION PROCESS

We will now turn our attention towards making some general assumptions about socialization and then towards constructing a model of the socialization process. This section will prepare us to consider the most relevant part in our discussion of socialization: What can managers do to effect the process?

### 6.13.1 *Underlying Assumptions*

The material presented in the remainder of this chapter is based on four assumptions. We want to make explicit these assumptions. We want to make explicit these assumptions about socialization.

### 6.13.2 *Socialization influences performance*

***Socialization strongly influences employee performance and organizational stability.*** Your work performance depends to a considerable degree on knowing what you should or should not do. Understanding the right way to do a job indicates proper socialization. Furthermore, the appraisal of your performance includes how well you fit into the organization. Can you get along

with your co-workers? Do you have acceptable work habits? Do you demonstrate the right attitude? These qualities differ between jobs and organizations. For instance, on some jobs you will be evaluated higher if you are aggressive and outwardly indicate that you are ambitious. On another job, or on the same job in another organization, such an approach may be evaluated negatively. As a result, proper socialization becomes a significant factor in influencing both your actual job performance and how it is perceived by others.

The stability of the organization is also increased through socialization. When, over many years, jobs are filled and vacated with a minimum of disruption, the organization will be more stable. Its objectives will be more smoothly transferred between generations. Loyalty and commitment to the organization should be easier to maintain because the organization's philosophy and objectives will appear consistent over time. Given that most managers value high employee for performance and organizational stability, the proper socialization of employees should be important.

### **6.13.3 New Employees suffer from anxiety**

*New members suffer from anxiety.* The outsider-insider passage is an anxiety-producing situation. Stress is high because the new member feels a lack of identification, if not with the work itself, certainly with new superior, new co-workers, a new work location, and probably a new set of rules and regulations. Loneliness and a feeling of isolation are not unusual responses.

This anxiety state has at least two implications. First, new employees need special attention to put them at ease. This usually means providing an adequate amount of information to reduce uncertainties and ambiguities. Second, the existence of tension can be positive in that it often acts to motivate individuals to learn the values and norms of their newly assumed role as quickly as possible. We can conclude therefore, that the new member is anxious about the new role but is motivated to learn the ropes and become an accepted member organization rapidly.

### **6.13.4 Socialization does not occur in a vacuum**

*Socialization does not occur in a vacuum.* The learning associated with socialization goes beyond the formal job description and the expectations that may be made by people in the personnel the new member's superior. Socialization will be influenced by clues given by colleagues, superiors, subordinates, clients, and other people with whom new members come in contact. In other words, regardless of what management may do to control the socialization process, new members will be vulnerable to those attitudes and behaviors that they pick up from associates.

### **6.13.5 People adjust in similar ways**

*People adjust in similar ways.* The way in which individuals adjust to new situations is remarkably similar, even though the content and type of adjustments may vary. For instance, as pointed out previously, anxiety is high at entry and the new member usually wants to reduce that anxiety quickly. The information obtained during the recruitment and selection stages is always incomplete and usually distorted. New employees, therefore, must alter their understanding of

their role to fit the more complete information they get once they are on the job. The point is that there is no instant adjustment. Every new member goes through a settling-in period.

## 6.14 SUMMARY

Selection is the process of choosing individuals who have relevant qualifications to fill jobs in an organization. The primary purpose of selection activities is to predict which job applicant will be successful if hired. Selection tests include intelligence and aptitude tests, achievement tests, assessment centers and general psychological or personality tests. Reference and medical evaluations are common aspects of the selection process of many employers these days.

## 6.15 KEY WORDS:

**Selection:** The process of picking individuals who have relevant qualifications to fill jobs in an organization.

**Weighted Application Blank:** It is a printed form completed by job aspirants detailing their educational background, previous work history and certain personal data.

**Assessment centre:** it is a standardized form of employees appraisal that uses multiple assessment exercises such as 'in basket', games, role play etc., and multiple raters.

**Structured Interview:** Interview that uses a set of standardized questions that are clearly job related, asked of all job applicants.

## 6.16 SELF ASSESMENT QUESTIONS

1. Explain the process of selection in brief?
2. What is testing in selection? Explain its validity and reliability in the selection process?
3. What is the method of selection and briefly explain it?
4. Explain the socialization process? Explain the values and norms of socialization.

## 6.17 SUGGESTED BOOKS FOR FURTHER READINGS

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## LESSON 7

# INTERVIEWING PLACEMENT INDUCTION

## 7.0 OBJECTIVE

- To know about the main objectives of the interview
- To Discuss the Interviewing functions of the HR Manager
- To Understand the Placement Problems
- To Analyse the Techniques of Induction

## STRUCTURE

### 7.1 Interviewing.

#### 7.1.1 Main objectives of an interview.

##### 7.1.2 Preparation before the interview

### 7.2 Interviewing Functions of the Human Resource

### 7.3 Concluding the Interview Manager

### 7.4 Placement

#### 7.4.1 Placement Problems

### 7.5 Induction

#### 7.5.1 Induction by Human Resource Department

#### 7.5.2 Induction by Department Head

#### 7.5.3 Techniques of Inductions

##### 7.5.3.1 The general orientation lecture.

##### 7.5.3.2 General tour.

##### 7.5.3.3 Employee Hand book

##### 7.5.3.4 Buddy system.

### 7.6 Summary

### 7.7 Key words

### 7.8 Self Assessment Questions

### 7.9 Further Readings

## 7.1 INTERVIEWING

Interviewing is the main method of appraising an applicant's suitability for the post. This is the most intricate and difficult part of the selection process. Interviews are often conducted to assess the suitability of the candidates. The interviewer must have through understanding of the dynamics of human behavior and familiarity with the kinds of abilities, interests and personality patterns best suited to specified work situations. The key to a successful interview is the interviewee himself. The employment interview can be divided into four parts; the warm-up stage, the drawing-out stage, the information stage and finally the form-in-an-opinion stage.

The employment interview is aimed at obtaining certain basic information it is normally conducted by the human resource manager and the concerned department head. The candidate is asked about his education, job experience, minimum salary acceptable sometimes, he is asked

why he is applying for a job in that hospital or why he is leaving his present job. As the human resource manager screens applicants, he must constantly think of the degree to which the applicant will fit into the overall set-up of the hospital, such as in dealings with patients, in its public relations, in its requirement of unusual working hours and working conditions in certain employment areas.

### ***7.1.1 Main objectives of an interview***

The main objectives an interview are:

1. For the employer to obtain all the information about the candidate to decide about his suitability for the post
2. To give the candidate a complete picture of the job as well as of the organization
3. To demonstrate the fairness to all candidates.

### ***7.1.2 Preparation before the interview.***

There are several points to be taken care of before the interview

1. Plan carefully before the interview
2. Inform the receptionists so that candidates called for the interview are correctly directed to the place of interview
3. Make sure that the waiting arrangements are satisfactory
4. Anticipate questions about conditions of service
5. Ensure that there no interruptions during the interview
6. Decide in advance the information to be provided to all the candidates
7. Have a plan of questions so that assessment is comprehensive prepare a list of characteristics you want to observe and evaluate.
  - a. General appearance;
  - b. Attainments
  - c. General intelligence;
  - d. Special attitude
  - e. Interest
  - f. Disposition
  - g. Use of language
  - h. Ease in conversation
  - i. General habits of courtesy
  - j. Facial expression

## ***7.2 Interviewing Functions of the Human Resource Manager***

There is always some confusion about the responsibilities of the department head and of the human resource manager. It can be clarified by stating that the human resource manager helps the department head in the selection of the candidates who meet the job requirements. He thinks of the applicant as a potential member of the whole hospital family, one who meets most of the requirements set forth for the position. The department head, on the contrary, is able to visualize the applicant as a part of his own department will question him more specifically as to his adaptability to position to be filled.

The responsibilities of the human resource manager are

1. To screen the application of the candidate;
2. To give information about:
  - (i) General nature of work,
  - (ii) Hours of work
  - (iii) Pay-scale, allowances and starting total salary
  - (iv) Fringe benefits
  - (v) Leave policy
  - (vi) 'brief' information about the background of the hospital;
3. To discover any differences in the expectations of the hospital and those of the candidate

### 7.3 CONCLUDING THE INTERVIEW

Once the interviewer has secured a clear idea of the applicant's basic strengths and limitations he should bring the interview to a close with a brief summary of what has been discussed and give indications to the applicant of the next step. At the end of the interview, the interviewer should fill up his evaluation form recommendation sheet.

### 7.4 PLACEMENT

After an employee has been hired and oriented, he or she must be placed in his/her Right job. Placement is understood as the allocation of people to jobs. It is the assignment or re-assignment of an employee to new or different job. Placement includes initial assignment of new employees and promotion, transfer, or demotion of present employees. In this section, placement of new employees is emphasized. Placement arising out of transfer, promotions, and demotions.

Assignment of new employee to a job apparently seems to be a simple task. The employer advertises inviting application from candidates for a specified post. The advertisement contains job description and job specification in detail. When a candidate has been selected, it is logical that he or she is placed in position that was advertised earlier. But the task is not as simple as its look times are changing. Changes in the work ethics reflecting the demand for meaningful work – (i) increased government pressure to hire and promote women and the disadvantages and (ii) heightened awareness of the fact that firms have many jobs but each individual has only one career.

All of these factors are causing organizations and individuals to examine the placement process more closely. We are entering an age when applicants must be considered for several jobs rather than one. If an individual fails to meet minimal requirements in one job, he or she will considered for the other available jobs and will probably be offered employment in one of them.

From a managerial perspective, the task is to understand and capitalize on each person's individuality. Since human attributes vary along many relatively independent ability, interest, biographical sketch and personality dimensions, person's individuality is best viewed as his or her unique profile of scores on a variety of individual measures. Once we establish this unique

profile for each individual, people and jobs can be matched optimally within the constraints set by available jobs and available people. If the number of individuals is large in relation to the available jobs, only the best qualified persons can be selected and placed. On the other hand, when more jobs are available, optimal placement is possible. Thus the number of people and the number of jobs determine the placement process in any company.

#### **7.4.1 Placement Problems**

The difficulty with placement is that we tend to look at the individual but not at the job. Often, the individual does not work independent to others. Whether the employee works independent of others or is dependent on the types of jobs. Jobs may be classified into three categories

- (i) independent (ii) sequential (iii) pooled

In certain jobs are independent, for example, postal service or field sales. Here, non-overlapping routes or territories are allotted to each worker. In such situations, the activities of one worker have little bearing on the activities of other workers.

In sequential jobs activities of one workers are dependent on the activities of a fellow worker. Assembly lines best exemplify sequential jobs

Where jobs are pooled in nature, there is high interdependence among activities. The final output is result of contribution of all workers. It is the team work which matters. Project teams, temporary task forces and assembly teams represent pooled jobs

## **7.5 INDUCTION**

The process of induction is carried out to help a new employee overcome his sense of strangeness. He is introduced to the existing employees so that he may develop a sense of belonging. This process is also part of the training as it involves an introduction to the organization's objectives policies and practices. the induction sequence must aim at helping the new employee visualize his place in the overall hospital picture.

#### **7.5.1 Induction by Human Resource Department**

This should cover

- (a) a brief history of the institution
- (b) its aims and objectives
- ©the terms and conditions of the appointment letters
- (d) personnel policies
- (e)an explanations of services available to the employee in the hospital
- (f) the attitudes expected of him with regard to patients and visitors
- (g) promotion policy

#### **7.5.2 Induction by Department Head**

This should cover

- (a) an introduction to the department:
- (b) the location of the changing room, rest room, toilet etc;
- (c) the use of lifts, telephones



- (d) an explanation of the job descriptions of others
- (e) an introduction to all the supervisors in the department
- (f) a tour of the department
- (g) general discussion

### ***7.5.3 Techniques of Inductions***

#### ***7.5.3.1 The general orientation lecture***

In those hospitals where the number of new employees is more than ten per month, it is advisable to hold a group orientation session. It should be compulsory for all new employees to attend this session. Such a meeting should be held in a comfortable room. Devices such as charts, slides, handbook, etc. should be used to make it interesting.

#### ***7.5.3.2 General tour***

A tour of the hospital can prove very informative for new employees.

It should be arranged to show to the new employees; (a) how patients, arrive  
(b) where patients are cared for; (c) how patients are fed (d) where different tests are conducted

#### ***7.5.3.3 Employee Hand book***

A well-prepared employee hand book is an important document. It can set out a wide range of useful information for new employees. It can be read at leisure. It is prepared for the use of employees but is also read by his friends and family members as well.

#### ***7.5.3.4 Buddy system***

Under this plan, the new employee is introduced to an old employee a specially chosen 'buddy' this buddy assumes the responsibility of sharing the general information about the department and the hospital such as locker, uniform. Toilet, daily routine duties, leave procedure, bus routes. Etc. the buddy should be carefully selected, lest the new employee.

Employee receives wrong information. If possible, some training should be given to some good employees in each department so their services may be utilized under this buddy system.

## **7.6 SUMMARY**

Once the selection process has been completed, new employees must be oriented in order to become productive contributors. Placement not only improves the rate at which employees are able to perform their jobs but also helps employees satisfy their personal desire to feel they are the part of the Organisation's social fabric. The HR Department generally orients newcomers to broad organizational issues and fringe benefits. Supervisors complete the orientation by introducing new employees to coworkers and others involved in the job.

## 7.7 KEY WORDS

**Interviewing:** Interviewing is the main method of appraising an applicant's suitability for the post.

**Induction:** The process of induction is carried out to help a new employee overcome his sense of strangeness

**Placement:** Placement is understood as the allocation of people to jobs

**Employee Hand book** A well-prepared employee hand book is an important document. It can set out a wide range of useful information for new employees

**Buddy system** Under this plan, the new employee is introduced to an old employee a specially chosen 'buddy' this buddy assumes the responsibility of sharing the general information

## 7.8 SELF ASSESSMENT QUESTIONS

1. What do you understand by placement? How are employees placed on independent, pooled and sequential jobs?
2. Define Induction. What are its purposes and pitfalls?
3. What do you understand by Interviewing? Discuss its objectives and functions of Interviewing?

## 7.9 SUGGESTED BOOKS FOR FURTHER READINGS

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2. K.Aswhappa Human Resource Management Mc Graw Hill Publishing Co.Ltd 2008
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**LESSON-8****TRAINING****8.0 OBJECTIVE:**

- To understand the Human Resource Development.
- To know the training purpose and definition.
- To study the training assessment methods.
- To analyse the training methods.

**STRUCTURE****8.1 Training****8.2 Definition****8.3 Purpose****8.4 Assessment of Training Needs****8.5 Training Assessment Methods****8.5.1 Identifying Specific Problems****8.5.2 Anticipating impending feature problems****8.5.3 Management Requests****8.5.4 Interviewing and Observing the Personal on-the-job****8.5.5 Performance Appraisal****8.5.6 Questionnaire****8.5.7 Checklist****8.5.8 Morale and Attitude Survey****8.6 Training Context for Different Categories of Employees****8.6.1 Supervisory Training****8.6.2 Sales Training****8.6.3 Clerical Training****8.6.4 Learning and Training****8.7 Areas of Training Need****8.7.1 Knowledge****8.7.2 Technical Skills****8.7.3 Social Skills****8.7.4 Techniques****8.8 Training Methods****8.8.1 On-the-job Training****8.8.1.1 Job Instruction Training****8.8.1.2 Vestibule Training****8.8.1.3 Traing centre training****8.8.1.4 Simulation****8.8.1.5 Apprenticeship****8.8.2 Off-the-job training****8.8.2.1 Lectures****8.8.2.2 The conference method**

**8.8.2.3 Group Discussion****8.8.2.4 Case Study****8.8.2.5 Role Playing****8.8.2.6 Programmed Instruction****8.8.2.7 T-Group Training****8.8.2.8 E-Learning****8.9 Advantages of Training****8.9.1 Increased Productivity****8.9.2 Heightened Morale****8.9.3 Reduced supervision****8.9.4 Reduced Accidents****8.9.5 Increased Organisational Stability****8.10 Evaluation of Training Programme****8.10.1 Reactions****8.10.2 Learning****8.10.3 Job Behaviour****8.10.4 Organisation****8.10.5 Ultimate Value****8.11 Summary****8.12 Key Words****8.13 Self Assessment Questions****8.14 Suggested books for further readings****8.1 TRAINING**

with the growth of industries after independence, training has mushroomed into a large-scale activity in India. Since training reduces obsolescence, modern management give adequate importance to it. Multinational industries and giant organization spend huge sums on training programmes. These big organizations have their own training departments which organize their training programmes round the year. Small organizations can send their personnel to specialized training institutes, such as National Institute for training of Industrial Engineering (NITIE) Bombay. Unfortunately hospital authorities have hardly realized the growing need and importance of training. If at all they send anybody for training they send the top doctors and senior nursing staff. Most hospitals do not feel the necessity of giving any kind of training to the rest of the employees. However, it is the first foremost duty of hospital authorities to provide necessary training facilities to enable all employees to carry out their jobs effectively and to prepare them for advancement.

**8.2 DEFINITION**

Training is an organized procedure for increasing the knowledge and skill of people for a definite purpose. The purpose of training is to achieve a change in the behaviour of those being trained. In the industrial situations this means that the trainees acquire new skills, technical knowledge, problem-solving ability and attitudes. Any good training programme lays down the procedure by which people gain knowledge and skill to perform their job effectively and efficiently.

Training is defined by many authors in different manners. Some of these are given below:

“Training is a short-term process utilizing a systematic and organized procedure by which non-managerial personnel learn technical knowledge and skill”.

- Steinmez

“Training refers only to instruction in technical and mechanical operations. Training courses are typically designed for short-term, stated set purposes”.

-Campbell

“Training is the art of increasing the knowledge and skill of an employee for doing a particular job”.

-Tripathy

“Training involves changing of skill, knowledge, attitude, or social behaviour.

-David de Cenzo and S.P. Robbins.

### 8.3 PURPOSE

Training may be defined as systematized tailor made programme to suit the needs of a particular organization for developing certain attitudes, actions, skills and abilities in employees irrespective of their functional levels. Training therefore serves following important purposes for an organization.

- To increase the performance level of an employee and to develop him/ her in such a manner that he/ she can rise to the position of higher responsibility.
- To constantly develop manpower to meet the current as well as future needs of the organization.
- To ensure effective utilization of human resources.
- To integrate individual goals with the organizational goals creating a climate so that an individual employee can best achieve his goals by attending the goals of the organization. To be more specific this is the stage of identifying employees with the organization.

### 8.4 ASSEMENT OF TRAINING NEEDS

Training needs are identified on the basis of organizational analysis, job analysis and man analysis. Training programme, training methods and course content are to be planned on the basis of training needs. Training needs are those aspects necessary to perform the job in an organization in which employee is lacking attitude/ aptitude, knowledge, skill

#### **Training needs= Job and organizational requirement-Employee specifications**

Training needs can be identified through identifying the organizational needs based on:

- i. **Organizational Analysis:** This includes analysis of objectives, resource utilization, environment scanning and organizational climate: Organizational strengths and weakness in different areas like accidents, excessive scrape, and other marketing areas, quality and quantity of the output, production schedule, raw materials and other production areas, personnel, finance, etc.
- ii. **Departmental Analysis:** Departmental strength and weakness including special problems of the department or a common problem of a group of employees like acquiring skills and knowledge in operating computer by accounting personnel.

- iii. Job/role analysis: This includes study of jobs/roles, design of jobs due to changes, job enlargement, and job enrichment etc.
- iv. Manpower Analysis: individual strengths and weaknesses in the areas of job knowledge, skills etc.

**Exhibit 8.1**

Group or organizational analysis	Individual
Organisational goals and objectives Personnel/skills inventories Organizational climate indices Efficiency indices Exit interviews MBO or work planning systems Quality circles Customer survey/satisfaction data Consideration of current and projected changes.	Performance Appraisal Work sampling Interviews Questionnaires Attitude survey Training progress Rating scales Observation of behavior

Individual training needs

Group training needs

Organizational training needs

Source: P. Subba Rao Human Resource Management P.no 161

**8.5 TRAINING ASSESSMENT METHODS**

- Identifying specific problems
- Anticipating future problems
- Management request
- Observation
- Interviews
- Group conferences
- Questionnaire surveys
- Test or examination
- Check list
- Performance appraisal

*8.5.1. Identifying specific problems:* such problems are: productivity, high cost, poor material control, poor quality, excessive scrap and waste, excessive labor management

troubles, excessive grievances, excessive violation of rules of conduct, poor discipline, high employee turnover, excessive absenteeism, excessive fatigue, fumbling, discouragement, struggling with job; standards of work performance not being met, bottlenecks in production, deadliness not being met, and delete production. Problems like these suggest that training may be necessary. For this the task and workers should be closely observe and difficulties found out

**8.5.2 Anticipating impending future problems:** bearing on the expansion of business, the introduction of new products, new services, new designs, new plant, new technology and off organizational changes concerned with manpower inventory for present and future needs.

**8.5.3 Management requests:** supervisors and managers may make specific request for setting training programmes. Though this method is simple and a correct evaluation of employee's performance deficiencies can be made, but often such recommendation may be built on faulty assumptions; and requests may not coincide with each other or organizational goals.

**8.5.4 Interviewing and observing the personnel on the job:** interviewing personnel and direct questioning and observation of the problem by his supervisors may also reveal training needs.

**8.5.5 Performance appraisal:** an analysis of the past performance because of the prospective trainee and comparing his actual performance with the target performance may provide clues to specific interpersonal skills that may need development.

**8.5.6 Questionnaire:** questionnaires may be used for eliciting their opinions of the employees on topics like communication, satisfaction, job characteristics, their attitudes towards working conditions pay, promotion policies etc., these will reveal much information about where an employees skills and knowledge are deficient.

**8.5.7 Check list:** the use of check list is a useful supplement to interviews and observations. Through it, more reliable information can be obtained and that data got or quantifiable. This facilitates evaluating that training programs effectiveness.

**8.5.8 Morale and attitude survey:** an occasional personnel audit may be conducted to forecast future promotions, skill requirement, merit rating, to initiate informal discussions and an examination of records and statistics regarding personnel production, costs, rejects and wastages. All these generally reveal the potential problems to be tackled through training programs.

## 8.6 Training content for Different categories of employees:

Training methods and content may not be the same for different categories of employees. As such management has to train the employees of different categories in different areas and through different methods based on the job analysis.

### 8.6.1 Supervisory training

Supervisors mostly learn to supervise under the guidance of a manager. Hence the emphasis should be on the on-the-job training methods. These methods can be supplemented by various off-the-job methods. Course content of training to this category include: production control, Organization methods, work/activity control, method study, time study, job evaluation, company policies and practices, personnel policies, procedures, programmes, training the

subordinate, grievance handling, disciplinary procedure, communication, effective instruction, report writing, performance appraisal, personnel records, dealing with absenteeism, labour turnover, industrial and labour laws, leadership qualities etc.

### **8.6.2 Sales training**

Emphasis should be towards on-the-job as well as off-the-job training methods in training the sales personnel. Course content include job knowledge, organizational knowledge, knowledge about the company products, customers, competitors, sales administration procedures, law concerning sales, special skills like prospecting, making presentations, handling objections, closing the sales etc., employee attitudes such as loyalty to the company and trust in the company products, understanding and tolerance with regard to potential and existing customers.

### **8.6.3 Clerical training:**

Emphasis may be given on the off-the-job training in training the clerical personnel. The training content includes organization and methods, company policies, procedures and programmes background knowledge of the company, forms, reports, written communication, clerical aptitude, maintaining ledgers, records etc.

### **8.6.4 Learning and teaching**

The training programme will not be effective if the trainer is poorly qualified or ill-equipped with the technical aspects of the content or if he lacks aptitude for teaching and teaching skills. Training comprises of mainly learning and teaching. Training principles can be studied through the principles of learning and principles of teaching.

## **8.7 AREAS OF TRAINING NEED**

The areas of training in which training is offered may be classified into the following categories:

### **8.7.1 Knowledge**

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

### **8.7.2 Technical skills**

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

### **8.7.3 Social skills**

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

### **8.7.4 Techniques**

This involves the application of knowledge and skill to various on-the-job situations. In addition to improving the skills and knowledge of the employees, training aims at moulding employee attitudes: when administered properly, a training programme will go a long way in obtaining employee loyalty, support and commitment to company activities.



## 8.8 TRAINING METHODS

The following methods are mostly used for training of employees.

### **8.8.1 on-the –Job Training**

Under this technique an employee is put on-the-job and is trained to perform the said job thereby helping the employee to acquire the skills for performing the said job in future. Most of the organizations utilize the services of senior workers to impart such training. Apprenticeship, creation of assistant to positions, job rotation and special assignments are different nature and forms of such training programmes.

#### **8.8.1.2 Job Instruction Training**

This is training through step by learning. Usually steps necessary for a job are identified in order of sequence and an employee is exposed to the different steps of a job by an experienced trainer.

#### **8.8.1.3 Vestibule Training**

This method duplicates on-the-job situation away from actual worksite with machinery and equipment similar to those used in actual production or operation and is used to help employees to acquire a new skill. Usually, training is given away from the production centre.

#### **8.8.1.4 Training Centre Training**

Such site trainings are given in the form of lectures, conferences, case-studies, role-playing and discussions.

#### **8.8.1.5 Simulation**

Simulation again duplicates the actual condition encountered on a job. The vestibule training method or the business-game method are the examples of business simulation.

#### **8.8.1.6 Apprenticeship**

Such training is given for a longer duration to help the employees to acquire skills in specific trade(s). A major part of this training is given on the job.

### **8.8.2 Off-the-job Methods**

These methods consist of the following

- Lectures
- Conferences
- Group discussion
- Case Analysis
- Role Playing
- Programme Instruction
- T-Group Training

**8.8.2.1 Lectures:** Through lectures participants are motivated to learn. Lectures focus on understanding rather than enriching knowledge and skills through reading assignments and experience. However, empirical studies on the effectiveness of training through lecture methods

indicate that this is not effective for obvious inability of participants to retain the information and failures of trainers to make such sessions more interesting relating to on-the-job experience.

**8.8.2.2 The Conference Method:** It is a participative group centered method through which participants develop knowledge and understanding by small group discussions and active participation.

**8.8.2.3 Group Discussions:** This is also a very useful method of training and is usually based on papers prepared by trainees on a given subject. The trainees read their papers which are usually followed by critical discussions. It may, however be a follow-up discussion on some statement or on a paper presented by an expert.

**8.8.2.4 Case Study:** Case study method helps students to learn on their own by independent thinking. A set of data or some descriptive materials are given to the participants asking them to analyse, identify the problems and also to recommend solutions for the same.

**8.8.2.5 Role Playing:** This training method particularly helps in learning human relations skills thorough practice and imbibing and insight into one's own behaviour. Trainees of such programme are informed of a situation and asked to play their roles in such (imaginary) situation before the rest of the class. This therefore helps in the enriching of interactional skills of the employees.

**8.8.2.6 Programmed Instruction:** This method is pre-arranged desired course of proceeding to the learning or acquisition of specific skills or knowledge. Information in such programmes are conveniently broken into different units, to allow the trainees to learn at their convenient pace.

**8.8.2.7 T-Group Training:** T-Group is sensitivity training; takes place under laboratory condition and are mostly instructed and informal kind of training. Trainer in such a training programme is catalyst. He helps the individual participants to understand how others perceive his behaviour, how he acts to others behaviour and how and when a group acts either in a negative or in a positive way.

**8.8.2.8 E-learning:** Training programmes delivered via intranet have now been thought of most cost effective route. It is not only cost effective but also caters to the real time information need of employees. However, it involves convergence of several technologies, like; hardware, software, web-designing and authoring, instructional design, multi-media design, telecommunications and finally internet intranet network management. Organizations can outsource e-learning training modules at relatively cheaper rate. Even though training through e-learning is globally increasing, we do not have adequate empirical evidence to justify this.

## 8.9 ADVANTAGES OF TRAINING

The contributions of imparting training to a Company should be readily apparent. The major values are:

**8.9.1 Increased Productivity:** An increase in skill usually results in an increment in both quality and quantity of output. However, the increasingly technical nature of modern jobs demands systematic training to make possible even minimum levels of accomplishment.

**8.9.2 Hightened Morale:** Possession of needed skills helps to meet such basic human needs as security and ego satisfaction. Collaborate personnel and human relations programmes can make a contribution toward morale, but they are hollow shells if there is no solid core of meaningful work done with knowledge, skill and pride.

**8.9.3 Reduced Supervision:** The trained employee is one who can perform with limited supervision. Both employee and supervisor want less supervision but greater independence is not possible unless the employee is adequately trained.

**8.9.4 Reduced Accidents:** More accidents are caused by deficiencies in people than by deficiencies in equipment and working conditions. Proper training in both job skills and safety attitudes should contribute toward a reduction in the accident rate.

**8.9.5 Increased Organisational Stability:** The ability of an organisation to sustain its effectiveness despite the loss of key personnel, can be developed only through creation of a reservoir of employees. Flexibility, the ability to adjust to short-run variations in the volume of work requires personnel with multiple skills to permit their transfer to jobs where the demand is highest.

## 8.10 EVALUATION OF TRAINING PROGRAMME

The specification of values forms a basis for evaluation. The basis of evaluation and the mode of collection of information necessary for evaluation should be determined at the planning stage. The process of training evaluation has been defined as “any attempt to obtain information on the effects of training performance, and to assess the value of training in the light of that information.” Evaluation leads to controlling and correcting the training programme. Hamblin suggested five levels at which evaluation of training can take place, viz., reactions, learning, job behaviour, organization and ultimate value.

**8.10.1 Reactions:** Training programme is evaluated on the basis of trainee’s reactions to the usefulness of coverage of the matter, depth of the course content, method of presentation, teaching methods, etc.

**8.10.2 Learning:** Training programme, trainer’s ability and trainee ability are evaluated on the basis of quantity of content learned and time in which it is learned and learner’s ability to use or apply, ‘the content he learned.

**8.10.3 Job Behaviour:** This evaluation includes the manner and extent to which the trainee has applied his learning to his job.

**8.10.4 Organisation:** This evaluation measures the use of training, learning and change in the job behaviour of the department/organisation in the form of increased productivity, quality, morale, sales turnover and the like.

**8.10.5 Ultimate Value:** It is the measurement of ultimate result of the contributions of the training programme to the Company goals like survival, growth, profitability, etc., and to the individual goals like development of personality and social goals like maximising social benefit.

## 8.11 SUMMARY

Training is a planned programme designed to improve performance and to bring about measurable changes in knowledge, skills, attitude and social behaviour of employers. The training methods include on-the-job training covering job instruction training, coaching,

mentoring, job rotation, apprenticeship training. Off-the-job training includes lectures, conferences, simulation exercises and programmed instruction.

## 8.12 KEYWORDS

**Job Instruction Training:** Training received directly on the job

**Role Playing:** A developing technique requiring the trainee to assume a role in a given situation and act out behaviours associated with that role.

**Vestibule Training:** A training method involving the creation of training facilities separate from the regular production area but with the same equipment.

**Simulations:** Any artificial environment that tries to closely mirror an actual condition. These includes case study, decision games, role plays etc.

## 8.13 SELF ASSESSMENT QUESTIONS

1. What is training and explain the purpose of training?
2. Explain the methods of training?
3. Briefly outline the steps involved in conducting a training programme in a systematic way.

## 8.14 SUGGESTED BOOKS FOR FURTHER READING

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3. Decenzo and Robbins, Personnel/ Human Resource Management, Prentice Hall of India Pvt. Ltd; New Delhi.
4. Edwin B. Flippo, Personnel Management, Mc.Graw Hill Book Co. Ltd., Tokyo.
5. French, Windell, Human Resource Management, All India Publishers and Distributors, Chennai.

**LESSON – 9****PROMOTIONS AND TRANSFERS****9.0 OBJECTIVE**

- To study the concept of Promotion.
- To analyse the Promotion policy.
- To know the Transfers.
- To understand the Advantages of Transfer policy

**STRUCTURE****9.1 Introduction****9.2 Promotion****9.2.2 Promotion policy****9.2.2.1 Advantages of a sound promotion policy:****9.3 Transfer****9.3.1.1 Production transfer****9.3.1.2 Replacement transfers.****9.3.1.3 Versatility transfers.****9.3.1.4 Shift transfers****9.3.1.5 Remedial transfer****9.4 Transfer policy****9.4.1 Advantages of transfer policy.****9.5 Summary****9.6 Key words****9.7 Self Assessment Questions****9.8 Books for Suggested Readings****9.1 INTRODUCTION**

The selection and development of efficient personnel is one of the most important and rewarding activities of any hospital organization. The hiring of an individual is a continuing process which merits the careful development of a procedure designed to reduce staff-turnover and improve efficiency. Next comes to the development of the organization as well as of its employees. This is possible only through a good promotion policy and an efficient training programme.

**9.2 PROMOTIONS**

The promotion policy is one of the most controversial issues in every organization. The management usually favours promotion on the basis of merits, and the unions vehemently oppose it by saying that managements resort to favouritism. The unions generally favour

promotions on the basis of seniority. It is hence essential to examine this issue and arrive at an amicable solution.

### ***9.2.1 Nature and scope of Promotion***

Before this issue is taken up, it is advisable to understand the meaning of the term 'promotion'. A change for better prospects from one job to another job is deemed by the employee as a 'promotion'. The factors which are considered by employees as implying promotion are: (a) an increase in salary; (b) an increase in job prestige; (c) an upward movement in the hierarchy of jobs (d) additional supervisory responsibility and (e) a better future.

The presence of any or all of these factors is considered as promotion by the employees

**Seniority Versus merits:** There has been a great deal of controversy over the relative values of seniority and merit in any system of promotion. One often hears people saying that while seniority is a fact, merit is only a surmise. It could easily be conceded that in an atmosphere where objective appraisal is not done, the criterion of merit could cause to be fulfilled and if proper emphasis has to be given to initiative, dynamism and speedy action, the criterion of seniority (which relies on the quality of the employee at the time of his recruitment) will have to be given second place.

Seniority will always remain a factor to be considered, but there would be much greater opportunity for efficient personnel, irrespective of their seniority, to move up speedily if merit is used as the basis alone should be the criterion for promotion. One cannot agree with this. The quality of work is as important in the lower ranks as in the higher. If that be so, there is no reason why, even in the lower ranks, greater performance rather than only on the number of years of service. The factor of seniority should come into play only when some employees are adjudged as equal on the basis of merit.

All over the world, people respect the aged. For them, grey hair is synonymous with wisdom and maturity. It is believed that there is no substitute for experience. Hence several people support the plea for promoting individuals on the basis of seniority.

Therefore, most of the authorities on human resource management as well as the lower and higher courts are of the opinion that promotion should be on the basis of merits and not on the basis of seniority. Whenever there is a vacancy in a higher position, sound personnel policy requires that it should be filled on merits, as far as possible from within the organization. If all such vacancies are filled either on seniority basis or from outside, there would not be any incentive for existing employees whose performance are consistently above average. The organization that has not formulated a promotion policy is likely to accumulate frustrated and discontented employees because they see no prospects for themselves and the only outlet for them is to constantly demand higher salaries or more amenities.

### ***9.2.2 Promotion policy***

Trade unions plead in favor of seniority and management, naturally in terms of able employees. Trade unions think in terms of their members as a whole are constantly suspicious of favoritism on the part of the management. They frequently argue that they should have some say in promotions, but the industrial courts have hitherto held that promotion is a management function. However, in practice, both seniority and ability criteria should be taken into consideration; but in order to allay the suspicions of the trade unions, there should be a written promotion policy which should be clearly understood by all. Promotion policy may include the following.

1. Charts and diagrams showing job relationships and a ladder of promotion should be prepared. These charts and diagrams clearly distinguish each job and connect various jobs by lines and arrows showing the channels to promotion. These lines and arrows are always based on an analysis of job duties. These charts do not guarantee promotion but do point out various avenues which exist in an organization.
2. There should be some definite system for making a waiting list after identification and selection of those candidates who are to be promoted as and when vacancies occur.
3. All vacancies within the organization should be notified so that all potential candidates may compete.
4. The following eight factors must be the basis for promotion.
  - (i) Outstanding service in terms of quality as well as quantity
  - (ii) Above-average achievement in patient care and / or public relations
  - (iii) Experience
  - (iv) Seniority
  - (v) Initiative
  - (vi) Recognition by employees as a leader
  - (vii) Particular knowledge and experience necessary for a vacancy
  - (viii) Record of Loyalty and co-operation.

#### ***9.2.2.1 Advantages of a sound promotion policy***

Every organization should encourage the promotion of its existing employees to higher posts. Whenever any vacancy occurs in a department, it should, as far as possible, be filled by promoting a suitable employee according to the promotion policy of the organization. From a scientific management view point, a sound promotion policy has many advantages

1. It provides an incentive to work more and show interest in their work.
2. It develops loyalty amongst the employees, because a sound promotion policy assures them of their promotion, if they are found fit.
3. It increases job satisfaction among the employees
4. It generates greater motivation in competent employees, as they do not have to depend on mere seniority for their advancement

5. A sound promotion policy retains competent employees and provides them ample opportunities to rise further
6. It generally results in increased productivity as promotions will be based on an evaluation of the employee's performances
7. Finally, it increases the effectiveness of an organization.

### 9.3 TRANSFER

Like promotion, transfer is used to place employees in positions where they may get greater job satisfaction and contribute their best efforts of the organization. Transfer involves some rather delicate issues which should be tackled gently. No department head wants to lose a good employee. On the other hand, employees generally feel that the grass is greener on the other side of the fence.

In order to obviate possible clashes of departmental interests, some general policy on inter-departmental transfers should be established and publicized sufficiently to prevent any doubt which might arise in the minds of employees and their union leaders. A human resource manager should make recommendations for transfer and promotion policies and help line managers administer them effectively. It should be stated clearly in transfer policy that whenever an employee with a satisfactory record desires promotion, he shall be considered for promotion within his department, he shall be given consideration for vacancies in other departments, he shall be given consideration for vacancies in other departments provided his qualifications make him eligible. In such cases, the department head should refer the employee directly to the human resource manager. Department heads should be discouraged from recruiting employees directly from other departments. Such procedure causes ill-will, resentment and confusion, which are not compatible with good hospital management. Interdepartmental contacts in such matters should be channeled through the human resources department.

A Transfer implies a later movement of an employee in the hierarchy of position of the same or similar status, from one department to another. Transfer may be initiated by the management or by the employees. The management may initiate a transfer to a place where he can find more avenues of promotion, or for some personal reasons, e.g. where his friends are working, where he thinks the working conditions are better, to get away from his boss with whom he may find it difficult to get along etc.

There are several types of transfers:

**9.3.1.1 Production transfer:** these are made from one department where the personnel requirements are declining to another department where more personnel are required. This type of transfer is made to avoid lay-offs, in one department and also avoid employment of persons



from outside in another department . the human resource department may act as a clearing house through which all lay-offs and hirings are funneled.

**9.3.1.2 Replacement transfers:** There are similar to production transfers in replacement transfers a long-service employee is transferred to a similar job in another department where he replaces an employee with shorter service. The object of these transfers is to retain, as far as possible, an efficient and trained employee and to discharge the junior-most employee.

**9.3.1.3 Versatility transfers:** These are made for the purpose of providing the management with a versatile group of employees. This type of transfer may be used as preparation for production or replacement transfer. Such transfer help the management in preparing an army of all-rounders who can be conveniently transferred from one department to another at the time of need. This type of transfer helps in job enlargement and job enrichment.

**9.3.1.4 Shift transfers:** These are made in those organizations where ther are more than one shifts. Under this type of transfer, employees are transferred from one shift to the other on similar jobs involving the same type of work. This type of transfer is done to mitigate individual hardships or to remedy maladjustment at the time of initial or even subsequent posting.

**9.3.1.5. Remedial transfer:** These are made for various reasons primarily concerning the person on the job, e.g. faulty placement of an employee on a job at the time of his joining , incompatibility with his supervisor illness, accident record, etc. remedial transfer can particularly result in better placement of employees and improved morale.

## 9.4 TRANSFER POLICY

A Systematic transfer policy is needed to maintain harmonious relations between management and employees. The management should transfer an employee in the interest of the organization and not to victimize him. Similarly the employee should seek transfer for his betterment and not to create problems for the management. A sound transfer policy is, therefore, needed to maintain reasonable consistency of treatment throughout the organization. In formulating this policy, the following points should be incorporated.

1. The circumstances under which transfers can be made
2. Responsibility for initiating and approving transfers
3. Transfer within sections or between departments anywhere in the hospital
4. Basis for transfer
5. The rate of pay.

**9.4.1 Advantages of transfer policy:** Transfers are helpful in utilizing human resources. They help in relating long-service employees and utilizing them effectively. The following are some of the advantages of a good transfer policy

1. It increases the productivity and effectiveness of an organization

2. It improves employer-employee relations
3. It motivates employees
4. It provides a remedy for faulty placements
5. It helps in tackling crisis situation.

## 9.5 SUMMARY

The promotion policy is one of the most controversial issues in every organization. The management usually favours promotion on the basis of merits, and the unions vehemently oppose it by saying that managements resort to favoritism. The unions generally favour promotions on the basis of seniority. It is hence essential to examine this issue and arrive at an amicable solution. A Transfer implies a later movement of an employee in the hierarchy of position of the same or similar status, from one department to another. Transfer may be initiated by the management or by the employees. The management may initiate a transfer to a place where he can find more avenues of promotion, or for some personal reasons, e.g. where his friends are working, where he thinks the working conditions are better, to get away from his boss with whom he may be finding it difficult to get along etc

## 9.6 KEY WORDS

**Transfer:** A Transfer implies a later movement of an employee in the hierarchy of position of the same or similar status, from one department to another. Transfer may be initiated by the management or by the employees.

**Promotion:** A change for better prospects from one job to another job is deemed by the employee as a 'promotion' the factors which are considered by employees as implying promotion

**Production transfer:** These are made from one department where the personnel requirements are declining to another department where more personnel are required. This type of transfer is made to avoid lay-offs, in one department and also avoid employment of persons from outside in another department

**Replacement transfers:** There are similar to production transfers in replacement transfers a long-service employee is transferred to a similar job in another department where he replaces an employee with shorter service

**Versatility transfers:** These are made for the purpose of providing the management with a versatile group of employees. This type of transfer may be used as preparation for production or replacement transfer

### **9.7 SELF ASSESSMENT QUESTIONS**

1. Define Promotion? Discuss the Advantages of sound Promotion Policy
2. What is Transfer? List out the different types of Transfer
3. Describe the Advantages of Transfer policy

### **9.8 BOOKS FOR SUGGESTED READINGS**

- Aswathappa, K., *Essentials of Business Environment*, Himalaya Publishing House, Bombay, 1995
- Edwin, B. Flippo, *Personnel Management*, Sixth Edition, Mc Graw-Hill, New York, 1984
- Subba Rao. P. *Essentials of Human Resource Management*, Himalaya Publishers, New Delhi – 2006.
- Sharma A.M, *Human Resource Management*, Himalaya Publishers, New Delhi – 2004.

**LESSON-10****WAGE AND SALARY ADMINISTRATIONS****10.0 OBJECTIVE:**

- To Know the concepts of different wages.
- To Analyse the wage differentials.
- To Understand the wage theories.

**STRUCTURE****10.1 Principles of governing compensation administration****10.2 Concepts of different wages****10.2.1 Statutory Minimum Wage****10.2.2 Basic Minimum Wage****10.2.3 Minimum Wage****10.2.4 Living Wage****10.2.5 Fair and Living Wage****10.2.6 Wages****10.2.7 Skilled Labor****10.2.8 Unskilled labor****10.3 Executive compensation****10.3.1 Salary****10.3.2 Bonus****10.3.3 Long- Term incentives****10.3.4 Perquisites****10.4 Wage differentials****10.4.1 Wage differentials has been classified into three categories****10.4.1.1 First****10.4.1.2 Second****10.4.1.3 Third****10.4.2 Description of wage differentials in details****10.4.2.1 Occupational Differentials****10.4.2.2 Inter- firm Differentials****10.4.2.3 Inter- area of regional Differentials****10.4.2.4 Inter- industry Differentials****10.4.2.5 Personal Wage Differentials****10.4.2.6 Sector Differentials****10.5 Wage theories****10.5.1 Traditional theory of wage determination****10.5.2 Theory of negotiated wages****10.5.2.1 Subsistence theory****10.5.2.2 Wages fund theory****10.5.2.3 The surplus value theory of wages****10.5.2.4 Residual claimant theory**

**10.5.2.5 Marginal productivity theory****10.5.2.6 The bargaining theory of wages****10.5.2.7 Behavioral theories****10.6 Incentive plans****10.6.1 The Halsey System****10.6.2 The Rowan System****10.6.3 The Bedaux point System****10.6.4 The Taylor differential Piece-rate System****10.6.5 Premium and Task Bonuses****10.6.6 The Profit-sharing System****10.6.7 The Scanlon Plan****10.6.8 The Rucker Plan****10.6.9 Merit Rating****10.7 Summary****10.8 Key Words****10.9 Self Assessment Questions****10.10 Suggested Books for Further Reading****INTRODUCTION**

Wage and salary administration is a pivotal function of human resource management. Its importance is evident from the fact that a majority of union-management problems and disputes relate to the question of wage payment. According to the hierarchy needs proposed by Abraham Maslow, money, food and shelter are the first needs of person. It is therefore of utmost importance to develop a sound wage and salary scheme to attract capable employees, motivate them toward better performance and retain them.

Fair and equitable compensation for each hospital employee should be the objective of the wage and salary administration programme. The way in which this function is discharged varies depending upon policies, size and other characteristics of the hospital.

Hospital authorities, particularly those of charitable hospitals, have recently realized that the salaries paid to employees in hospitals are less than those paid for similar occupations in industries. In an increasing number of hospitals, this recognition has resulted in reconstitution of pay scales and allowances, improvement of working conditions, fringe benefits, the bread-winning motivation need not replace the service ideal in hospital employment; but in an analysis of the motives which determine an individual's choice of a job, the wages paid is an important, if not the most important factor involved.

**10.1 PRINCIPLES OF GOVERNING COMPENSATION ADMINISTRATION**

The generally accepted principles governing the fixation of wages and salary are:

i. There should be definite plan to ensure that differences in pay for jobs are based upon variations in job requirements, such as skill effort, responsibility or job or working conditions, and mental and physical requirements.

ii. The general level of wages and salaries should be reasonably in line with that prevailing in the labour market. The labour market criterion is most commonly used. The plan should carefully distinguish between jobs and employees. A job carries a certain wage rate, and a person is assigned to fill it at that rate. Exceptions sometimes occur in very high-level jobs in which the job holder may make the job large or small, depending upon his ability and contributions. Equal pay for equal work i.e., if two jobs have equal difficulty requirements, the pay should be the same, regardless of who fills them.

An equitable practice should be adopted for the reorganization of individual differences in ability and contribution. For some units, this may take the form of rate ranges, with in grade increases, in others, it may be a wage incentive plan. In still others, it may take the form of closely integrated sequences of job promotion. There should be a clearly established procedure for hearing and adjusting wage complaints. This may be integrated with the regular grievance procedure, if it exists. The employees and the trade union, if there is one, should be informed of his own position, and of the wage and salary structure. Secrecy in wage matters should not be used as a cover-up for haphazard and unreasonable wage programme. The wage should be sufficient to ensure for the worker and his family reasonable standard of living. Workers should receive a guaranteed minimum wage to protect them against conditions beyond their control. The wage and salary structure should be flexible so that changing conditions can be easily met. Prompt and correct payments of the dues of the employees must be ensured and arrears of payment should not accumulate. For revision of wages, a wage committee should always be preferred to the individual judgment, however unbiased, or a manager.

The wage and salary payments must fulfill a wide variety of human needs, including the need for self-actualization. It has been recognized that “ money is the only form of incentive which is wholly negotiable, appealing to the widest possible range of seekers.... Monetary payments often act as motivators and satisfiers interdependently of other job factors.

## 10.2 CONCEPTS OF DIFFERENT WAGES

The term wages may be used to describe one of the several concepts, including wage rates, straight time average hourly earnings, gross average hourly earnings, weekly earnings; weekly take home pay and annual earnings. Money paid to the workers is considered as wages. The wage is the payment made to the workers for placing their skill and energy at the disposal of the employer. The method of use of that skill and energy being at the employer's discretion and amount to the payment being in accordance with terms stipulated in an contract of service. Various terms that are currently in use in the payment system are wages, pay, compensation and earnings.

### 10.2.1 *Statutory minimum wage*

It is the wage determined according to the procedure prescribed by the relevant provisions of the Minimum Wages Act, 1948. Once the rates of such wages are fixed, it is the obligation of the employer to pay them, regardless of his ability to pay. Such wages are required to be fixed in certain employments where “sweated” labour is prevalent, or where there is a great chance of exploitation of labour.

### ***10.2.2 Basic minimum wage***

It is the wage, which is to be fixed in accordance with the awards and judicial pronouncements of Industrial Tribunals, National Tribunals and Labour Courts. They are obligatory on the employers. Minimum wage, and fair wage and living wage are the terms used by The Report of the Committee on Fair Wages, set up by the Government in 1948 to determine the principles on which fair wages should be based and to suggest how these principles should be applied. According to this Committee, the minimum wage should represent the lower limit of a fair wage. The next higher level is the fair wage, and the highest level of the fair wage is the living wage.

### ***10.2.3 Minimum wage***

It has been defined by the Committee as “the wage, which must provide not only for the bare sustenance of life, but for the preservation of the efficiency of the worker. For this purpose, the minimum wage must provide for some measure of education, medical requirements and amenities.” In other words, a minimum wage should provide for the sustenance of the worker’s family, for his efficiency, for the education of his family, for their medical care and for some amenities. The question of determining the minimum wage is a very difficult one for more than one reason. Conditions vary from place to place, industry to industry, hospital to hospital from worker to worker. The standard of living cannot be determined accurately. These issues are very difficult to decide. Moreover, since the cost of living varies with the price level, it follows that this index should be periodically reviewed and modified. However, the principles for determining minimum wages were evolved by the Government and have been incorporated in the Minimum Wages Act, 1948, the important principle being that minimum wages should provide not only for the bare sustenance of life but also for the preservation of the efficiency of the workers by way of education, medical care and other amenities. There is a distinction between a bare subsistence or minimum wage and a statutory minimum wage. The former is a wage which must be sufficient to cover the bare physical needs of a worker and his family if an industry is unable to pay to its worker at least a bare minimum wage it has the right to exist. The statutory minimum wage is however is the minimum wage which is prescribed by the statute and it may be higher than the bare subsistence or minimum wage. The courts and tribunals laid emphasis upon fulfillment of needs of an industrial labour irrespective of the capacity of the industry or of his employer to pay. For instance in *Hindustan Times Limited Vs. their workmen*, the Supreme Court held that at the bottom of the ladder there is the minimum basic wage which the employer of any industrial labour must pay in order to be allowed to continue an industry.

### ***10.2.4 Living wage***

This wage was recommended by the Committee as a fair wage and as ultimate goal in a wage policy. It defined a Living Wage as “one which should enable the earner to provide for himself and his family not only the bare essentials of food, clothing and shelter but a measure of frugal comfort, including education for his children, protection against ill-health, requirements of essential social needs and a measure of insurance against the more important misfortunes, including old age.” In other words, a living wage was to provide for a standard of living that would ensure good health for the worker, and his family as well as a measure of decency, comfort~ education for his children, and protection against misfortunes. This obviously implied a high level of living. Such a wage was so determined by keeping in view the national income, and the capacity to pay of an industry. The Committee was of the opinion that although the provision of a living

### ***10.2.5 Fair and living wage***

Wage should be the ultimate goal; the present level of national income did not permit of the payment of a living wage on the basis of the standards prevalent in more advanced countries. The goal of a living wage was to be achieved in three stages.

In the first stage, the wage to be paid to the entire working class was to be established and stabilized. In the second stage, fair wages were to be established in the community-cum-industry. In the third stage, the working class was to be paid the living wage. The living wage may be somewhere between the lowest level of the minimum wage and the highest limit of the living wage, depending upon the bargaining power of labour, the capacity of the industry to pay, the level of the national income, the general effect of the wage rise on neighboring industries, the productivity of labour, the place of industry in the economy of the country, and the prevailing rates of wages in the same or similar occupations in neighboring localities. Fair Wage According to the Committee on Fair Wages, "it is the wage which is above the minimum wage but below the living wage."

The lower limit of the fair wage is obviously the minimum wage; the upper limit is set by the "capacity of the industry to pay." The committee envisages that while the lower limit of the fair wage must obviously be the minimum wage, the upper limit is equally set by what may broadly be called the capacity of the industry to pay. This will depend not only on the present economic position of the industry but on its future prospects. Between these two limits, the actual wages should depend on considerations of such factors as:

- (a) The productivity of labour;
- (b) The prevailing rates of wages in the same or neighboring localities;
- (c) The level of the national income and its distribution; and
- (d) The place of industry in the economy of the country.

The committee observed that it was not possible to assign any definite weights to the work factors in the actual calculation of the fair wage and that the wage fixation machinery should relate a fair wage to a fair load of work and a needs of a standard family consisting of three consumption units inclusive of the earners. In a specified region the capacity of the particular industry should be taken in to account to determine the capacity to pay which in turn could be ascertain by taking a fair cross section of the industry of the region. It was recognized that the present level of the National income does not permit the payment of a living wage on standards prevalent in more advanced countries. It also observed that at almost any level of the national income there should be a certain level of minimum wages which society can afford; what it can not afford are minimum wages fixed at a level which will reduce employment itself and there by diminish the national income. Fair wage is something above the minimum wage which may roughly be said to approximate to the need based minimum in the sense of a wage which is adequate to cover the normal need of the average employee regarded as a human being in a civilized society. The Need-Based Minimum Wage the Indian Labour Conference, at its 15th session held in July 1957, suggested that minimum,

Wage Fixation should be need based, and should meet the minimum needs of an industrial worker. For the calculation of the minimum wage, the Conference accepted the following norms and recommended that they should guide all wage-fixing authorities, including the Minimum Wage Committee, Wage-Boards, and adjudicators:



- (i) The standard working class family should be taken to consist of 3 consumption units for the earner; the earnings of women, children and adolescents should be disregarded;
- (ii) The minimum food requirements should be calculated on the basis of the net intake of 2,700 calories, as recommended by Dr. Akroyd, for an average Indian adult of moderate activity.
- (iii) The clothing requirements should be estimated at a per capita consumption of 18 yards per annum, which would mean, for an average worker's family of four, a total of 72 yards;
- (iv) In respect of housing, the norms should be the minimum rent charged by the Government in any area for houses provided under the Subsidized Housing Scheme follow income groups; and
- (v) Fuel, lighting and other miscellaneous items of expenditure should constitute 20 per cent of the total minimum wage.

The need based minimum wage is also a level of fair wage and represents a wage higher than the minimum obtaining at present in many industries, though it is only in the lower reaches of the fair wage. We therefore hold that in fixing the need based minimum, the capacity to pay will have to be taken in to account. Money and Real Wages earned by employees are normally expressed in terms of money. There are two aspects of wages. One is expressed by the term money wage while the other by real wage. Money wages give to the workers command over goods and services. The actual goods and services for which wages can be exchanged constitute their real value. For this reason rise or fall in nominal wages does not necessarily mean a corresponding increase or decrease in real wages. In short money wages can be expressed by amount in terms of currency while the real wages refer to the goods and services that a worker can buy with these wages. Changes in money wages can most appropriately be compared with changes in the average price of a "market basket" of goods and services typically purchased by wage earners. Real wages are calculated by relating changes in money wages to changes in the consumer price index. Real wages in contrast to money wages depend on production. It provides the real test as to whether or not the worker is improving his economic well-being. It also serves as an index for measuring changes in the economic welfare of workers over long period of time.

### **10.2.6 Wages**

Wages in the widest sense mean any economic compensation paid by the employer under some contrast to his workers for the services rendered by them. Wages, therefore, include family allowance, relief pay, financial support and other benefits. But, in the narrower sense wages are the price paid for the services of labor in the process of production and include only the performance wages or wages proper. They are composed of two parts - the basic wage and other allowances. The basic wage is the remuneration, by way of basic salary and allowances, which is paid or payable to an employee in terms of his contract of employment for the work done by him. Allowances, on the other hand, are paid in addition to the basic wage to maintain the value of basic wages over a period of time. Such allowances include holiday pay, overtime pay, bonus and social security benefits. These are usually not included in the definition of wages. However, in India, different Acts include different items under wages; though all the Acts include basic wage and dearness allowance come under the term wages. For example, under the Workmen's Compensation Act, 1923, Section 2 (m), "wages for leave period, holiday pay, overtime pay, bonus, attendance bonus, and good conduct bonus" form part of wages. Under the Payment of Wages Act, 1936 section 2 (VI) "any award of settlement and production bonus, if paid,

constitutes wages.” But under the Payment of Wages Act, 1948, “retrenchment compensation, payment in lieu of notice and gratuity payable on discharge constitute wages.” The following type of remuneration, if paid, do not amount to wages under any of the Acts:

- i. Bonus or other payments under a profit-sharing scheme which do not form a part of the contract of employment.
  - ii. Value of any house accommodation, supply of light, water, medical attendance, traveling allowance; or -payment in lieu thereof or any other concession.
  - iii. Any sum paid to defray special expenses entailed by the nature of the employment of a workman.
  - iv. Any contribution to pension, provident fund, or a scheme of social security and Social insurance benefits.
  - v. Any other amenity or service excluded from the computation of wages by a general or special order of an appropriate governmental authority.
- A wage level is an average of the rates paid for the jobs of an organization, an establishment, a labour market, an industry, a region or a nation. A wage structure is a hierarchy of jobs to which wage rates have been attached. Labor and Wages The type of job one does and the financial compensation he or she receives are very important in our society. Job type is linked to status as is wealth. While the type of job one performs is arguably more important status wise then wealth, both are important to Americans. In the past we used to use other descriptions to classify workers. The terms blue collar or white collar employees were used to describe the type of vocation. Blue Collar - Manual laborers White Collar - Officer workers Pink Collar - Jobs associated with women like nursing, secretarial, etc. This being a rather sexist term, is no longer used. Today we classify our work roles into three categories called labor grades. The se labor grades are described below:

### ***10.2.7 Skilled labor***

These are workers who have received specialized training to do their jobs. They have developed and honed a special skill and may or may not need to be licensed or certified by the state. Some examples of skilled labor are: carpenters, plumbers, electricians, business executives and managers, artisans, accountants, engineers, police, mechanics, etc. These may be blue or white collar workers.

### ***10.2.8 Unskilled labor***

These are workers who have received no special training and have few specific skills. As our society has grown into an increasingly technological one, the members of this group have developed more and more skills. A mechanic, for example, used to be considered unskilled labor. Today that is no longer the case. Mechanics require a great deal of skill and training to work with today’s modern engines. Examples of unskilled laborers are construction workers, sanitation and custodial workers, painters, factory assembly line workers, etc.

These are blue collar workers. Professionals Arguably the elite of the labor grades, these are those workers who need an advanced degree to do their jobs. The three primary groups of professional are doctors, lawyers and teachers. These are white collar workers.

### 10.3 EXECUTIVE COMPENSATION

For the purpose of compensation, an executive is considered to be an individual who is in management position at the highest levels. This category includes presidents, vice-presidents, managing directors and general managers. Their compensation or remuneration generally comprises four elements or components. They are:

1. Salary
2. Bonus
- 3 Long-term incentives
4. Perquisites or bring benefits.

**10.3.1. Salary:** Salary is the first component of executive remuneration. Salary is supposed to be determined through job evaluation and serves as the basis of other types of benefits. Norms of wage and salary fixation are not observed while fixing salaries for executives.

**10.3.2. Bonus:** Bonus plays an important role in today's competitive executive payment programmes. This type of incentive is usually short- term (Annual) and is based on performance. Executive deserve bonus because they have much more opportunity to influence organizational success than non-managerial staff.

**10.3.3. Long – Term incentives:** If bonus constitutes a short-term benefit, stock options are long-term benefits offered to executives. Companies allow executives to purchase their shares at fixed prices.

**10.3.4. Perquisites:** Perquisites or perks constitutes a major source of income for executives. In addition to the normally allowed perks like provident fund, gratuity and the like, executives enjoy special parking, plush office, vacation travel, auto expenses, membership in clubs and well-furnished houses. Perks take care of all possible needs.

Executives are rarely required to spend money from their pockets. Their holidays, servants, telephone bills, and even electricity and gas bills are taken care of by their companies.

Special features: Executive remuneration has certain unique features. They are:

1. Managerial remuneration cannot be compared to the wage and salary schemes meant for other employees in organizations. Factors and variable are more numerous in management jobs, and simple comparisons and ratings may not be possible.
2. Executive is denied the privilege of having unionized strength. They cannot demand for higher salaries and perks, hoist red flags on factory gates, shout slogans, pelt stones, and burn buses. It is the workers who resort to all these, and if they succeed in their efforts, executive too benefit. Executives, therefore, often prompt workers to go a strike.
3. Secrecy is maintained in respect of executive remuneration. Secrecy is maintained because no two executives in the private sector, in the same grade, receive the same pay. Remuneration depends much upon such factors as competence, length of service and loyalty to the founders.

4. Executive pay is not supposed to be based on individual performance measure but rather on unit or organizational performance.

5. Executive remuneration is subject to statutory regulations. As per the latest guidelines, the monthly salary varies from Rs. 40,000 to Rs. 87,500 subjects to an overall limit of Rs. 10,50,000 per annum including perquisites.

Remuneration is restricted to 5 percent of its net profit if the company has one executive, but the total remuneration is not exceed 10 percent of its net profit if the number of managerial personnel is more than two. These ceilings, however, do not apply to private limited companies.

## **10.4 WAGE DIFFERENTIALS**

Wage differentials are a necessary concomitant of the wage system in modern industrial organization. They are directly related to the economic resources of a country, including manpower, growth of national; income the pace of economic development. Economic and social welfare activities depends on a large major on such wage differentials. Wage differentials reflect differences in physical and mental abilities of workers, in productivity and efficiency of management and in consumer preferences. The word differential means relating to, or showing a difference, or making use of a specific difference or distinction. Wage differential is an element of location selection that is a wage scale reflecting the average schedule of workers' pay in an area that takes into account the performance of related tasks or services. Wages differ in different employments or occupations, industries and localities, and between persons in the same employment or grade. One therefore comes across the terms as occupational wage differentials, inter-industry, inter-firm, interarea or geo graphical differentials and personal differentials.

### **10.4.1 Wage differentials has been classified into three categories**

#### ***10.4.1.1 First***

The differentials that can be attributed to imperfections in the employment markets, such as the limited knowledge of workers in regard to alternative job opportunities available elsewhere; obstacles to geographical, occupational or inter-firm mobility of workers; or time lags in the adjustment of resource distribution and changes in the scope and structure of economic activities. Examples of such wage differentials are inter-industry, inter-firm, and geographical or inter-area wage differentials.

#### ***10.4.1.2 Second***

The wage differentials which originate in social values and prejudices and which are deeper and more persistent than economic factors. Wage differentials by sex, age, status or ethnic origin belong to this category.

#### ***10.4.1.3 Third***

Occupational wage differentials, which would exist even if employment markets were perfect and social prejudices, were absent.

### ***10.4.2 Description of each wage differential in Detail:***

- (i) Occupational differentials or differentials based on skill;
- (ii) Inter-firm differentials;
- (iii) Inter-area or regional differentials;

- (iv) Inter-industry differentials; and
- (v) Differentials based on sex.
- (vi) Sector differential

#### **10.4.2.1 Occupational Differentials**

These indicate that since different occupations require different qualifications, different wages of skill and carry different degrees of responsibility, wages are usually fixed on the basis of the differences in occupations and various degrees of skills. The basis functions of such differentials are:

(a) To induce workers to undertake “more demanding,” “more agreeable or dangerous” jobs, or those involving “a great chance of unemployment, or wide uncertainty of earnings.”

(b) To provide an incentive to young person to incur the costs of training and education and encourage workers to develop skills in anticipation of higher earnings in future.

(c) To perform a social function by way of determining the social status of workers. In countries adopting a course of planned economic development, skill differentials play an important role in manpower and employment programmes, for they considerably help in bringing about an adequate supply of labour with skills corresponding to the requirements of product plans. Inter-occupational differentials may comprise skilled, unskilled and manual wage differentials; non-manual and manual (white and blue-collar); and general skill differentials. Occupational wage differentials generally follow the changes in the relative supplies of labour to various occupations.

#### **10.4.2.2 Inter-firm Differentials**

Inter-firm differentials reflect the relative wage levels of workers in different plants in the same area and occupation. The main causes of inter firm wage differentials are:

- (a) Difference in the quality of labour employed by different firms;
- (b) Imperfections in the labour market; and
- (c) Differences in the efficiency of equipment, supervision and other non-labor factors.

Differences in technological advance, managerial efficiency, financial capacity, age and size of the firm, relative advantages and disadvantages of supply of raw materials, power and availability of transport facilities - these also account for considerable disparities in inter-firm wage rates. Lack of coordination among adjudication authorities, too, is responsible for such anomalies.

#### **10.4.2.3 Inter-area or Regional Differentials**

Such differentials arise when workers in the same industry and the same occupational group, but living in different geographical areas, are paid different wages. Regional wage differentials may be conceived in two senses. In the first sense, they are merely a part of inter-industry differentials in a particular region. The industry mix varies from one area to another, and for this reason alone, the general average of wages would be expected to vary. In the second sense, they may represent real geographical differentials, resulting in the payment of different rates for the same type of work. In both cases, regional differentials affect the supply of manpower for various plants in different regions. Such differentials are the result of living and

working conditions, such as unsatisfactory or irksome climate, isolation, sub-standard housing, disparities in the cost of living and the availability of manpower. In some cases, regional differentials are also used to encourage planned mobility of labour.

#### ***10.4.2.4 Inter-industry Differentials:***

These differentials arise when workers in the same occupation and the same area but in different industries are paid different wages. Inter-industry differentials reflect skill differentials. The industries paying higher wages have mostly been industries with a large number of skilled workers, while those paying less, have been industries with a large proportion of unskilled and semi-skilled workers. Other factors influencing inter-industry differentials are the extent of unionization, the structure of product markets, the ability to pay, labour-capital ratio, and the stage of development of an industry.

#### ***10.4.2.5 Personal Wage Differentials:***

These arise because of differences in the personal characteristics (age or sex) of workers who work in the same plant and the same occupation. "Equal pay for equal work" has been recommended by the I.L.O. Convention (No. 100), as also by Industrial Courts, Labour Tribunals, the Minimum Wages Committee and the Fair Wage Committee. But in practice this principle has not been fully implemented because in occupations, which involve strenuous muscular work, women workers, if employed, are paid less than men workers. Lack of organization among women employees, less mobility among them, their lower subsistence and their weak constitution are other reasons which bring them lower wages than their male counterparts receive.

#### ***10.4.2.6 Sector Differentials:***

Wage differential between agricultural sector and industrial sector is generally a characteristics of underdeveloped countries like India. The main reasons for such sectoral differences in wage rates are the nature of the workers groups whether they are an organized group or an unorganized group. And the level of economic development of the sector. Agricultural labour in India belongs to the unorganized sector of the economy. Agricultural workers are not able to better their living conditions as organized effort is lacking among them where as workers in the industrial sectors have their own unions to fight for them. Unlike industrial sector no industry cum region principle is followed while fixing wages in the agricultural sector. It is the strength of the industrial unions that gives them a higher level of wages as compared with their counter parts in the agricultural sector.

## **10.5 WAGE THEORIES**

These labor grades are often said to be non competing labor grades because workers rarely move from one grade to another and do not compete salary wise with each other. There are reasons why they do not compete with each other. The cost of education and training may be a significant obstacle. They might lack the opportunity to make such a move and they might also have a lack of initiative. Theory of Wages There are two key theories that explain why salaries are the way they are in a particular field. These two theories are:

### **10.5.1 Traditional theory of wage determination**

In this theory the law of supply and demand dictates salary. These days programmers are in short supply and are in great demand thus they will command a higher salary. Likewise doctors and lawyers whose specialized skills people need command a high wage. If you looked at the bill my electrician gave me you would know he is in demand!

### **10.5.2 Theory of negotiated wages**

Those employees who work in unions where the union negotiates salary on behalf of all workers fit into this theory. Since I am a teacher my salary is set by collective bargaining with my union. I may be the best teacher in the world sought after by many students and parents but it wouldn't matter. However, different methods of wage payment are prevalent in different industries and in various countries. There may be payment by time or payment by results, including payment at piece rates. Wages are fixed mainly as a result of individual bargaining, collective bargaining or by public or State regulation. How wages are determined has been the subject of several theories of wages. The main elements in these theories may be summed up as follows:

Below is mentioned the theory of Wages:

1. Subsistence theory
2. Wages fund theory
3. The surplus value theory of wages
4. Residual claimant theory
5. Marginal productivity theory
6. The bargaining theory of wages
7. Behavioural theories

Now let us discuss the theory of Wages in detail:

#### **10.5.2.1 subsistence theory**

This theory, also known as 'Iron Law of Wages,' was propounded by David Ricardo (1772-1823). This theory (1817) states that: "The laborers are paid to enable them to subsist and perpetuate the race without increase or diminution."

The theory was based on the assumption that if the workers were paid more than subsistence wage, their numbers would increase as they would procreate more; and this would bring down the rate of wages. If the wages fall below the subsistence level, the number of workers would decrease - as many would die of hunger, malnutrition, disease, cold, etc. and many would not marry, when that happened the wage rates would go up. In economics, the subsistence theory of wages states that wages in the long run will tend to the minimum value needed to keep workers alive. The justification for the theory is that when wages are higher, more workers will be produced, and when wages are lower, some workers will die, in each case bringing supply back to a subsistence-level equilibrium. The subsistence theory of wages is generally attributed to David Ricardo, and plays a large role in Marxist economics. Most modern economists dismiss the theory, arguing instead that wages in a market economy are determined by marginal productivity

### ***10.5.2.2 Wages fund theory***

This theory was developed by Adam Smith (1723-1790). His basic assumption was that wages are paid out of a predetermined fund of wealth which lay surplus with wealthy persons - as a result of savings. This fund could be utilized for employing laborers for work. If the fund was large, wages would be high; if it was small, wages would be reduced to the subsistence level. The demand for labour and the wages that could be paid them were determined by the size of the fund.

### ***10.5.2.3 The surplus value theory of wages***

This theory owes its development to Karl Marx (1818-1883). According to this theory, the labour was an article of commerce, which could be purchased on payment of 'subsistence. Price.' The price of any product was determined by the labour time needed for producing it.

The labourer was not paid in proportion to the time spent on work, but much less, and the surplus went over, to be utilized for paying other expenses. Marx himself considered his theory of surplus-value his most important contribution to the progress of economic analysis (Marx, letter to Engels of 24 August 1867). It is through this theory that the wide scope of his sociological and historical thought enables him simultaneously to place the capitalist mode of production in his historical context, and to find the root of its inner economic contradictions and its laws of motion in the specific relations of production on which it is based.

### ***10.5.2.4 Residual claimant theory***

Francis A. Walker (1840-1897) propounded this theory. According to him, there were four factors of production/ business activity, viz., land, labour, capital and entrepreneurship. Wages represent the amount of value created in the production, which remains after payment has been made for all these factors of production. In other words, labour is the residual claimant.

### ***10.5.2.5 Marginal productivity theory***

This theory was developed by Phillips Henry Wicksteed (England) and John Bates Clark (USA). According to this theory, wages are based upon an entrepreneur's estimate of the value that will probably be produced by the last or marginal worker. In other words, it assumes that wages depend upon the demand for, and supply of, labour. Compensation management consequently, workers are paid what they are economically worth. The result is that the employer has a larger share in profit as has not to pay to the non-marginal workers. As long as each additional worker contributes more to the total value than the cost in wages, it pays the employer to continue hiring; where this becomes uneconomic, the employer may resort to superior technology.

### ***10.5.2.6 The Bargaining Theory of Wages***

John Davidson propounded this theory. Under this theory, wages are determined by the relative bargaining power of workers or trade unions and of employers. When a trade union is involved, basic wages, fringe benefits, job differentials and individual differences tend to be determined by the relative strength of the organization and the trade union.



### **10.5.2.7 Behavioral theories**

Many behavioral scientists - notably industrial psychologists and sociologists like Marsh and Simon, Robert Dubin, Eliot Jacques have presented their views on wages and salaries, on the basis of research studies and action programmes conducted by them. Briefly such theories are:

This type of thinking takes into consideration the factors, which may induce an employee to stay on with a company. The size and prestige of the company, the power of the union, the wages and benefits that the employee receives in proportion to the contribution made by him - all have their impact. The Internal Wage Structure

Social norms, traditions, customs prevalent in the organization and psychological pressures on the management, the prestige attached to certain jobs in terms of social status, the need to maintain internal consistency in wages at the higher levels, the ratio of the maximum and minimum wage differentials, and the norms of span of control, and demand for specialized labour all affect the internal wage structure of an organization. Wage and Salaries and Motivators Money often is looked upon as means of fulfilling the most basic needs of man. Food, clothing, shelter, transportation, insurance, pension plans, education and other physical maintenance and security factors are made available through the purchasing power provided by monetary income - wages and salaries. Merit increases, bonuses based on performance, and other forms of monetary recognition for achievement are genuine motivators. However, basic pay, cost of living increases, and other wage increases unrelated to an individual's own productivity typically may fall into maintenance category.

## **10.6 INCENTIVE PLANS:**

The term "incentive" has been used both in the restricted sense of participation and in the widest sense of financial motivation. The concept of incentive implies increased willingness or motivation to work and not the capacity to work. It refers to all the plans that provide extra pay for extra performance in addition to regular wages for a job. Under this programme, the income of an individual, a small group, a plant work-force or all the employees of a firm are partially or wholly related to some measure of productive output. Wage incentives are extra financial motivation. They are designed to stimulate human effort by rewarding the person, over and above the time-rated remuneration, for improvements in the present or targeted results. Basically, the wage incentive implies a system of payment under which the amount payable to a person is linked with his output. Such a payment may also be called payment by results.

### **10.6.1 The Halsey System:**

This system which was developed by F.A. Halsey, provides for the fixation of a standard time for the completion of the task. For the work done in correct time or more, the actual time rate is paid. Thus, the minimum wage is guaranteed even if the output falls below the standard. If the job is completed in less than the standard time, the worker receives a bonus payment at his time rate for a specific percentage of the time saved. This percentage may vary anywhere from 30 per cent to 70 per cent, but usually it is fixed at 50 per cent (the other 50 per cent going to the share of employer). Thus, if a worker does the work in 6 hours against a 10 hours standard, he gets bonus after 6 hours plus 50 per cent of 4 hours, i.e., 2 hours, as bonus. The other 50 per cent (2 hours) is shared by the employer (Given Formula at below).

$$\text{Bonus} = 1/2 \text{ of } \frac{\text{Time Saved}}{\text{Time Taken}} \times \text{Daily Wage}$$

### 10.6.2 The Rowan System:

Under this system also a standard time is allowed for a job, and bonus is similarly paid for any time saved. This plan differs from the Halsey plan only in regard to the determination of the bonus, In all other respects, the two are the same. The premium is calculated on the basis of the proportion which the time saved bears to standard time. Thus, if a worker does work in 6 hours against the 10-hour standard, the wage payable is 6 hours wages plus 40 per cent of the wages as bonus (See Formula).

$$\text{Bonus} = \frac{\text{Time Saved}}{\text{Time Allowed}} \times \text{Time Taken} \times \text{Hourly rate}$$

### 10.6.3 The Bedaux Point System :

Under this system, the standard time set is divided into a number of points at the rate of one minute per point. The bonus is calculated at 75 per cent of the points earned in excess of 60 per hour. Thus, if the standard time is 10 hours and if the worker completes the job in 7 hours and if his hourly rate is 0.96 money units, the standard number of points for completing the job is 600 points. The worker thus earns 600 points in 7 hours. His bonus, therefore, will be 75 per cent of  $180 \times 0.96/60$  which is equal to 2.16 money units. If a worker does not reach the standard, he is paid at his time rate. This system is really more than the incentive system, since it enables the management to record the output of any worker of the department in units which show at once if the production is upto the standard the management desires.

### 10.6.4 The Taylor Differential Piece-rate System:

This system was introduced by Taylor with tow objects. First, to give sufficient incentive to workmen to induce them to produce up to their full capacity, and second, to remove the fear of wage cut. There is one rate for those who reach the standard; they are given a higher rate to enable them to get the bonus. The other is the lower for those who are below the standard, so that the hope of receiving a higher rate may serve as an incentive to come up to the standard. Workers are expected to do certain units of work within a certain period of time. This standard is determined on the basis of time and motion studies. Such scientific determination assumes that the standard fixed is not unduly high and is within the easy reach of workers. On a proper determination of the standard depends the success of the scheme. This system is designed to encourage the specially efficient worker with a higher rate of payment and to penalize the inefficient by a lower rate of payment. In practice, this plan is seldom used now.

### 10.6.5 Premium and Task Bonuses:

It has been devised by H.L. Gantt and is the only one that pays a bonus percentage multiplied by the standard time. Under this system, fixed time rate are guaranteed. Output standards and time standards are established for the performance of each job. Workers completing the job within the standard time or in less time receive wages for the standard time plus a bonus which ranges from 20 per cent to 50 per cent of the time allowed and not time saved. When a worker fails to turn out the required quantity of a product, he simply gets his time

rate without any bonus. Its fairness and practical value depend on the reasonableness of the standard fixed and the wages which workers of average ability can earn without having to work at excessive speed and becoming unduly fatigued.

#### ***10.6.6 The Profit-sharing System:***

The profit-sharing scheme is based on the same principle as the group system where incentive is related to the collective effort of the group. It is an arrangement freely entered into under which an employer gives to his employees a share in the net profits of the enterprise, fixed in advance, in addition to their wages. The essential features of profit-sharing are: a) that the arrangement is voluntary but based on an agreement between employer and employee; b) that the amount to be distributed amongst the participants depends upon the profits earned by the enterprise; and c) that the proportion of the profits to be distributed is determined well in advance. The aims of profit-sharing plans are: i) to promote increased effort and output; ii) to share some gains in the productivity of the firm; iii) to secure employee co-operation and to achieve industrial harmony; and d) to strengthen unity of interest and employee loyalty to organizational objectives. The profit-sharing scheme is comparatively easy and less expensive to adopt. In some cases, these schemes have become successful resulting in increased production at a lower cost.

There are cases where they have not made any significant contribution towards improving the overall efficiency of the company. To be effective, profit-sharing schemes should be based on the considerations of profitability of industrial units, computation of surplus profit for distribution on an average basis, and fair return on capital invested in an enterprise. It should not be treated as a substitute for adequate wages but provide something extra to the participants. Full support and co-operation of the union is to be obtained in implementing such a scheme.

#### ***10.6.7 The Scanlon Plan:***

It is a plant-wide incentive scheme developed by Joseph Scanlon of the United Steelworkers of America in 1927. The basic concept underlying the Scanlon Plan is that efficiency depends upon plant-wide co-operation. The purpose of this incentive plan is to develop team – work. It has two main aspects: a) adopting a measure for increased productivity; and b) sharing the gain accrued from that increased productivity. The objective of the plan is to devise a formula which will most adequately reflect the prospective efforts of workers and management as a whole. The bonus formula is devised to fit the particular operating conditions of the plant. Some of the salient features of the plan are: a) it encourages group work; b) there is high flexibility in the generation of decisions and execution of the plan; c) it integrates the company's objectives with group execution of the plan; c) it integrates the company's objectives with group activity; b) it involves all the workers in the process of production. Earnest Dale has described four degrees of co-operation between labour and management in the Scanlon Plan, namely: a) information co-operation by gathering information; b) advisory co-operation through the process of consultation; c) constructive co-operation by making suggestions for improvement; and d) joint union-management decision making.

#### ***10.6.8 The Rucker Plan:***

The philosophy of the Rucker Plan is similar to the Scanlon Plan, but the bonus computed is based on a more sophisticated basis. There are two major differences between the

two plans. The standard under the Rucker Plan is based upon a careful study of accounting records and is not considered bargainable. While the Scanlon Plan rewards only savings in labour costs, the Rucker Plan offers incentives for savings in other areas as well.

#### **10.6.9 Merit Rating:**

Mention may be made of merit rating as a form of wage incentive. It presupposes that the workers in a given grade or occupation differ in their efficiency at work in the undertaking. Merit rating is a method of attempting to give recognition to the best workers by systematic objective standards. Various qualities are listed, such as skill, efficiency, reliability, initiative, care in avoiding accidents, adaptability, co-operation with other workers, and regularity of attendance. Points or grading are given for each of these qualities, and workers who reach a high level receive an addition to the normal rate of pay for the job. Rating may be done for each year, and workers who had been receiving merit pay may lose a part or whole of it if they do not maintain their rating. Merit rating is usually applied to time-workers, especially in occupations where opportunities for promotion are less. Merit rating should not be confused with job evaluation. Job evaluation is an attempt to measure the worth of the job, irrespective of who does it, while merit rating is an attempt to measure the performance of the individual.

### **10.7 SUMMARY**

The wage and salary structure and employee benefits and services is one of the vital areas of personal administration. For sound wage and salary policies and programs are essential to maintain, develop, promote and transfer employees and to get effective results from them. Wage and salary structure are perhaps the most important single element in the condition of employees. Organizational morale cannot be maintained at a high level without a fair, equitable and sound remuneration program. There is a strong case for wage-productivity linkage. Necessary efforts are to be made not towards raising money wages but towards raising productivity in order to ensure a steady increase in the real income of labourers. Incentive wage systems play an important part in improving productivity. Hence, productivity-linked incentive schemes are to be introduced in the interest of the workers, employers and the society. In the interest of higher productivity and faster economic development, a positive, dynamic and novel approach to productivity bargaining should be adopted on a much wider scale.

### **10.8 KEY WORDS:**

**Minimum wage:** Wage sufficient to sustain and pressure the efficiency of worker and to provide him basic amenities.

**Bonus:** Bonus is the extra payment to the worker beyond the normal wage.

**Living Wage:** Is a dynamic concept which grows in line with growth of national economy.

**Fair Wage:** It is wage which is above the minimum wage but below the living wage.

**10.9 SELF ASSESSMENT QUESTIONS:**

- 1) Explain the definition and principles of governor compensation administration of different wages?
- 2) Executive Compensation should be different comparing to other – Explain.
- 3) What are the wage differentials in wage and salary administration?
- 4) Describe the wage theories?
- 5) Write down the various incentive plans in compensation?

**10.10 SUGGESTED BOOKS FOR FURTHER READINGS:**

1. Aswathappa, K., Human Resources and Personal Management, Tata Mc Graw Hill Publishing Co., Ltd., New Delhi.
2. Akhilesh, K.B. and Nagraj, D.R. (Ed)., Human Resource management 2000 – Indian perspective, Wiley Eastern Ltd., New Delhi.
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**Lesson-11****JOB EVALUATION****11.0 OBJECTIVE**

- To study the definition and objectives of job evaluation.
- To know about the principles of job evaluation.
- To understand the concepts of wage and salary administration.

**STRUCTURE**

- 11.1 Introduction**
- 11.2 Definition**
- 11.3 Objectives of job evaluation**
- 11.4 Principles of job evaluation**
- 11.5 Advantages of job Evaluation**
- 11.6 Essentials of a successful job evaluation**
- 11.7 Limitations of job Evaluation**
- 11.8 Concept of wage and salary administration**
- 11.9 Summary**
- 11.10 Key Words**
- 11.11 Self Assessment Questions**
- 11.12 Suggested Books for Further Readings**

**11.1 INTRODUCTION**

It is axiomatic to suggest that an organization is only as good as the people it is able to attract and keep. Therefore, as we have indicated in sections dedicated to recruitment and selection, it is important that firms take the time necessary to find the right people to fill job openings. Choosing people to work for an organization generally means choosing people for a long time; these people should be thought of as investments. As these people are likely to be essential ingredients in the firm's success, it is incumbent upon the firm to protect this asset/investment. As such, the firm must pay employees what they are worth or else they may choose to work for another firm. The firm's compensation policy must be managed appropriately.

**11.2 COMPENSATION DEFINITION:**

"What is compensation?" While there may be as many answers to this question as there are employees, we'll start with the following definition:

- a) Compensation is the outcomes (rewards) employees receive in exchange for their work,  
or

Pay is an exchange between the individual or group and the employer. by Wilf H. Ratzburg

- b) The work performed by production workers who generally have no guarantee of employment throughout the week or month. It is a composite term which describes a whole group of practices hourly rates, piece rates, bonuses, and premiums and for work of supervisory, clerical, and managerial employees whose contract usually stipulates weekly, monthly, or annual compensation.---by. Charles W. Brennan.
- c) Compensation it is what employees receive in exchange for their contribution to the organization.(money is direct compensation and benefits are indirect compensation

From a manager's perspective, the compensation package offered a firm's employees is important not only because it costs money, but because it's likely to be the primary reason the employees work for the firm. Compensation packages with good pay and benefits can help attract and retain the best employees. A quick survey of employees about compensation is likely to reveal an expectation that wages cover basic living expenses, keep up with inflation, leave some money for savings (perhaps for retirement) and leisure, increase over time, and are fair.

A firm's compensation scheme also communicates a great deal about the firm's values and cultures. Employees are more likely to look at what a company pays rather than what it says. In many respects, people behave as they are rewarded. Insofar as this is true, a compensation scheme communicates to the employees what the firm's expectations are of them. Therefore, for example, if quality is an important value, it should be reinforced through some element of the total compensation system

### 11.3 OBJECTIVES OF JOB EVALUATION

The main objective of job evaluation is to ensure equitable remuneration for relative worth of a job. As per the ILO Report, the aim of the majority of systems of job evaluation is to establish, on agreed logical basis, the relative values of different jobs in a given plant or machinery, i.e., it aims at determining the relative worth of a job. The principle upon which all job evaluation schemes are based is that of describing and assessing the value of all jobs in the firms in terms of a number of factors, the relative importance of which varies from job to job". The objectives of job evaluation, to put in a more systematic manner are to:

1. Establish a standard procedure for determining the relative worth of each job in an organization;
2. Ensure equitable wage for a job and reasonable wage differentials between different jobs in a hierarchical organization;
3. Determine the rate of pay for each job which is fair and equitable with relation to other jobs in the plant, community or health care industry;
4. Eliminate wage inequalities;

5. Use as a basis for fixing incentives and different bonus plans;
6. Promote a fair and accurate consideration of all employees for advancement and transfer;
7. Provide information for work organization, employees' selection, placement, training and other similar purposes;
8. Provide a benchmark for making career planning for the employees in the organization and;
9. Ensure that like wages are paid to all qualified employees for like work.

### **11.4 PRINCIPLES OF JOB EVALUATION**

The job evaluation has certain principles. These principles are supposed to be kept in the mind of the job evaluators. These principles are not only directives of proper job evaluation but also provide clarity in the process of evaluation. According to Kress, these principles are

1. Rate the job and the jobber. Each element should be rated on the basis of what the job itself requires;
2. The elements selected for rating purposes should be easily explainable in terms and a few in numbers as will cover the necessary requisites for every job without any overlapping;
3. The elements should be clearly defined and properly selected;
4. Any job rating plan must be sold to foremen and employees. The success in selling it will depend on a clear-cut explanation and illustration of the plan;
5. Foreman should participate in the rating of jobs in their own departments;
6. Maximum co-operation can be obtained from employees when they themselves have an opportunity to discuss job ratings and;
7. Too many occupational wages should not be established. It would be unwise to adopt an occupational wage for each total of point values.

### **11.5 ADVANTAGES OF JOB EVALUATION**

According to the International Labour Organization, job evaluation offers the following advantages:

1. Job evaluation being a logical process and objective technique helps in developing a equitable and consistent wage and salary structure based on the relative worth of jobs in an organization.



2. By eliminating wage differentials within the organization, job evaluation helps in minimizing conflict between labour unions and management and, in turn, helps in promoting harmonious relations between them.
3. Job evaluation simplifies wage administration by establishing uniformity in wage rates.
4. It provides a logical basis for wage negotiations and collective bargaining.
5. In the case new jobs, job evaluation facilitates spotting them into the existing wage and salary structure.
6. In the modern times of mechanization, performance depends much on the machines than on the worker himself/herself. In such cases, job evaluation provides the realistic basis for determination of wages.
7. The information generated by job evaluation may also be used for improvement of selection, transfer and promotion procedures on the basis of comparative job requirements.
8. Job evaluation rates the job, not the workers. Organizations have large number of jobs with specializations. It is job evaluation here again which helps in rating all these jobs and determining the wages and salary and also removing ambiguity in them.
3. When job evaluation is applied for the first time in an organization, it creates doubts in the minds of workers whose jobs are evaluated and trade unions that it may do away with collective bargaining for fixing wage rates.
4. Job evaluation methods being lacking in scientific basis are often looked upon as suspicious about the efficacy of methods of job evaluation.
5. Job evaluation is a time-consuming process requiring specialized technical personnel to undertake it and, thus, is likely to be costly also.
6. Job evaluation is not found suitable for establishing the relative worth of the managerial jobs which are skill-oriented. But, these skills cannot be measured in quantitative terms.
7. Given the changes in job contents and work conditions, frequent evaluation of jobs is essential. This is not always so easy and simple.
8. Job evaluation leads to frequent and substantial changes in wage and salary structures. This, in turn, creates financial burden on organization.

## 11.6 ESSENTIALS OF A SUCCESSFUL JOB EVALUATION

We have seen that each method of job evaluation is a mixed blessing with advantages and disadvantages. So to say, no method is completely fool proof. In such case, organization may try to adopt a job evaluation method blending all merits of different methods of job

evaluation. The following few suggestions may help in conducting a successful job evaluation programme.

1. Before launching a job evaluation programme certain issues need to be decided well in advance: employees to be covered, job evaluators – internal or external, consultation of employees and existence of suitable atmosphere for launching of job evaluation programme.
2. An accurate and comprehensive job analysis, job description and job specification should be done.
3. The management's aim in relation to the job evaluation programme should be made clear to all those concerned. There should not be any hidden agenda.
4. All the relevant internal and external factors should be taken into account before arriving at the final shape of the programme.
5. The supervisors should have the complete and concrete knowledge of the programme. They should be in the position to explain the programme to their people and also how it works.
6. The details of the administration of the plan should be made simple to avoid employee's doubts, fears and apprehensions about the plan.
7. Efforts should be made to provide maximum transparency in preparation and implementation of the programme. One way to ensure it is encouraging employees' participation in the programme.
8. Every stage of programme should be given wide publicity through employee publications, notice boards, departmental meetings and even letters to employees' homes.

## 11.7 LIMITATIONS OF JOB EVALUATION

In spite of many advantages, job evaluation suffers from the following

### **Drawbacks/limitations**

1. Job evaluation is susceptible because of human error and subjective judgment. While there is no standard list of factors to be considered for job evaluation, there are some factors that cannot be measured accurately.
2. There is a variation between wages fixated through job evaluation and market forces. Say Kerr and Fisher, the jobs which tend to rate high as compared with the

## 11.8 CONCEPT OF WAGE AND SALARY ADMINISTRATION

The institution of wages, the concept of earning livelihood by doing the work of some other, is one of the oldest institutions of the society. In earlier ages the remuneration was determined in the quantum of commodities to be exchanged for labour. With the advent of money, the wages are now paid in coins and/or in commodities. Etymologically, any remuneration paid for services is regarded as wages.

The term “wages” may be used to describe one of several concepts, including wage rates, straight-time average hourly earnings, weekly take-home pay and annual earnings. Money paid to the workers is considered as his wages. Other types of benefits as well as pensions, welfare funds, social security, vacations and holidays, are regarded as fringe benefits. They are paid in addition to wages and form part of total labour and National Services, wage is “the payment made to the workers for placing their skill and energy at the disposal of an employer, the method of use of that skill and energy being at the employer’s discretion and the amount of the payment being in accordance with terms stipulated in a contract of service.” Various terms that are currently in use in the payment system are “wages”, “pay”, “compensation” and “earnings”.

The term “compensation” is of a recent origin which includes everything an employed individual receives in return for his work. It is a comprehensive term which includes wage and all other allowances and benefits. The process of compensation is a complex network of sub processes directed towards remunerating people for the services rendered and motivating them to attain a desired level of performance.

Thus, compensation includes all expenditures of valued resources by the organisation for the employees, including managers and professionals, as well as blue and white-collar workers.

The concept “earnings” relates to remuneration in cash and in kind paid to employees, as a rule, at regular intervals for time not worked, such as for annual vacation, other paid leave or holidays. Earnings exclude employers’ contributions in respect of their employees paid to social security and pension schemes and also the benefits received by employees under these schemes. Earnings also exclude severance and termination pay.

The two terms often used interchangeably are “wages” and “salary”. If worker is paid by the year, he is considered to be in receipt of a salary, not wages. If he is paid by the hour or day, he is stated to be in receipt of wages. If he is paid by the month, he is usually looked upon as salaried employee rather a wage-earner. Normally, the term “salary” is used for compensation payment made to blue-collar workers.

The dictionary meaning of the word “salary” as a periodic payment to persons doing jobs other than mechanical has little relevance in the context of changing technology. It is likely that the conventional pay distinction between the blue-collar and the white-collar employees may disappear over a period of years. Since 1948 several terms have acquired currency referring to the wage levels, viz.: (i) statutory minimum wage; (ii) the base or basic minimum wage; (iii) the minimum wage; (iv) the fair wage; (v) the living wage; and (vi) the need-based minimum wage.

## 11.9 SUMMARY

. The term “compensation” is of a recent origin which includes everything an employed individual receives in return for his work. We have indicated in sections dedicated to recruitment and selection, it is important that firms take the time necessary to find the right people to fill job openings. The main objective of job evaluation is to ensure equitable remuneration for relative worth of a job. The aim of the majority of systems of job evaluation is a mixed blessing with advantages and disadvantages. So to say, no method is completely fool proof. In such case, organization may try to adopt a job evaluation method blending all merits of different methods of job evaluation. Compensation includes all expenditures of valued resources by the organisation for the employees, including managers and professionals, as well as blue and white-collar workers.

## 11.10 KEY WORDS

**Wage:** The amount paid by the employer for the services of hourly, daily, weekly, fortnightly employees.

**Pay:** Pay is an exchange between the individual or group and the employer.

**Compensation:** It is what employees receive in exchange for their contribution to the organization.

**Job evaluation:** A systematic way of assessing the relative worth of a job.

## 11.11 SELF ASSESSMENT QUESTIONS

1. Define the Compensation Management?
2. Define the Job Evaluation? Write down the objectives and principles of Job Evaluation?
3. What is Job Evaluation? Discuss the advantages and limitations of Job Evaluation?
4. Write down the importance of Job Evaluation in present economical scenario?
5. Illustrate the concept of wage and salary administration?

## 11.12 SUGGESTED BOOKS FOR FURTHER READINGS

1. Aswathappa, K., Human Resources and Personal Management, Tata Mc Graw Hill Publishing Co., Ltd., New Delhi.
2. Akhilesh, K.B. and Nagraj, D.R. (Ed)., Human Resource management 2000 – Indian perspective, Wiley Eastern Ltd., New Delhi.
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14. Subba Rao. P, Essentials of Human Resource Management and Industrial Relations

**LESSON – 12****WORKING CONDITIONS HEALTH AND WELFARE****12.0 OBJECTIVE**

- To know the safety provisions.
- To understand the occupational safety and health.
- To analyse the hazards and risk

**STRUCTURE****12.1 Introduction****12.2 Need****12.3 Typical health and safety responsibilities****12.4 Dust provisions regarding health****12.4.1 Cleanliness****12.4.2 Wastes****12.4.3 Ventilation and temperature****12.4.4 Dusts and fumes****12.4.5 Artificial humidification****12.4.6 Over crowding****12.4.7 Lighting****12.4.8 Drinking water****12.4.9 Latrines and urinals****12.4.10 spittoons****12.5 Measures to promote employee health****12.6 Employee assistance programmes****12.6.1 Personnel crises and work place violence****12.6.2 Emotional problems****12.6.3 Alcoholism****12.7 Occupational Health: Occupational Hazards and Risks****12.8 Employee Welfare****12.9 Importance of Welfare****12.10 Purpose of Labour welfare****12.11 Types of Labour Welfare****12.11.1 Statutory Provisions****12.11.1.1 The Factories Act, 1948****12.11.1.2 The Plantation Labour Act, 1951****12.11.1.3 The Mines Act, 1951****12.11.1.4 The Motor Transport Workers Act, 1961****12.11.1.5 The Contract Labour (Regulation and Abolition) Act, 1970****12.12 Employer voluntary welfare facility****12.12.1 Education**

**12.12.2 Housing****12.12.3 Transportation****12.12.4 Recreation****12.13 Labour Welfare Officer****12.13.1 The duties and responsibilities of a labour welfare officer****12.13.1.1 Advisory****12.13.1.2 Service oriented****12.13.1.3 Supervisory****12.13.1.4 Functional****12.13.1.5 Policing****12.13.1.6 Mediation****12.14 Summary****12.15 Key Words****12.16 Self Assessment Questions****12.17 Suggested Books for Further Readings****12.1 INTRODUCTION**

Hospital employees have to work constantly under conditions of great stress. It is therefore the responsibility of the hospital authorities to provide them good working conditions which meet accepted standards of cleanliness, ventilation, light, air, etc. so as to ensure their safety and welfare. In this respect factories are governed by statutory provisions under the factories Act, 1948. It is a pity that there are no such provisions applicable to hospitals. There is a need for the government to make necessary provisions in this respect. Pending such legislations for hospitals, there is an urgent need on the part of the hospital authorities to be more generous and enlightened in this respect.

Organizations are obliged to provide employees with a safe and healthful environment. Health is a general state of physical, mental and emotional well being. Safety is protection of a person's physical health. The main purpose of health and safety policies is the safe interaction of people and the work environment. Poor working conditions affect employee performance badly. Employees may find it difficult to concentrate on work. It would be too taxing for them to work for longer hours. Their health may suffer. Accidents and injuries may multiply causing enormous financial loss to the company. Absence and turnover ratios may grow. A company with a poor safety record may find it difficult to hire and retain skilled labour force. The overall quality of work may suffer. Many deaths, injuries and illnesses occur because of safety violations, poor equipment design or gross negligence. The Union Carbide accident in Bhopal, for example, which killed over 4,000 people in 1984, is considered by most experts to be the result of equipment design flaws which could have been avoided. Union labour ministry's records place companies in Maharashtra and Gujarat as the most dangerous places to work, with over 25,000 and 13,000 accidents respectively. The biggest offenders are generally from jute mills, lead battery manufactures, chemical units, textile mills, match and fireworks industry especially in Sivakasi, automotive industry, sugar crushing units, mining, heavy construction, flour mills, etc.

## 12.2 NEED

Industrial health is essential to:

- Promote and maintain the highest degree of physical, social and mental well being of workers.
- Improve productivity and quality of work.
- Reduce accidents, injuries, absenteeism and labour turnover.
- Protect workers against any health hazard arising out of work or conditions in which it is carried on.

The following table indicates the primary health and safety responsibilities of the HR department and line managers.

## 12.3 TYPICAL HEALTH AND SAFETY RESPONSIBILITIES

HR Unit	Managers
<ul style="list-style-type: none"> <li>• Coordinates health and safety programmes</li> <li>• Develops safety reporting system</li> <li>• Offers accident investigation expertise</li> <li>• Provides technical expertise on accident prevention</li> <li>• Develops restricted-access procedures and employee identification systems</li> <li>• Trains managers to recognize and handle difficult employee situations</li> </ul>	<ul style="list-style-type: none"> <li>• Monitor health and safety of employees daily</li> <li>• Coach employees to be safety conscious</li> <li>• Investigate accidents</li> <li>• Observe health and safety behaviour of employees</li> <li>• Monitor workplace for security problems</li> <li>• Communicate with employees to identify potentially difficult employees</li> <li>• Follow safety provisions and security procedures and recommend changes as needed</li> </ul>

## 12.4 LEGAL PROVISIONS REGARDING HEALTH

The factories Act, 1948, lays emphasis on the following preventive measures (sec. 11 to 20)

**12.4.1 Cleanliness (11):** Every factory shall be kept clean and free from effluvia. Dirt must be removed daily. Benches, staircases, passages and the floor of the workroom must be cleaned daily so that there is no accumulation of dirt. Workroom floors must be washed at least once a week, with some disinfecting fluid. Walls, partitions, ceilings, doors, windows, etc., be painted, varnished periodically.

**12.4.2 Wastes (12):** There must be effective arrangements for the disposal and/ or treatment of waste and effluents.

**12.4.3 Ventilation and temperature (13):** every workroom in the factory must have proper natural ventilation, permitting circulation of fresh air. The room temperature should be kept at a level comfortable to workers. The walls and roofs should be of such material and of such design



so as to keep the temperature low. High temperature may be controlled by whitewashing, spraying and insulating the factory premises by screening outside walls, windows and roofs.

**12.4.4Dust and fumes (14):** Effective arrangements must be made to prevent or reduce the inhalation and accumulation of dust and fumes. Exhaust appliances should be employed near the place of origin of dust and fumes.

**12.4.5Artificial humidification (15):** In cotton textile and cigarette manufacturing units where artificial humidification is used, State Government rules should be followed. Water used for artificial humidification must be properly purified.

**12.4.6Overcrowding (16):** No room in the factory should be overcrowded. There should be at least 14.2 cubic meters of space for every workman.

**12.4.7Lighting (17):** The factory must have sufficient and suitable lighting arrangements—both natural and artificial glazed windows and skylights used to light the workroom should be kept clean. Provisions should be made for the prevention of glare and the formation of shadows in the work spot.

**12.4.8Drinking water (18):** The factory must provide wholesome drinking water at suitable, convenient points. All such points are marked 'drinking water' clearly in a language understood by majority of workers. Every such point should be away (not within 6 meters range) from urinals, latrine, spittoons, open drains, etc. Where the factory employs more than 250 employees, suitable arrangements must be made to provide cool drinking water during the hot summer months.

**12.4.9Latrines and urinals (19):** The latrines and urinals are (a) maintained separately for male and female workers, (b) having sufficient enclosed space, (c) conveniently situated and accessible to all workmen, (d) adequately lighted and ventilated, (e) cleanly kept at all times, (f) maintained properly by employing sweepers for this purpose.

**12.4.10 Pittoons (20):** A sufficient number of spittoons should be provided at convenient places in every factory and these should be maintained in a clean and hygienic condition.

## 12.5 MEASURES TO PROMOTE EMPLOYEE HEALTH

Health promotion at the work place may be broadly defined as any effort to prevent disease or premature death through behavioural and organizational change. Health promotion focuses on prevention rather than treatment or cure. Therefore the health programme at the company is planned around improvement and prevention of controllable risk factors such as smoking, obesity, high level of cholesterol, stress, hypertension and low level of physical fitness, which are responsible for most major diseases. Promoting health consciousness is not an easy task. It requires continuous education, systematic campaign and genuine support from top management. Before the company starts planning for the programme, it must investigate the needs and resources of both the employees and the organisation. The planning programme, basically, involves five steps: *setting goals, developing the plan, allocation of resources, implementation and evaluation of the plan*. The core health promotion activities may cover such areas as:

- i. Healthy living
- ii. Eating wisely
- iii. Exercise and Physical fitness
- iv. Smoking cessation
- v. Stress management
- vi. Protecting one self from workplace hazards.

The initial effort and investment required to institute such health promotion programmes may prove to be quite heavy but the long run rewards are quite fruitful: improvements in employees health result in better work attitudes, higher morale, job satisfaction, reduced absenteeism and turnover.

## **12.6 EMPLOYEE ASSISTANCE PROGRAMMES**

One method that companies are using as a broad-based response to health issues is the employee assistance programme (EAP) which offers counseling and other help to employees having emotional, physical or other personal problems. In such a programme, the company establishes a liaison with a social service counseling agency. Employees who have problems may then contact the agency either voluntarily or by employer referral – seeking emotional support and even physical help. The counseling expenses are often paid by the employer either fully or upto prescribed limit. EAPs generally cover the following areas:

### ***12.6.1 Personnel Crises and Workplace Violence***

The most prevalent problems among employees are personal crises involving material, family, financial or legal matters. Unable to bear the emotional stress caused by such unresolved issues, most employees may turn violent, beat up colleagues (or even supervisors) and destroy company property. Careful pre-employment screening, proper conflict resolution programmes, anonymous reporting by colleagues spotting such violent behaviours, increased security provisions including an emergency alarm would help in managing work place violence in a better way. A supervisor is in the best position to handle such charged circumstances through sympathetic listening. In most cases, he can extend the best help by being understanding and supportive and by helping the violent employee find the type of assistance he or she needs.

### ***12.6.2 Emotional Problems***

When personnel crises remain unresolved, the stress and tension arising there from may lead to a mood disorder like depression. Depression is the decrease in functional activity followed by symptoms like gloominess, sadness and low spirits. Depression lowers individual productivity, causes morale problems, increases absenteeism and drives people toward alcohol, and even take illegal drugs. Depressed employees are difficult to handle in that they show signs of irritation, carry guilt feelings, and indulge in verbal abuse. Supervisors should play the role of an attentive, sympathetic listener when confronted with a depressed employee. He should offer immediate emotional support and see that the irritants causing mood disorders in the employee are properly identified. Before matters go out of control (where the depressed soul would cause accidents or hit back colleagues violently), the supervisor should seek professional help-instead of attempting to play the role of an amateur psychologist.

### ***12.6.3 Alcoholism and Drug Abuse***

*Alcoholism* is an intercontinental nuisance now. Due to alcoholism, business and industry suffer staggering losses every year. The disease typically starts with social drinkers getting out of control. As the disease progresses, the alcoholic loses control over when, where and how much to drink. Meanwhile, the employer would suffer on account of decreased productivity, higher absenteeism and increased medical bills. It is therefore in the best interests of every company to educate supervisors about the disease and strictly instruct them to detect the early signs of

alcoholism and train them to counsel employees. Many companies (like Bank of America, Dupont, Eastman Kodak, and General Motors have in-house alcoholism programmes) generally prefer a four-step procedure known as *constructive confrontation*: The supervisor in this case:

- Confronts the employee with evidence
- Provides coaching to improve the employee's performance
- Encourages the employee to contact the Employee Assistance Programme.
- Continues to inform the employee of the consequences of continued unsatisfactory performance.

Drug abuse is a much more serious problem as it is more likely to be accompanied by theft because users need to raise money to buy drugs. In both cases, the organisation should help the affected employees to overcome the problem through in-house counseling or referred to an external agency. If an employee fails to cooperate, the disciplinary process could be initiated. This typically includes harsh steps such as suspension, discharge or dismissal.

## **12.7 OCCUPATIONAL HEALTH: OCCUPATIONAL HAZARDS AND RISKS**

Employees in an industrial establishment are often subject to certain health hazards and occupational diseases.

According to Roland Blake, the normal occupational health hazards may be classified into chemical, biological, environmental, and psychological hazards.

Chemical substances, such as carbon monoxide, carbon dioxide, nitrogen oxide, sulphur dioxide, hydro-carbons, ozone, sulfuric acid, acetic acid, fumeric acid and tannic acid, limes and alkalies cause injury when they are absorbed by the skin, or when they are ingested or inhaled. The results are often disastrous. Workers may suffer from respiratory diseases, skin diseases, allergy, heart disease, cancer and neurological disorders, all of which often shorten life expectancy. The disease or sickness may be chronic or acute, and it may appear after a long dormant period, when it may be difficult or impossible to treat it effectively. Often, a disease may be difficult to diagnose because its symptoms are not apparent at all.

Gases, fumes and dust raised by such processes as grinding and crushing of stones or minerals may be inhaled by workers and cause a serious injury, or even death. Coalminers often suffer from what is known as "black lung" disease. Employees in manufacturing industries are often exposed to such health hazards as arise from dust and fumes, while those working on lead or zinc smelters often show indications of zinc or lead poisoning.

Among the biological hazards are included diseases which are caused by bacteria, fungi, viruses, insects, dietary deficiencies, excessive drinking, imbalances, allergies, brain fever, tetanus, emotional stresses and strains with their psychological concomitants of fear, rage, worry and anxiety. All these affect the health of employees.

Among the environmental hazards may be included radiation, noise, vibrations, shocks, and improper atmospheric conditions.

The increasing use of X-rays or radioactive isotopes exposes the workers, in an industrial setting, to the risks of undetected radiation, and may cause redness of eyes, and pain, genetic disorders, cancer, sterility or even death.

Noise is another serious problem. Many manufacturing processes are accompanied by such noise as is capable of impairing the hearing of a worker, making him irritable and inefficient,” and making it difficult if not impossible for him to hear any warning cries of an impending danger. It has been found that a worker may suffer substantial damage if the noise level is above 80 decibels (1,200 cycles per second). There may be temporary or permanent deafness, nervousness, difficult in communication and loss of efficiency.

Vibrations and shocks may cause nerve injury and inflammation of the tissues of the joints of the operators' hands. A very low vibration - less than one cycle per second - is often encountered for certain vehicles, ships and aeroplanes, and this often causes motion sickness.

## **12.8 EMPLOYEE WELFARE**

Employee or labour welfare is a comprehensive term including various services, benefits and facilities offered to employees by the employer. Through such generous fringe benefits the employer makes life worth living for employees. The welfare amenities are extended in addition to normal wages and other economic rewards available to employees as per the legal provisions. According to Dr Parandikar, “Labour welfare work is work for improving the health, safety and general well beings and the industrial efficiency of the workers beyond the minimum standard laid down by labour legislation”. Welfare measures may also be provided by the government, trade unions and non-government agencies in addition to the employer. The basic purpose of labour welfare is to enrich the life of employees and keep them happy and contented. Welfare measures may be both statutory and voluntary. Labour laws require the employer to extend certain benefits to employees in addition to wages. Voluntary benefits are the result of employer's generosity, enlightenment and philanthropic feelings.

## **12.9 IMPORTANCE OF WELFARE**

The significance of welfare measures was accepted as early as 1931, when the Royal Commission on Labour stated: The benefits are of great importance to the worker which he is unable to secure by him self. The schemes of labour welfare may be regarded as a wise investment because these would bring a profitable return in the form of greater efficiency.

The working environment in a factory adversely affects the health of employees because of excessive heat or cold, noise, fumes, dust and lack of sanitation and pure air. Such oppressive conditions create health problems for workers. These have to be contained through preventive steps aimed at improving the lot of workers.

A second reason in favour of welfare work is called the ‘social invasion of the factory’. Workers face lots of adjustment problems when they take up factory work. The congested environs, noisy machines, slum areas, monotonous jobs impact the psyche of realities who come to cities in search of jobs. To escape from such trying conditions, the worker absents himself, becomes irregular and shows signs of indiscipline. Such changes – known as the social invention of the factory – call for extra inducements in the workplace in addition to normal wages, so that the worker begins to enjoy a fuller and richer life.

Another social reason pointed out by the Labour Investigation Committee reads thus: “the provision of canteens improves the physique; entertainment reduces the incidence of vices; medical aid, maternity and child welfare services improve the health of the workers and bring down the rates of general, maternal and infantile mortality; and educational facilities increase their mental efficiency and economic productivity.

### 12.10 PURPOSE OF LABOUR WELFARE

- *Enables* workers to have a richer and more satisfying life
- *Raises* the standard of living of the workers by indirectly reducing the burden on their pocket. Welfare measures will improve the physical and psychological health of employees, which in turn, will enhance their efficiency and productivity.
- *Absorbs* the shocks injected by industrialisation and urbanization on workers.
- *Promotes* a sense of belonging among workers, preventing them from resorting to unhealthy practices like absenteeism, labour turnover, strike, etc. Welfare work makes the service in mills more attractive to workers. It improves the relations between employers and employees. “It promotes a real change of heart and a change of outlook on the part of both the employers and employees”.
- *Prevents* social evils like drinking, gambling, prostitution, etc., by improving the material, social and cultural conditions of work. Congenial environment as a result of welfare measures will act as a deterrent against such social evils.

### 12.11 TYPES OF WELFARE FACILITIES

Welfare services may broadly be classified into two categories: (i) Intramural activities which are provided within the establishment such as latrines and urinals, crèches, rest centres, canteens, uniforms, library, medical aid, subsidized food, shift allowance etc; (ii) Extramural activities which are undertaken outside the establishment such as family planning, child welfare, cooperative stores, credit societies, vocational guidance, holiday homes, leave travel facilities, transport to and from the place of work etc.

#### Intramural and Extramural Welfare Activities: ILO

Intramural	Extramural
<ul style="list-style-type: none"> <li>• Drinking water</li> <li>• Toilets</li> <li>• Crèches</li> <li>• Washing and bathing facilities</li> <li>• Rest shelters</li> <li>• Uniforms and protective clothing</li> <li>• Recreation facilities</li> <li>• Canteens</li> <li>• Subsidized food</li> <li>• Medical aid</li> </ul>	<ul style="list-style-type: none"> <li>• Housing</li> <li>• Education facilities</li> <li>• Maternity benefits</li> <li>• Transportation</li> <li>• Sports facilities</li> <li>• Leave travel</li> <li>• Vocational training</li> <li>• Holiday homes</li> <li>• Cooperative stores</li> <li>• Fairprice shops</li> <li>• Social insurance</li> </ul>

Labour welfare work may also be divided into two categories: (i) statutory welfare work comprising the legal provisions in various pieces of labour legislation (ii) Voluntary welfare

work includes those activities which are undertaken by employers for their workers voluntarily. Many employers, nowadays, offer the following welfare amenities voluntarily:

### ***12.11.1 Statutory Provisions***

Employers are required to offer welfare facilities to workers under different labour laws. These are discussed as follows:

#### ***12.11.1.1 The Factories Act, 1948***

The act provides the following services to workers:

- Washing facilities to male and female workers separately
- Facilities for storing and drying clothes
- Facilities for occasional rest for workers who work in a standing position for long hours
- First aid boxes or cupboards – one for every 150 workers and the ambulance facility if there are more than 500 workers
- Canteens, where there are more than 250 workers
- Shelters, rest-rooms and lunch rooms where over 150 workers are employed.
- Crèche, if 30 or more workers are employed
- Welfare officer, if 500 or more workers are employed.

#### ***12.11.1.2 The Plantation Labour Act, 1951***

The Act provides for following:

- A canteen if 150 or more workers are employed
- Crèche if 50 or more women workers are employed
- Recreational facilities for workers and their children
- Educational arrangements in the estate if there are 25 or more children of workers, between the age of 6 and 12
- Housing facilities for every worker and family residing in the estate
- Medical aid to workers and their families; sickness and maternity allowance
- Providing umbrellas, blankets, raincoats to workers as a protection against rain cold-as prescribed by the State government
- Welfare officer, if 300 or more workers are employed.

#### ***12.11.9.1.3 The Mines Act, 1951***

The Act provides for the following:

- Shelters for taking food and rest if 50 or more workers are employed
- First aid boxes and first-aid rooms if 150 or more workers are employed
- A canteen if employing 250 or more workers
- A crèche if employing 50 or more females
- Pit-head baths equipped with showers, sanitary latrines
- Welfare officer if 500 or more workers are employed.

#### ***12.11.9.1.4 The Motor Transport workers Act, 1961***

The Act contains the following provisions:

- First aid equipment in each transport vehicle
- Medical facilities at the operating and health centres
- Canteen if employing 100 or more workers

- Comfortable, clean, ventilated and well-lighted rest rooms at every place where motor transport workers are required to halt at night
- Uniforms, rain coats to conductors, drivers, and line checking staff for protection against cold and rain
- Prescribed amount of washing allowance to the above staff members.

#### ***12.11.1.5 The Contract Labour (Regulation and Abolition) Act, 1970***

The Act requires the contractor to extend the following benefits to workers:

- Canteen, if employing 100 or more workers
- Rest rooms or other suitable alternative accommodation where contract labour is required to halt at night in connection with the work of an establishment
- Washing facilities
- First aid boxes equipped with prescribed contents.

### **12.12 EMPLOYER VOLUNTARY WELFARE FACILITIES:**

***12.12.1 Education:*** A scheme of workers' education was envisaged on an all Indian basis by the Government of India, way back in 1957.

The scheme had four main objectives:

- To develop strong unions through trained officials and more enlightened members
- To develop leadership from the rank and file
- To equip organised labour to take its place in a democratic society and discharge its social and economic functions.
- To promote, among workers, a greater understanding of the problems of their economic environment and their privileges and obligations as union members and officials and as citizens.

After assessing the scheme, the national Commission on labour, 1969 (NCL), felt that the scheme is not perfect and requires improvement. The Committee on Labour Welfare (CLW), 1969, recommended that trade unions should assume an active role in educating workers and run schools for promoting literacy among the children of workers. To be effective, the programme of workers' education should be formulated, administered and implemented by the trade unions themselves. Education facilities for worker's children are usually in industrial townships in the form of schools, colleges set up by the government or by employers. Many employers so far have been generous in meeting the cost of books, annual fee etc., on a voluntary basis. There is no statutory obligation in respect of education for workers' children in any industry except in plantations.

As things stand now the Central workers Education Board conducts classes for industrial workers. To promote literacy among industrial workers, experts have suggested the setting up of a semi-autonomous Central Board with representatives from government, employers and workers – of course with financial support from the government.

***12.12.2 Housing:*** Housing is the primary need of a workers' family in civilized life. Without a roof to cover his head, the worker naturally feels frustrated about his poor standard of living in big cities. Good houses mean possibility of home life, happiness and health; bad houses spell squalor, drink, diseases, immorality, crime, etc. Overcrowding of people in dark quarters in slum areas is mainly responsible for the outbreak of tuberculosis. According to Radha Kamal Mukerjee "In the thousand slums of the industrial centres, manhood is unquestionably brutalized,

womanhood dishonoured and childhood poisoned at its very source”. Recognising the need for housing accommodation, an Industrial Housing Scheme was introduced in 1952. Under this scheme, the Central Government offers loans to industrial workers for constructing houses at concessional rates. The low income group housing scheme (1954), subsidized housing scheme for economically weaker sections of society (1952), Rural House-sites-cum-hut construction scheme for landless workers (1971) has also been introduced to reduce the housing shortage to workers. The government has also introduced housing schemes for miners and plantation workers in early 50s. Housing schemes for dock workers was drawn up in 1964. The progress of industrial housing schemes has so far been very slow due to various reasons: non-utilisation of allocated funds, non-availability of development land in urban areas, high cost of building materials, low capacity of workers to pay even the subsidized rent etc. employers too have not evinced keen interest in supporting the cause. The NCL recommended that the Government should assume major responsibility for housing, with active help from employers. It suggested that housing boards should be set up in other States as in the case of Uttar Pradesh, Maharashtra, Tamilnadu, Andhra Pradesh, Karnataka and that a Central Housing Board should oversee all housing boards with a 50% subsidy and 50% loan with interest. The Housing Finance Institutions must also join hands to improve the lot of workers. Tenants should be encouraged to buy houses on hire purchase. The rent charged should, according to NCL, not exceed 10 percent of the worker’s earnings. The problem of housing, of course, is of such a vast dimension that no single agency can reasonably be expected to solve it.

**12.12.3 Transportation:** The Committee on Labour Welfare, 1969, recommended the provision of transport facilities to workers so that they can reach the workplace punctually and comfortably. Most employers have, however, recognized the workers’ need for transport services and therefore responded favourably by providing company owned/leased vehicles to workers in major industrial centres especially in the private sector. They have also introduced innovative financing schemes in recent times enabling workers to buy their own bicycles, scooters, motor cycles, etc.

**12.12.4 Recreation:** Though there is no statutory stipulation in this area, progressive employers both in the public and private sector (like the Tatas, HLL, Air India, BHEL, Infosys technologies, Hughes Software systems, NIIT, Cadbury, Ranbaxy, Railway and Defence Services have) consciously offered facilities for recreation sports and cultural activities. For example companies like NIIT and TISCO have appointed a Chief Fun Officer to take care of parties and functions held on every Friday. (In addition to holiday packages, dating allowances, anniversary/birth day gifts, games and competitions on weekends and Gulab jamun, eating sessions). Sprawling food courts, Basketball courts; Tennis, Golf, Billiards, swimming Sauna; Jacuzzi, Jogging tracks, beauty centres, spacious gyms, ATMs, gift shops are to be found in most software companies-such as Infosys, Wipro, Hughes Software systems, in India.

**12.12.5 Other facilities:** These are basically intended to improve the comfort level of workers while at work and include the following:

**12.12.5.1 Canteen, restrooms and lunchroom:** Canteens established inside factories generally offer food at subsidized rates. In modern organisations, food courts offering a variety of continental and inter continental cuisine have become quite popular in recent times.



**12.12.5.2 Washing facilities, medical aid, leave travel concessions:** Most factories have first aid facilities to take care of minor injuries. Reimbursement of medical expenses actually incurred is also increasingly favoured nowadays.

**12.12.5.3 Consumer cooperative stores:** The Indian Labour Conference in 1963 recommended the setting up of consumer cooperative stores in all industrial establishment including plantations and mines employing 300 or more workers. The employer is expected to extend help in the form of share capital, working capital, loans at concessive rates etc. The Industrial Truce Resolution, 1962 aimed at keeping prices of essential items low by opening a sufficient number of fair price shops for workers

## 12.13 LABOUR WELFARE OFFICER

The Factories Act, 1948, the Plantation Labour Act, 1951 and the Mines Act, 1951 provided for the appointment of a Labour Welfare Officer if the number of workers employed within a unit exceeds 500 (300 as per the Plantation Act). The post has been created specifically to (i) eliminate the malpractices of the jobber systems in the recruitment of labour (ii) improve labour administration in factories, (iii) serve as liaison with the State Labour Commissioner. The Labour Welfare Officer was also expected to discharge the functions of a policeman, with respect to law and order situation within an organisation. In each case the respective state governments may prescribe duties, qualifications and conditions of service of such officers. The Labour Welfare Officer should possess a university degree, degree or diploma in social service/social work from a recognized institution and adequate knowledge of local language of the area where the factory is situated.

### 12.13.1 The duties and responsibilities of a Labour Welfare Officer:

**12.13.1.1 Advisory:** He can advise and suggest the formulation of company labour policies; promote training programmes, promote welfare schemes; secure housing, recreational and educational facilities for workers, etc.

**12.13.1.2 Service oriented:** He can offer help to workers in solving family and personal problems, in adjusting to work environment, in understanding their rights and privileges, in forwarding application for leave, etc. He can offer help to management by making workers understand various problems.

**12.13.1.3 Supervisory:** He can supervise, inspect and regulate welfare, health and safety programmes, working of joint committees and paid vacations.

**12.13.1.4 Functional:** He can oversee the implementation of labour laws for the benefit of workers.

**12.13.1.5 Policing:** he can forward workers' grievances to management, can influence industrial relations climate when disputes arise, can restrain workers and management from resorting to illegal strikes and lockouts.

**12.13.1.6 Mediation:** He can mediate and build harmony between labour and management, secure speedy redressal of workers' grievances, settle disputes through persuasive efforts, maintain a neutral stance during strikes and lockouts and thereby help in resolving troubling issue peacefully.

## 12.14 SUMMARY

Safety involves protecting the physical well being of people. The main purpose of effective safety programmes in an organization is to prevent work-related injuries and accidents. Supervisors play a great role in reducing unsafe conditions and unsafe acts. Effective safety management includes establishing a safety policy, ensuring a top management support, creating safety committees, promoting safety discipline, and instituting safety engineering procedures, offering safety training, investing reasons for accidents thoroughly, and evaluating safety efforts from time to time.

Health is a general state of physical mental and emotional well- being. The legal provisions governing health cover areas such as cleanliness, waste disposal, proper ventilation and temperature control, proper lighting, drinking water etc. Health promotion covers areas such as healthy living, physical fitness, smoking cessation, stress management etc. employee assistance programmes offer counseling, medical help and rehabilitation opportunities to all troubled employees.

## 12.15 KEY WORDS:

**Health:** A general state of physical, mental and emotional well being.

**Safety:** Protection of a person's physical health.

**Labour Welfare:** services, facilities and amenities extend for the intellectual, physical, moral and economic betterment of workers.

## 12.16 SELF ASSESSMENT QUESTIONS

1. What steps should be taken by management to increase motivation for safety?
2. Explain the legal provisions regarding employee health, under the factories Act, 1948?
3. What do you mean by labour welfare? Bring out the need for providing welfare facilities to workers?
4. Explain the legal provisions relating to labour welfare in India?

## 12.17 SUGGESTED BOOKS FOR FURTHER READINGS

1. Mirza A Saiyadain, Human Resource Management, Tata McGraw-Hill Publishing Company Limited, New Delhi.
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**LESSON – 13****SAFETY OF EMPLOYEES****13.0 OBJECTIVE :**

- To know the safety provisions.
- To understand the occupational safety and health.
- To analyse the hazards and risk

**STRUCTURE****13.1 Employee Safety****13.1.1 Slipping, tripping, or falling on the floor hazards****13.1.2 Obstruction and collision hazards****13.1.3 Equipment hazards****13.1.4 Hazards from falling objects****13.1.5 Five Hazards****13.2 Effective safety management****13.2.1 Safety policy****13.2.2 Top management support****13.2.3 Safety committee****13.2.4 Safety discipline motivation****13.2.5 Safety training and communications****13.2.6 Accidents investigation and research****13.2.7 Evaluation of safety effort****13.3 Legal provisions Regarding Safety****13.3.1 Self acting machines****13.3.2 Casing of new machinery****13.3.3 Employment of women children near cotton openers****13.3.4 Hoists and lifts****13.3.5 Lifting machines, chains and ropes****13.3.6 Evolving machinery****13.3.7 Ressure plant****13.3.8 Doors, stairs and means of access****13.3.9 Excessive Weights****13.3.10 Protection of eyes****13.3.11 Dangerous fumes and gases****13.3.12 precautions with regard to portable electrical light****13.3.13 Precautions of fire****13.3.14 Safety officer****13.4 Summary****13.5 Key words****13.6 Self Assessment Questions****13.7 Suggested Books for further readings**

## 13.1 EMPLOYEE SAFETY

The main purpose of effective safety programmes in an organisation is to prevent work – related injuries and accidents. A well managed factory will see to it that there are no physical hazards such as (i) slipping and falling hazards, (ii) collision and obstruction hazards (iii) equipment hazards, (iv) fire hazards, (v) hazards from falling objects, etc.

**13.1.1 Slipping, tripping, or falling on the floor hazards:** People fall when they slip. Highly polished surfaces, accumulation of water, soap, or oil, etc., on the floor, torn or loose coverings cause the floor to be slippery.

**13.1.2 Obstruction and collision hazards:** When the factory layout and space management are poor, it results in improper placement of furniture and equipment causing collision of employees with equipment and machinery, tables, chairs, etc. Further, overcrowding and a narrow space for movement also results in accidental collision between employees.

**13.1.3 Equipment hazards:** Quite often, unguarded moving parts, wiring, switches and cards, edges of metal equipment, etc., can cause injuries to employees working in these surroundings. Further, waste paper baskets, lobbies, plumbing fixtures and small snail carts also cause problems for employees. All these should be guarded against.

**13.1.4 Hazards from falling objects:** When file cabinets, lockers and shelves are not properly placed, they could fall on employees and injure them. Also, the stocked materials, paper stands, when placed on the working tables might fall on employees.

**13.1.5 Fire hazards:** The places where paperwork is heavy and precautionary measures taken are nil, the possibilities of accidents are high. Improper disposal facilities for smokers, lack of provision of safety cans for inflammable materials, non-existence of fire escapes and exits are the factors that contribute to fire accidents. It is necessary for the manager to see that fire protection equipment and fire extinguishers are available at all times in the factory.

## 13.2 EFFECTIVE SAFETY MANAGEMENT

Effective safety management considers the type of safety problems, accidents, employees and technology in the organizational setting. The role of human beings in safety related problems should also be looked into. Safety efforts will not be successful if we try to engineer machines without paying attention to behavioural reactions of employees. A comprehensive approach to safety includes the following steps:

**13.2.1 Safety policy:** Every factory must formulate and implement a safety policy. The objective of such a policy should be to eliminate or reduce accidents and injuries in the workplace.

**13.2.2 Top management support:** The safety policy must be supported by top management firmly. Safety commitment should begin with top management. The commitment manifests itself in top managements' being personally involved in safety activities in a routine way; giving safety matters top priority in company meetings and production scheduling, giving company safety officer high rank and status and including safety training in new workers' training.

**13.2.3 Safety committee:** To promote safety consciousness among employees, safety committees could be constituted, under the chairmanship of a safety officer. The committee should consist of

representatives from workers and supervisors from various departments and levels. It must meet regularly to conduct safety reviews and make recommendations for changes necessary to avoid future accidents.

**13.2.4 Safety discipline motivation:** *Safety* rules must be enforced strictly. Violations should not be tolerated. Frequent reinforcement of the need for safe behaviour and feedback on positive safety practices have been found to be extremely effective in improving workers' safety. Rewards and certificates could be offered to employees for good safety records. To promote employee involvement and motivation, safety contests could be held followed by incentives for safe work behaviour.

**13.2.5 Safety training and communications:** Safety training can also reduce accidents. It is especially useful in case of new recruits. Training in safe practices, procedures, material handling, first aid, fire prevention etc., could be offered to them. Posters, newsletters, displays, slogans and signs could also be used to promote safety consciousness throughout the organisation. Another way to communicate safety ideas is through safety films and videotapes.

**13.2.6 Accident investigation and research:** When accidents takes place, they should be thoroughly investigated to find the actual reason (poor lighting, poor ventilation, wet floor etc.) as early as possible. Such an early probe is necessary to ensure that conditions under which the accident occurred have not changed significantly. Photographs, videotapes could be used to gain better view of the actual scene. In the next step, the injured employee or his supervisors should be interviewed to find out what happened and how the accident occurred. In the third place, an accident investigation report should be prepared indicating what has happened and recommending steps to prevent similar accidents from occurring.

**13.2.7 Evaluation of safety effort:** Organisations should monitor and evaluate safety efforts by conducting safety audits at intervals. Accident and injury statistics should be periodically compared with previous accident patterns to find any important changes. This analysis should be designed to measure progress in safety management.

**13.2.8 Governmental support:** To extend support to safety related activities the Government of India established the National Safety Council in 1966. The principal job of this council is to promote safety consciousness at the plant level and conduct safety programmes. The national Safety Day is celebrated every year to signify the foundation day of the council. National safety awards are given every year to industrial units for ensuring accident-free environments.

### 13.3 LEGAL PROVISIONS REGARDING SAFETY

The Factories Act, 1948, puts emphasis on the following safety provisions:

**13.3.1 Self acting machines (25):** No traversing part of a self acting machine in any factory and no material carried thereon shall be allowed to run on its outward or inward traverse within a distance of 18 inches from any fixed structure which is not a part of the machine, if a person is liable to pass through the space over which it operates.

**13.3.2 Casing of new machinery (26):** All machinery, driven by power and installed after 1-4-1949, must be encased or otherwise effectively guarded to eliminate danger to those working in the factory.

**13.3.3 Employment of women, children near cotton openers (27):** No woman or child be employed in any part of a factory to press cotton when a cotton opener is working. But if the feed-end of a cotton opener is in a room which is separated from the delivery-end by partition extending to the roof or to such height as the factory inspector may express in writing, women and children may be employed in that part of the room where the feed-end is kept.

**13.3.4 Hoists and lifts (28):** In every factory hoists and lifts shall be of a good mechanical construction, sound material and adequate strength and shall be properly protected by enclosures fitted with gates. Once in every six months, it shall be thoroughly examined by a competent person. The maximum safe working load shall be clearly indicated on every hoist or lift. A heavier load shall not be allowed to be carried on that hoist or lift.

**13.3.5 Lifting machines, chains and ropes (29):** The lifting machines, tackles, chains and ropes used in every factory should be of good construction, sound material and strong enough to carry the necessary loads.

**13.3.6 Evolving machinery (30):** In every room where grinding jobs are performed, a notice showing the maximum working speed of the machine shall be fixed near it. Safe working peripheral speed of every revolving vessel, pulley, basket, flywheel, and disc has to be observed and steps should be taken to see that the safe working speed is not exceeded.

**13.3.7 Ressure plant (31):** if in any factory operations are carried out a pressure above the atmospheric pressure, proper measures shall be taken to see that the safe working pressure is not exceeded.

**13.3.8 Loors, stairs and means of access (32):** All doors, steps, stairs, passages and gangways shall be of sound construction and maintained in a state of good repair; they shall be free from obstructions likely to cause persons to slip and hand rails shall be provided wherever required. As far as possible, safe means of access to the place of work shall be provided and maintained.

**13.3.9 Its, sumps, openings in floors (33):** Every pit, tank, sump, fixed vessel, opening in the ground or in a floor which is a source of danger, shall be either properly covered or securely fenced.

**13.3.10 Excessive weights (34):** No person shall be employed in any factory to lift, carry or move any load which is so heavy as to cause him a possible injury.

**13.3.11 Protection of eyes (35):** Effective screens or suitable goggles be given to workers while scrutinizing a manufacturing process involving risk of injury.

**13.3.12 Dangerous fumes and gases (36):** No person shall be allowed to enter any chamber, tank, vat, pit or other confined space in which any gas, fume, vapour or dust is likely to be

present to a dangerous extent. A person can enter such a place only when it is provided with a manhole of adequate size or other effective means of egress. A person may be allowed to enter such a space only when suitable steps have been taken to remove dangerous fumes. In case of any emergency, suitable breathing apparatus, reviving apparatus, belts and ropes be kept ready. A sufficient number of persons in the factory shall be trained in the use of all such apparatus and in the method of restoring respiration.

**13.3.13 Precautions with regard to portable electrical light (36A):** No portable electric light or any other electric appliance of voltage exceeding 25 volts shall be permitted for use inside any chamber, tank, vat, pit, flue or confined place. If any inflammable gas, fume or dust is likely to be present in such chamber, tank, vat, pipe flue or any other confined space, no lamp or light, other than the one which is flame-proof shall be permitted to be used inside the factory.

**13.3.14 Precautions in case of fire (38):** All practicable steps should be taken to prevent the outbreak of fire inside the factory. In case of fire, safe escape routes should be there. The exit routes should be marked in an understandable language. Clearly audible warning signals should be given in case of fire. Equipment for extinguishing fire should also be available. Workers should be familiar with the means of escape in case of fire and they should be adequately trained, in advance, in the procedure to be followed in such a case. The chief safety inspector may also prescribe certain other steps to ensure safety of workers. The Inspector may issue an order to the manager of a factory to furnish details of defective parts and also carry out safety drills and inform him of the results (39).

**13.3.15 Safety officers (40 B):** A safety officer shall be appointed in every factory employing 1000 or more workers. He should (i) formulate a safety policy to be followed (ii) investigate causes of injuries and circumstances leading to accidents (iii) organise safety education, training and publicity at various levels and (iv) act as a technician, planner, organiser and stimulator of safety.

The State Government has the power to make rules to supplement the provisions listed above (41).

## 13.4 SUMMARY

The main purpose of effective safety programmes in an organisation is to prevent work – related injuries and accidents. A well managed factory will see to it that there are no physical hazards such as (i) slipping and falling hazards, (ii) collision and obstruction hazards (iii) equipment hazards, (iv) fire hazards, (v) hazards from falling objects, etc.

## 13.5 KEY WORDS

**Equipment hazards:** Quite often, unguarded moving parts, wiring, switches and cards, edges of metal equipment, etc., can cause injuries to employees working in these surroundings.

**Hazards from falling objects:** When file cabinets, lockers and shelves are not properly placed, they could fall on employees and injure them. Also, the stocked materials, paper stands, when placed on the working tables might fall on employees.



**Fire hazards:** The places where paperwork is heavy and precautionary measures taken are nil, the possibilities of accidents are high.

**Safety policy:** Every factory must formulate and implement a safety policy. The objective of such a policy should be to eliminate or reduce accidents and injuries in the workplace

**Safety committee:** To promote safety consciousness among employees, safety committees could be constituted, under the chairmanship of a safety officer. The committee should consist of representatives from workers and supervisors from various departments and levels.

### 13.6 SELF ASSESSMENT QUESTIONS

1. Explain the Employee Safety in Industries?
2. Describe the legal Provisions of safety in Industries?
3. Discuss the Effective Management System?

### 13.7 SUGGESTED READINGS

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**LESSON 14****INDUSTRIAL EMPLOYMENT  
(STANDING ORDERS) ACT 1946****14.0 OBJECTIVE**

1. To know the Need for standing orders
2. To Analyse the Applicability of the Act
3. To Study the Certification of Standing orders Act

**STRUCTURE**

- 14.1 Need for standing orders**
- 14.2 Applicability of the act**
- 14.3 Definitions**
  - 14.3.1 Appellate authority**
  - 14.3.2 Appropriate government**
  - 14.3.3 Certifying officer**
  - 14.3.4 Employer.**
  - 14.3.5 Industrial establishment**
  - 14.3.6 Prescribed**
  - 14.3.7 Standing orders**
  - 14.3.8 Trade Union**
- 14.4 Certification of standing orders**
- 14.5 Appeals**
- 14.6 Powers of certifying officers**
- 14.7 Penalties and procedure**
- 14.8 Date of operation of standing orders**
- 14.9 Register of standing orders**
- 14.10 Duration and modification of standing orders**
- 14.11 Summary**
- 14.12 Key words**
- 14.13 Self Assessment Questions**
- 14.14 Books for Further Readings**

**14.1 NEED FOR STANDING ORDERS**

Before the passing of the industrial Employment (Standing Orders) Act, 1946, conditions of employment prevailing in several industrial establishment were governed by contracts between the employer and employees. Sometimes those conditions were reduced to writing and in many case s they were not reduced to writing, but were governed by oral agreement. Therefore in many cases the conditions of serve were not well defined and there was ambiguity with regard to their nature and scope.

The object of this act is require employers in industrial establishments to define with sufficient precision the conditions of employment of workmen employed therein and to make them known to such workmen. Before this Act there was no law to prevent the employer from having different contracts of employment with workmen that led to confusion and security in employment and service conditions. This was also clearly incompatible with principle of collective bargaining.

The significant features of this act are

- i the obligation imposed on the employer to have standing orders certified
- ii. the duty of the certifying authority to adjudicate upon their fairness and reasonableness
- iii. notice to be given to the union and in its absence to the representative ness of the workmen
- iv right is conferred on the workmen to raise objections
- v an opportunity is given to them being heard before they are certified.
- vi. there is a right of appeal and right to apply for modifications for the workmen individually.

The fundamental object of this act is to avoid any confusion in minds of employers or the employees in respect of their rights and obligations concerning the terms and conditions of employment and thereby avoid unnecessary industrial disputes.

## 14.2 APPLICABILITY OF THE ACT

Sec 1 of the Act provides for the application of the act. It is applicable to the whole of India, including Jammu & Kashmir . it also applies to every industrial establishment wherein 100 or more workmen are employed or were employed on any day of the preceding 12 months.

Sec 1(3) of the Act provides that the appropriate government after giving not less than two months notice through the official Gazette may apply the provisions of this Act t o any industrial establishment employing such number of persons less than 100 as specified in notification.

Sec 1(4) nothing in this act shall apply to (i) any industry to which the provisions of Chapter VII of the Bombay Industrial Relations Act, 1946 apply; ore  
(ii) any industrial establishment to which the provisions of the Madhya Pradesh Industrial Employment (standing Orders ) Act 1961 apply but not with standing anything contained in Madhya Pradesh Industrial Employment (Standing Orders ) Act , 1961 the provisions of this act shall apply to all industrial establishments under the control of the central government.

## 14.3 DEFINITIONS

**14.3.1Appellate authority:** means an authority appointed by the appropriate government by notification in the official gazette to exercise in such area as may be specified in the notification the functions of an appellate authority under this act, provided that in relation to an appeal pending before an industrial court or other authority immediately before the

commencement of Industrial Employment (Standing Orders ) Amendment Act, 1963 that court or authority shall be deemed to the appellate authority.

**14.3.2 Appropriate government:** it means in respect of industrial establishments under the Control of Central Government or a Railway Administration or in a major port, mine or oil-field, the Central Government, and in all other cases, the State Government.

**14.3.3 Certifying officer:** means a Labour Commissioner or a Regional Labor Commissioner and includes any other officer appointed by the appropriate government, by notification in the official gazette to perform all or any of the functions of a Certifying officer under this Act.

**14.3.4 Employer:** Sec 2(d) of the Act defines the term “ employer” and the expression means the owner of an industrial establishment to which this act for the time being applies and includes

- i. in a factory any person named under clause (f) of sub-section (1) of Section 7 of the Factories Act . 1948 (63 of 1948) as manager of the factory
- ii. in any industrial establishment under the control of any department of any government in India, the authority appointed by such government in this behalf, or where no authority is so appointed, the head of the department
- iii. in any other industrial establishment, any person industrial to the owner for the supervision and control of the industrial establishment.

**14.3.5 Industrial establishment.:** it has been defined U/s 2(e) of the act to mean

- (i) an industrial establishment as defined in clause (iii) of section 2 of the payment of Wages Act , 1936 (4 of 1936)
- (ii) factory as defined in clause (m) of section 2 of the Factories Act, 1948
- (iii) a railway as defined in clause (4) of section 2 of the Indian Railways Act, 1890 (9 of 1890)
- (iv) the establishment of a person, who , for the purpose of fulfilling a contract with the owner of any industrial establishment, employee workmen.

**14.3.6 Prescribed** means prescribed rules made by the appropriate government under this act.

**14.3.7 Standing orders** means the rules relating to matter set out in the schedule.

**14.3.8 Trade Union** means a trade union for the time being registered under the Indian trade Union Act, 1926

- b. Wages and Workman have the meanings respectively assigned to them in clauses (rr) and (s) of section 2 of the Industrial disputes Act, 1947 (14 of 1947)

Procedure for Submission and Conditions for Certification of Draft Standing Orders.

**Section 3** of the Act contains the following rules in regard to submission of draft standing orders:

1. within six months from the date on which this act becomes applicable to an industrial establishment, the employer shall submit to the certifying officer five copies of the draft standing orders proposed by him for adoption in his industrial establishment

2. provision shall be made in such draft for every matter set out in the schedule which may be applicable to the industrial establishment and where model standing orders have been prescribed, shall be, so far as is practicable, be in conformity with such models
3. the draft standing orders submitted under this section shall be accompanied by a statement giving prescribed particulars of the workmen employed in industrial establishment including the name of the trade union if, any, to which they belong
4. subject to such conditions as may be prescribed, a group of employers in similar industrial establishments may submit a joint draft of standing under this section.

## 14.4 CERTIFICATION OF STANDING ORDERS

Section 5 of the act deals with certification of Standing Orders and in this regard of the following rules have been provided.

1. on receipt of the draft U/s 3, the certifying officer shall forward a copy thereof to the trade union, if any, of the workmen, or where there is no such trade union, to the workmen in such manner as may be prescribed, together with a notice, in prescribed form requiring objections, together with a native in the prescribed form requiring objections, if any which the workmen may desire to make the draft standing orders to the submitted to him within fifteen days from receipt of the notice.
2. after giving the employer and the trade union or such other representatives of the workmen as may be prescribed any opportunity of being heard, the certifying officer shall decide whether or not any modification of or addition to the draft submitted by the employer is necessary to render the draft standing orders certificate under this act, and shall make an order in writing accordingly.
3. the certifying officer shall thereupon certify that the draft standing orders, making nay modifications therein which his order under sub section (2) may require, and shall within seven days thereafter send copies to the certified standing orders authenticated in the prescribed manner .

## 14.5 APPEALS

1. Any employer, workman, trade union or other prescribed representatives of the workmen aggrieved by the order the Certifying officer under sub-section (2) of Section 5 may within thirty days from the date on which copies are sent under sub-section (3) of that section, appeals to the appellate authority, and the appellate authority, whose decision shall be final, shall by an order in writing confirm the standing orders either in form certified by the certifying officer or after amending the said standing orders by making such modifications there of additions there to as it thinks necessary to render the standing orders certifiable under this act.
2. the appellate authority shall, within seven days of its order under sub section (1) send copies thereof to the Certifying officer, to the employer to the trade Union or other prescribed representative amendment the standing orders as certified by it and authenticated in the prescribed manner.

## **14.6 POWERS OF CERTIFYING OFFICERS**

Section 11 of the act stipulates the powers of certifying officers and appellate authorities to have powers of Civil court as follows

1. every certifying officer and appellate authority shall have all the powers of a Civil court for the purposes of receiving evidence, administering oaths, enforcing the attendance of witnesses and compelling the discovery and production of documents, shall be deemed to be a Civil Court within the meaning of Sections 345 and 346 of the Code of Criminal Procedure, 1973 (2 of 1974)
2. Clerical or arithmetical mistakes in any order passed by a Certifying officer or appellate authority, or errors arising therein from any accidental slip or the successor in the office of such officer or authority as the case may be.

## **14.7 PENALTIES AND PROCEDURE**

Section 13 of the act provides for the Penalties and Procedure for cases of violations of the provisions of the act as follows.

1. an employer who fails to submit draft standing orders required by section 3 or who modifies his standing orders otherwise than in accordance section 10, shall be punishable with fine which may extend to five thousand rupees, and in the case of continuing offence with a further fine which may extend to two hundred rupees for every day after the first during which the offence continues
2. any employer who does any act in contravention of the standing orders finally certified under this act for his industrial establishment shall be punishable with fine which may extend to one hundred rupees, and in the case of a continuing offence with a further fine which may extend to twenty-five rupees for every day after the first during which the offence continues
3. No prosecution for an offence punishable under this section shall be instituted except with previous sanction of the appropriate government
4. no court inferior to that of Metropolitan or Judicial Magistrate of the second class shall try any offence under this section.

## **14.8 DATE OF OPERATION OF STANDING ORDERS**

As per section 7 of the act standing orders shall, unless an appeal is preferred u/s 6 come into operation on the expiry of thirty days from the date on which authenticated copies thereof sent under sub section (3) of section 5 where an appeal as aforesaid is preferred, on the expiry of seven days from the date on which copies of the order of the appellate authority are sent under sub-section (2) of Section 6.

## **14.9 DATE OF OPERATION OF STANDING ORDERS**

Section 8 of the act requires that the copy of all standing orders are finally certified under this act shall be filed by the certifying officer in a register in the prescribed form maintained for the

purpose, and the certifying officer shall furnish a copy thereof to any person applying on payment of the prescribed fees.

## 14.10 DURATION AND MODIFICATION OF STANDING ORDERS

Section 10 the act provides the duration and modification of the standing orders in the following manner.

1. Standing orders finally certified under this Act shall not, except on agreement between the employer and the workmen or a trade union or other representative body of the workmen, liable to modification until the expiry of six months from the date of which standing order or the last modification thereof came into operation.

2. Subject to the provisions of sub-section (1) an employer or workman or a trade union or other representative body of the workmen may apply to the certifying officer to have the standing orders modified and such application shall be accompanied by five copies of modifications proposed to be made, where such modifications are proposed to be made by agreement between the employer and workmen or a trade union or other representative body of the workmen, a certified copy of that agreement shall be filed along with the application.

3. The foregoing provisions of this act shall apply in respect of an application under sub-section (2) as they apply to the certification of the first standing orders

4. Nothing contained in sub-section (2) shall apply to an industrial establishment in respect which the appropriate government is the Government of the state of Gujarat or the Government of the State of Maharashtra.

## 14.11 SUMMARY

The object of this act is require employers in industrial establishments to define with sufficient precision the conditions of employment of workmen employed therein and to make them known to such workmen. Before this Act there was no law to prevent the employer from having different contracts of employment with workmen that led to confusion and security in employment and service conditions. This was also clearly incompatible with principle of collective bargaining.

## 14.12 KEY WORDS

**Appropriate government:** It means in respect of industrial establishments under the Control of Central Government or a Railway Administration or in a major port, mine or oil-field, the Central Government, and in all other cases, the State Government

**Certifying officer:** means a Labour Commissioner or a Regional Labor Commissioner and includes any other officer appointed by the appropriate government, by notification in the official gazette to perform all or any of the functions of a Certifying officer under this Act

**Employer:** Sec 2(d) of the Act defines the term “ employer” and the expression means the owner of an industrial establishment to which this act for the time being applies and includes

**Prescribed:** means prescribed rules made by the appropriate government under this act

**Standing orders:** means the rules relating to matter set out in the schedule.

### **14.13 SELF ASSESSMENT QUESTIONS**

1. What is the need of Standing Orders Act
2. Explain the Certification Procedure of Standing Order Act
3. Describe the Powers of Certifying Officers
4. Discuss Penalties of Standing orders Act

### **14.14 BOOKS FOR SUGGESTED READINGS**

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## LESSON 15

# AP SHOPS AND ESTABLISHMENT ACT 1988

## 15.0 OBJECTIVE

- To Know about the scope and Objectives of the Act
- To Analyse the Registration of Establishment
- To Study about the Opening and closing hours of shops and commercial Establishments
- To Discuss about the Payment of wages

## STRUCTURE

### 15.1 Introduction

15.1.1 Development of shops and commercial Establishments

15.1.2 Short title, extent and commencement and application

### 15.2 Registration of Establishments

15.2.1 Registration of establishments

15.2.2 Change to be communicated to the Chief Inspector

15.2.3 Closing of establishment to be communicated to the Chief Inspector

### 15.3 Working Hours

15.3.1 Employment of Adults, Hours of Work

15.3.2 Interval for rest

15.3.3 Spread over periods of work

### 15.4 Prohibition of Employment of Children Young Persons and Women

15.4.1 Children not to work in establishment

15.4.2 Special provision for young persons

15.4.3 Daily and weekly hours of work for young persons

15.4.4 Special provision for women

15.4.5 Maternity leave

### 15.5 Opening and closing Hours of shops and commercial Establishments

#### 15.5.1 Opening and closing hours 15.6 Holidays and Rest Day

15.6.1 Interval for rest

15.6.2 Holidays

### 15.7 Payment of wages

15.7.1.1 Responsibility for payment of wages

15.7.1.2 Fixation of wage period

15.7.1.3 Wages for overtime work

15.7.1.4 Time of payment of wages

#### 15.7.2 Deductions which may be made from wages

#### 15.7.3 Claims Relating to the wages

### 15.8 Leave

### 15.9 Health and Safety

15.9.1 Cleanliness

15.9.2 Ventilation

**15.9.3 Precautions for the safety of employees in establishments****15.9.4 Maximum permissible load****15.10 Enforcement of the Act****15.10.1 Appointment of Chief Inspector and Inspectors****15.10.2 Powers and duties of Chief Inspector****15.10.3 Powers and duties of Inspectors****15.10.4 Chief Inspector and Inspectors to be public servants****15.11 Summary****15.12 Key words****15.13 Self Assessment Questions****15.14 Suggested Books for further Readings****15.1 INTRODUCTION**

In order to be a good manager, it is necessary to have a good understanding of the law particularly when one is employed in shops or establishments. Before we turn to discuss the law relating to shops and establishments, it is necessary to know the development of the law relating to them.

***15.1.1 Development of shops and commercial Establishments***

The conditions of employment of persons employed in shops and commercial establishments are generally regulated by State Acts and rules framed there under. These Acts provide for minimum hours of work, rest intervals, holidays, annual leave, opening and closing hours of establishment, payment of wages, overtime wages, and for restrictive employment of children and young persons. Besides the State Acts, there is also a Central Act, namely the Weekly Holiday Act, 1942, which provides for weekly holidays to persons employed in shops commercial establishments etc. The Act applies only to the state which notifies its applications to specified areas in its jurisdiction.

The Shops and Establishments Acts of different states extend to the whole of the State and within each State, it covers such areas as the State Government may notify from time to time. The provisions are more or less similar and usually also have a provision for granting exemptions, either permanently or for a specified period of time, any establishment or class of establishment, persons or classes of persons from all or any provisions of the Act, subject to the conditions. Registration of establishments may or may not be compulsory.

According to the National Commission on labour, which examined the working of these Acts, the Central Governments should consider again the question of enacting a central law, limiting its coverage to establishments with a stipulated minimum number of employees.

***15.1.2 Short title, extent and commencement and application***

(1) This Act may be called Andhra Pradesh Shops and Establishments Act, 1988.

(2) It extends to the whole of the State of Andhra Pradesh.

(3) It shall come into force on such date as the Government may, by notification, appoint.

(4) It shall apply

(i) in the first instance to all areas in which the Andhra Pradesh Shops and Establishments Act, 1966 was in force immediately before the commencement of this Act;

(ii) to such other areas in the State on such date as the Government may, by notification, specify.

**Definitions :-** In this Act, unless the context otherwise requires

(1) apprentice means a person who is employed whether on payment of wages or not, for the purpose of being trained in any trade, craft or employment in any establishment;

(2) Chief Inspector means the Chief Inspector appointed under Section 57;

(3) Child means a person who has not completed fourteen years of age;

(4) Closed means not open for the service of any customer, or for any trade or business or for any other purpose connected with the establishment except loading, unloading and annual stock taking;

(5) commercial establishment means an establishment which carries on any trade, business, profession or any work in connection with or incidental or ancillary to any such trade, business or profession or which is a clerical department of a factory or an industrial undertaking or which is a commercial or trading or banking or insurance establishment and includes an establishment under the management and control of a co operative society, an establishment of a factory or an industrial undertaking which falls outside the scope of the Factories Act, 1948, (Central Act 63 of 1948), and such other establishment as the Government may, by notification declare to be a commercial establishment for the purposes of this Act but does not include a shop;

(8) employee means a person wholly or principally employed in, and in connection with, any establishment and includes an apprentice and any clerical or other staff of a factory or industrial establishment who fall outside the scope of the Factories Act, 1948; (Central Act, 63 of 1948) but does not include the husband, wife, son, daughter, father, mother, brother or sister of an employer or his partner, who is living with and depending upon such employer or partner and is not in receipt of any wages;

(9) employer means a person having charge of or owning or having ultimate control over the affairs of an establishment and includes the Manager, agent or other person acting in the general management or control of an establishment;

(10) establishment means a shop, restaurant, eating house, residential hotel, lodging house, theatre or any place of public amusement or entertainment and includes a commercial establishment and such other establishment as the Government may, by notification, declare to be an establishment for the purpose of this Act;

(21) shop means any premises where any trade or business is carried on or where services are rendered to customers and includes a shop run by a Co operative Society, an office, a store room, godown, warehouse or work place, whether in the same premises or otherwise, used in connection with such trade or business and such other establishments as the Government may, by notification, declare to be a shop for the purposes of this Act, but does not include a commercial establishment;

(22) theatre includes any premises intended principally or wholly for the exhibition of pictures or other optical effects by means of a cinematograph or other suitable apparatus or for dramatic or circus performances or for any other public amusement or entertainment;

(24) week means a period of seven days beginning at mid night on Saturday;

(25) young person means a person who is not a child and has not completed eighteen years of age.

## ***15.2 Registration of Establishments***

***15.2.1 Registration of establishments :-*** (1) Every employer of an establishment shall,

(i) in the case of an establishment existing on the date of commencement of this Act, within thirty days from that date; and

(ii) in the case of a new establishment, within thirty days from the date on which the establishment commences its work, send to the Inspector concerned a statement containing such particulars, together with such fees, as may be prescribed.

(2) On receipt of such statement, the Inspector shall register the establishment in the register of establishments in such manner as may be prescribed and shall issue in the prescribed form a registration certificate to the employer who shall display it at a prominent place of the establishment.

(3) Every registration certificate issued under sub section (2), shall be valid with effect from the date on which it is issued upto the 31st day of December following.

(4) Every employer shall give intimation to the Inspector, in the prescribed form, any change in any of the particulars in the statement made under sub section (1) within fifteen days after the change has taken place. The Inspector shall, on receipt of such intimation and the fees prescribed therefor make the change in the register of establishments in accordance with such intimation and shall amend the registration certificate or issue a fresh registration certificate, if necessary.

(5) The employer shall, within fifteen days of the closure of the establishment, give intimation thereof in writing to the Inspector, who shall, on receipt of such intimation, remove the name of the establishment from the register of establishments and cancel the registration certificate:

Provided that, where the Inspector is satisfied otherwise than on receipt of such intimation, that the establishment has been closed, he shall remove the name of such establishment from the register and cancel the registration certificate.

**15.2.2 Change to be communicated to the Chief Inspector :-** If the Inspector is satisfied, either on a reference made to him in this behalf or otherwise, that

(a) The Registration Certificate granted under Section 3 or renewed under Section 4 has been obtained by mis representation, fraud or suppression of any material fact; or

(b) the employer has wilfully contravened any of the provisions of this Act or the Rules made thereunder. the Inspector may without prejudice to any other penalty to which the employer may be liable under this Act, revoke or suspend the Registration Certificate, after giving the employer an opportunity of showing cause.

**15.2.3 Closing of establishment to be communicated to the Chief Inspector** (1) Any person aggrieved by an order made under Section 5 may, within thirty days from the date on which the order is communicated to him, prefer an appeal to such authority as may be prescribed:

Provided that the appellate authority may entertain the appeal after the expiry of the said period of thirty days if he is satisfied that the appellant was prevented by sufficient cause from the filing the appeal in time.

(2) On receipt of an appeal under sub section (1), the appellate authority shall, after giving the appellant an opportunity of being heard, dispose of the appeal within two months.

### **15.3 Working Hours**

**15.3.1 Employment of Adults, Hours of Work** (1) Subject to other provisions of this Act, no employee in any shop shall be required or allowed to work therein for more than eight hours in any day and forty eight hours in any week.

(2) Any employee may be required or allowed to work in a shop for any period in excess of the limit fixed under sub section (1), on payment of overtime wages, subject to a maximum period of six hours in a week.

(3) For the purpose of stock taking and preparation of accounts, an employer may, with the previous intimation to the Inspector, require or allow any employee to work in a shop for not more than any six days in a year in excess of the period fixed in sub section (1), on payment of overtime wages; so however, that the excess period shall not in aggregate exceed twenty four hours.

**15.3.2 Interval for rest :** No employee in any shop shall be required or allowed to work therein for more than five hours in any day unless he has had an interval for rest of at least one hour:

Provided that, an employee who was serving a customer at the commencement of the interval may be required to serve him during the quarter of an hour immediately following such commencement.

**15.3.3 Spread over periods of work :** The periods of work of an employee in a shop shall be so arranged that along with his intervals for rest, they shall not spread over for more than twelve hours in any day:

Provided that, where an employee works on any day for the purpose of stock taking and preparation of accounts, the spread over shall not exceed fourteen hours in any such day on payment of overtime wages.

## **15.4 Prohibition of Employment of Children Young Persons and Women**

**15.4.1 Children not to work in establishment :-** No child shall be required or allowed to work in any establishment.

**15.4.2 Special provision for young persons :-** No young person shall be required or allowed to work in establishment before 6 a.m. and after 7 p.m.

**15.4.3 Daily and weekly hours of work for young persons :-** Notwithstanding anything in this Act, no young person shall be required or allowed to work in any establishment for more than 7 hours in any day and forty two hours in any week nor shall such person be allowed to work overtime.

**15.4.4 Special provision for women :-** No Woman employee shall be required or allowed to work in any establishment before 6 00 a.m. and after 8 30 p.m.

**15.4.5 Maternity leave :-** The periods of absence from duty in respect of which a woman employee is entitled to maternity benefit under Section 25, shall be treated as authorised absence from duty, and the woman employee shall be entitled to maternity benefit, but not to any wages for any of those periods.

**15.4.6 Maternity Benefit :-** Every woman who has been for a period of not less than six months preceding the date of her delivery in continuous employment of the same

employer whether in the same or different shops or commercial establishments, shall be entitled to receive from her employer for he period of

(a) six weeks immediately preceding the day of delivery; and

(b) six weeks following the day of delivery; such maternity benefit and in such manner as may be prescribed:

Provided that, no woman employee shall be entitled to receive such benefit for any day during any of the aforesaid periods, on which she attends work and receive wages therefore.

### ***15.5 Opening and closing Hours of shops and commercial Establishments***

***15.5.1Opening and closing hours :-*** (1) No establishment shall on any day be opened earlier, or closed later, than such hour as may, after previous publication, be fixed by the Government by general or special order in that behalf:

Provided that, in the case of a restaurant or eating house, any customer who was being served or was waiting to be served therein at the hour fixed for its closing may be served during the quarter of an hour immediately following such hour.

(2) The Government may, for the purpose of this section, fix different hours for different classes of establishments or for different areas or for different times of the year.

### **15.6 HOLIDAYS AND REST DAY**

***15.6.1Interval for rest :-*** No employee in any establishment shall be required or allowed to work in such establishment for more than five hours in any day unless he has had an interval for rest of at least one hour.

Provided that the Chief Inspector may, in the case of an establishment whose daily hours of work are less than eight hours, reduce interval for rest to half an hour on an application made by the employer, with the consent of the employees.

***15.6.2Holidays :-*** (1) Every employee in any establishment shall be allowed in each week a holiday of one whole day:

Provided that, nothing in this sub section shall apply to any employee whose total period of employment in the week, including any days spent on authorised leave is less than six days.

(2) The Government may, by notification, require in respect of any specified class of establishments that every employee therein shall be allowed in each week an additional holiday of one half day commencing at such hour in the after noon as may be fixed by the Government.

(3) The Government may, for the purposes of sub section (2) fix different hours for different classes of establishments or for different areas or for different times of the year.

(4) No deduction shall be made from the wages of any employee in an establishment on account of any day or part of a day on which a holiday has been allowed in accordance with this section and if such employee is employed on the basis that he would not ordinarily receive wages for such day or part of a day, he shall nonetheless be paid for such day or part of a day the wages he would have drawn, had the holiday not been allowed on that day or part of a day.

(5) It shall not be lawful for the employer to call an employee at or for the employee to go to, his establishment or any other place for any work in connection with the business of his establishment on any day or part of a day on which a holiday has been allowed in accordance with this section.

## **15.7 PAYMENT OF WAGES**

**15.7.1.1 Responsibility for payment of wages :-** Every employer shall be responsible for the payment by him to employees of all wages and sums, required to be paid under this Act.

**15.7.1.2 Fixation of wage period :-** (1) Every employer shall fix periods (hereinafter referred to as wage periods) in respect of which such wages shall be payable.

(2) No wage period shall exceed one month.

**15.7.1.3 Wages for overtime work :-** Where any employee in any establishment is required to work over time he shall be entitled, in respect of such over time work, to wages at twice the ordinary rate of wages:

Provided that, where the normal hours of work in an establishment are ordinarily less than eight hours a day and 48 hours a week, he shall be entitled in respect of work in excess of such normal hours upto eight hours a day and forty eight hours a week to wages at the ordinary rate of wages in respect of work in excess of eight hours a day and forty eight hours a week at twice the ordinary rate wages, in addition to the wages for the normal hours of work.

**15.7.1.4 Time of payment of wages :-** (1) The wages of every employee shall be paid before the expiry of the fifth day after the last day of the wage period in respect of which the wages are payable.

(2) Where the service of any employee is terminated by or on behalf of the employer the wages earned by such employee shall be paid before the expiration of the second working day from the day on which his employment is terminated.

(3) The Government may, by general or special order and for reasons stated therein exempt an employer from the operation of this section in respect of the wages of any employee or class of employees to such extent and subject to such conditions as may be specified in the order.

(4) All payments of wages shall be made on a working day.

**15.7.1.5 Wages to be paid in current coin or currency notes :-** All wages shall be paid in current coin or currency notes or in both.

### **15.7.2 Deductions which may be made from wages**



(1) The wages of an employee shall be paid to him without deduction of any kind except those authorised by or under this Act.

(2) Deductions from the wages of an employee shall be made only in accordance with the provisions of this Act and may be of the following kinds only, namely :

- (a) fines and other penalties lawfully imposed;
- (b) deductions for absence from duty;
- (c) deductions for damages to, or loss of goods expressly entrusted to the employee for custody or for loss of money for which he is required to account, where such damage or loss is directly attributable to his neglect or default;
- (d) deductions for house accommodation provided by the employer;
- (e) deductions for such amenities and services supplied by the employer as the Government may, by general or special order, authorise;
- (f) deductions for recovery of advances or for adjustment of over payments of wages;
- (g) deductions of income tax or profession tax payable by the employee;
- (h) deductions required to be made by order of a Court or other authority competent to make such order;
- (i) deductions for subscriptions to, and for repayment of advances from, any provident fund to which the Provident Funds Act, 1925 (Central Act 19 of 1925) applies or any recognised provident fund as defined in Section 2(38) of the Income Tax Act, 1961, (Central Act 43 of 1961), or any provident fund approved in this behalf by the Government during the continuance of such approval;
- (j) deductions for payments to co-operative societies approved in this behalf by the Government or any officer authorised by them in this behalf or to a scheme of insurance maintained by the Indian Post Office or the Life Insurance Corporation of India established under Life Insurance Corporation Act, 1956, (Central Act 31 of 1956).
- (k) deductions made with the written authorisation of the employee in furtherance of any savings scheme approved by the Government or the purchase of securities of the Central or State Government.

### ***15.7.3 Claims Relating to the wages***

(1) No employer shall, without a reasonable cause terminate the service of an employee who has been in his employment continuously for a period of not less than six months without giving such employee atleast one month s notice in writing or wages in lieu thereof and in

respect of an employee who has been in his employment continuously for a period of not less than one year, a service compensation amounting to fifteen days average wages for each year of continuous employment:

Provided that every termination shall be made by the employer in writing and a copy of such termination order shall be furnished to the Inspector having jurisdiction over the area within three days of such termination.

(2) The services of an employee shall not be terminated by the employer when such employee made a complaint to the Inspector regarding the denial of any benefit accruing to him under any labour welfare enactment applicable to the establishment and during the pendency of such complaint before the Inspector. The services of an employee shall not also be terminated for misconduct except for such acts or omission and in such manner as may be prescribed.

(3) Every employee who has put in a continuous service of not less than one year shall be eligible for service compensation amounting to fifteen days average wages for each year of continuous employment, (i) on voluntary cessation of his work after completion of 60 years of age, (ii) on his resignation, or (iii) on physical or mental infirmity duly certified by Registered Medical Practitioner, or (iv) on his death or disablement due to accident or disease:

Provided that the completion of continuous service of one year shall not be necessary where the termination of the employment of an employee is due to death or disablement:

Provided further that in a case of death of an employee service compensation payable to him shall be paid to his nominee or if no nomination has been made to his legal heir.

(4) Where a service compensation is payable under this section to an employee, he shall be entitled to receive his wages from the date of termination or cessation of his services until the date on which the service compensation so payable is actually paid.

(5) The payment of service compensation under this section shall not apply in cases where the employee is entitled to gratuity under the Payment of Gratuity Act, 1972 (Central Act 39 of 1972) and gratuity has been paid accordingly consequent on the termination or cessation of service.

## **15.8 LEAVE**

(1) Every employee who has served for a period of two hundred and forty days or more during a continuous period of twelve months in any establishment shall be entitled during the subsequent period of twelve months, to leave with wages for period of fifteen days, provided that such leave with wages may be accumulated upto a maximum period of sixty days:

Provided that any continuous period of service in an establishment preceding the date on which this Act, applies to that establishment shall also count:

Provided further that any leave accumulated by an employee in an establishment under the law applicable to that establishment preceding the date on which this Act applies to it, shall not be affected;

Provided also that every employee in any shop or establishment shall be entitled for encashment of the leave with wages for a period of eight days in every year.

(2) An employee may apply in writing to the employer, not less than seven full working days before the date of availing himself of his leave, to allow all the leave or any portion thereof, to which he is entitled under sub section (1):

Provided that the number of instalments for taking leave shall not exceed three during a period of twelve months.

(3) An employee who has been allowed leave for not less than five days under sub section (2) shall, before his leave begins, be paid the wages due for the period of the leave allowed if he makes a request therefor.

(4) Every employee who has served for a period of not less than two hundred and forty days during a continuous period of twelve months in any establishment shall be entitled for encashment of eight days of leave with wages that has accrued to him under sub section (1) during the subsequent period of twelve months. The employer shall pay to the employee the wages for the leave so encashed by the employee within a week of receipt of the application for such encashment from the employee.

(5) Every employee in any establishment shall also be entitled during his first twelve months of continuous service and during every subsequent twelve months of service (a) to leave with wages for a period not exceeding twelve days on the ground of any sickness or accident and (b) to casual leave with wages for a period not exceeding twelve days on any reasonable ground.

(6) Every employee in an establishment after he has put in not less than two years of service under the same employer, shall also be entitled for special casual leave not exceeding six days only once during his entire service, if he has undergone vasectomy or tubectomy operation, subject to the production of a certificate therefor from an authorised medical practitioner under whom he has undergone the operation.

## **15.9 HEALTH AND SAFETY**

**15.9.1 Cleanliness :-** The premises of every establishment shall be kept clean and free from effluvia arising from any drain or privy or other nuisance and shall be cleaned at such times and by such methods as may be prescribed.

**15.9.2 Ventilation :-** The premises of every establishment shall be ventilated as provided for in the laws relating to the municipalities, Gram Panchayats or other local authorities for the time being in force.

**15.9.3 Precautions for the safety of employees in establishments :-** (1) In every establishment other than such establishment or class of establishments as the Governments may, by notification, specify, such precautions against fire shall be taken as may be prescribed.

(2) If power driven machinery is used, or any process which, in the opinion of the Government, is likely to expose any employee to a serious risk of bodily injury is carried on in any establishment, such precautions including the keeping of first aid box shall be taken by the employer for the safety of the employees therein, as may be prescribed.

**15.9.4 Maximum permissible load :-** (1) No employee in any establishment shall be required or allowed to engage in the manual transport of a load therein which by reason of its weight is likely to jeopardise his health or safety.

(2) The Government may, for the purposes of this section prescribe different maximum limits of weight, for different classes of employees in any establishment.

## 15.10 ENFORCEMENT OF THE ACT

**15.10.1 Appointment of Chief Inspector and Inspectors :-** The Government may, by notification, appoint a Chief Inspector and such number of Inspectors as may be necessary for the purposes of this Act and fix the local limits of their jurisdiction.

**15.10.2 Powers and duties of Chief Inspector :-** The Chief Inspector may exercise and perform in addition to the powers and duties conferred and imposed on him by or under this Act, all the powers and duties of an Inspector under this Act.

**15.10.3 Powers and duties of Inspectors :-** An Inspector may, within the local limits for which he is appointed,

(a) enter at all reasonable hours with the assistance of such persons in the service of the Government or any local authority as he thinks fit, any place which is or which he has reason to believe is used as an establishment;

(b) make such inspection of the premises and of any registers or other records and take on the spot or otherwise evidence of such persons, as he may deem necessary in the manner prescribed;

(c) exercise such other powers as may be necessary for carrying out of the purposes of this Act.

**15.10.4 Chief Inspector and Inspectors to be public servants :-** The Chief Inspector and every Inspector shall be deemed to be public servants within the meaning of Section 21 of Indian penal code

## 15.11 SUMMARY

Shops and Establishments Law regulates the working hours, leave, holidays, payment of wages of persons employed in commercial establishments, shops, residential hotels, restaurants, retail trade or business. It also prohibits the employment of children and makes special provisions for young persons. The law lays special emphasis on close day and closing hours for shops and establishments, provides for enforcement machinery and prescribes penalties.

## 15.12 KEY WORDS

(1) ***apprentice*** means a person who is employed whether on payment of wages or not, for the purpose of being trained in any trade, craft or employment in any **establishment**;

(2) ***Chief Inspector*** means the Chief Inspector appointed under Section 57;

(3) ***Child*** means a person who has not completed fourteen years of age;

(4) ***Closed*** means not open for the service of any customer, or for any trade or business or for any other purpose connected with the establishment except loading, unloading and annual stock taking;

(6) ***day*** means the period of twenty four hours beginning at mid night

(7) ***dependant*** means in relation to a deceased employee, his nominee or in the absence of such nominee, the heir or legal representative;

(8) ***employee*** means a person wholly or principally employed in, and in connection with, any establishment and includes an apprentice and any clerical or other staff of a factory or industrial establishment

## 15.13 SELF ASSESSMENT QUESTIONS

1. What s the Objective and scope of AP Shops and Establishment Act 1988
2. Explain the Registration of Establishment in AP Shops and Establishment Act 1988
3. Describe the Procedure of Opening and Closing Hours of Shops and Commercial Establishments
4. Discuss the Payment of wages in AP Shops and Establishment Act 1988
5. How the Health and Safety Measures to be taken in AP Shops and Establishment Act 1988

### **15.14 SUGGESTED BOOKS FOR FURTHER READINGS**

1. Vaidyanathan, N: ILO Conventions and India, Menerva Associates, Calcutta, 1975
2. Sinha, G.P. & Sinha, P.R.N.: Industrial Relations and Labour Legislations, Oxford and IBH Publishing Co., New Delhi, 1980
3. Sharma, A.M: Legal Framework on Industrial Relations, Himalaya Publishing House, Mumbai, 2002
4. Goswamy, V.G: Labour and Industrial Relations Law, Central Law Agency, Allahabad, 2004
5. Prabhakara Rao, D.V.R.S.R Contract Labour : Abolition and Absorption, Law Publishing Jagannadha Rao. V: Andhra Pradesh Factories Rules 1950

## LESSON 16

# THE EMPLOYEES' STATE INSURANCE ACT 1948

## 16.0 OBJECTIVE

- To Discuss the Important provisions of the act
- To Analyse the powers and duties of medical benefit council
- To Study the penalties of ESI Act 1948

## STRUCTURE

### 16.1 Introduction

### 16.2 Scope and coverage

### 16.3 Important provisions of the act

#### 16.3.2 Corporation, standing committee and medical benefit council

#### 16.3.3 The ESI corporation is a body corporate consisting of the following members

### 16.4 Standing committee

### 16.5 Medical benefit council

### 16.6 Cessation of membership

### 16.7 Powers of the standing committee

### 16.8 Duties of medical benefit council

### 16.9 Finance and audit

#### 16.9.1 Employees' state insurance fund

#### 16.9.2 Purpose for which the fund amount is spent

#### 16.9.3 Contributions

#### 16.9.4 Time and method of payment of contribution

#### 16.9.5 Reporting

### 16.10 Recovery of contribution

#### 16.10.1 Benefits

#### 16.10.2 Disablement benefit

#### 16.10.3 Dependent's benefit

#### 16.10.4 Occupational disease

#### 16.10.5 Medical benefit

##### 16.10.5.1 Scale of medical benefit

##### 16.10.5.2 Establishment and maintenance of hospitals by the corporation

##### 16.10.5.3 General provisions

##### 16.10.5.4 Adjudication of disputes and claims

### 16.11 Penalties

#### 16.11.1 Offences penalties

### 16.12 Summary

### 16.13 Key terms

### 16.14 Self Assessment Questions

## 16.1 INTRODUCTION

The objective of this Act is to provide to the workers medical relief and sickness insurance

The Act provides for compulsory insurance providing for certain benefits. The employees and the employers both contribute financially. Like the workmen's compensation Act 1923, this also provides for compensation to the injured workers or benefits to the dependents of the deceased workers. However in the case of workmen's compensation Act 1923, the compensation is provided by the employer whereas in the case of ESI Act the compensation is provided by the ESI Corporation.

## 16.2 SCOPE AND COVERAGE

The Act extends to the whole of India and covers all factories including Government factories but excluding seasonal factories, employing 10 or more persons and carrying on a manufacturing process with the aid of power or employing 20 or more persons and carrying on a manufacturing process without the aid of power and such other establishments as the government may specify. Generally establishment such as hotels, cinemas, newspapers etc employing more than 20 employees are covered by the provisions of this Act.

The Act cannot be applied voluntarily. Once a factory is covered by the Act, it continues to be covered by the Act even if the number of employees falls below the specified level. Two units of the same manufacturing establishment located at different places wherein the work pertains to one single process are liable to be clubbed together for the purpose of this Act.

However, to be covered under this Act, the twenty or ten employees must fall within the definition given in Section 2(9) of this Act (Supreme Court in the case of ESIC Vs M.M. Suri & Associates (1998(5) SC 694)). It also does not cover seasonal factories, factories exempted from the provisions of the Act by the Government, the mines (governed by the Mines Act 1952), Railway running sheds, and factories and establishments under the control of Government whose employees are otherwise in receipt of benefits substantially similar or superior to the benefits provided under the Act.

## 16.3 IMPORTANT PROVISIONS OF THE ACT

### *16.3.1. Registration of Factories and Establishments*

Every factory or establishment to which this Act applies has to be registered within 15 days of the applicability of the Act with the ESI Corporation. The declaration of registration has to be made in Form 01 and details of the establishment have to be given in an additional sheet to be attached to the form. The concerned Regional office of the ESI Corporation will allot an identifications number to the employer which must be quoted in all correspondence [Section 2A & Regulation 10B].



**16.3.2. Corporation, Standing Committee and Medical Benefit Council**

With effect from 1-10-1948, Employees State Insurance Corporation has been formed for the administration of the ESI Scheme [Section 3].

**16.3.3 The ESI Corporate is a body corporate consisting of the following members**

A Chairman, a Vice Chairman, not more than five members, one person representing each state, one person to represent the Union territories, ten persons representing employees, two persons representing the medical profession, three members of parliament two from Lok Sabha and one from Rajya Sabha, elected by the respective Houses, and an Ex-Officio Director General. All members except the members of Parliament are appointed by the Central Government [Section 4].

The term of office of the representatives of the employers, the employees the medical profession and the Parliament is for four years [Section 5].

**16.4 STANDING COMMITTEE**

A standing committee of the ESI Corporation constituted includes: A Chairman, three members of the Corporation, three members of the corporation representing three states (decided by the Central Government from time to time), eight member selected by the corporation. i.e. three members of the Corporation representing employers, three members of the Corporation representing employees, one member of the corporation representing medical profession, and one member of the corporation, who is a member of Parliament. The Director General of the ESI Corporation is the Ex Officio member of the Standing Committee [Section 8].

The term of office of members of standing committee except the Chairman, the Central and State representatives and the Director General is two years from the notification of his election. A member of the standing committee ceases to be its member if he ceases to be a member of the ESI Corporation [Section 9].

**16.5 MEDICAL BENEFIT COUNCIL**

The Medical Benefit Council constituted by the Central Government consist of the Director General of Health Services (ex-offices – he is also the Chairman of the Medical Benefit Council), a Deputy Director General Health Services, the Medical Commissioner of the Corporation, (ex-officio), one member each representing each state (except the union territories), three members representing the employers, three members representing employees, three members out of whom not less than one is a woman representing the medical profession. The term of office of the members is four years [Section 10].

**16.6 CESSATION OF MEMBERSHIP**

(i) A members of the Corporation, or Standing Committee or Benefit Council ceases to be its member if he ceases to represent the employers, employees, or the medial profession. (ii) A member of the Corporation or Standing Committee or the Benefit Council ceases to be a member of the same if he fails to attend three consecutive meetings of the same. (iii) A member

of parliament ceases to be a member of the Corporation, or the Standing Committee or the Benefit Council if he ceases to be member of Parliament [Section 12].

The Director General and the Financial Commissioner are appointed by the Central Government. They are whole time officers of the Corporation. They hold office for not more than five years. However an outgoing DG or F.C. is eligible for reappointment. The Corporation can by a resolution passed, vote for the removal of the DG or FC by a two thirds majority in a special meeting called for the purpose [SECTION 16].

## **16.7 POWERS OF THE STANDING COMMITTEE**

The standing committee administers the affairs of the corporation, may exercise any of the powers of the corporation and perform any of its functions. It submits to the corporation matters for decision specified in the regulations made in this behalf or any other matter at its discretion [Section 18].

The Corporation, the Standing Committee and the Benefit Council meet at regular intervals and follow rules and procedures specified by the Central Government in their regulations [Section 20].

The Corporation, the Standing Committee or the Medical Benefit Council can be superseded by the Central Government by a notification issued in this behalf and after giving a reasonable opportunity to them [Section 21].

## **16.8 DUTIES OF MEDICAL BENEFIT COUNCIL**

a) The Medical Benefit Council advises the Corporation & the Standing Committee on matters related to the administration of Medical Benefit, the certification for purposes of the grant of benefits and other connected matters. It also investigates complaints against medical practitioners and performs other duties connected with medical treatment and attendance as may be specified [Section 22].

b) The Corporation appoints Regional Boards, Local Committees, and Regional and Local Medical Benefit Councils and delegates them powers as provided in by the regulations [Section 25].

## **16.9 FINANCE AND AUDIT**

### ***16.9.1 Employees' State Insurance Fund***

a) All contributions paid under this Act and all moneys received on behalf of the Corporation is paid into a fund called ESI Fund, which is held and administered by the Corporation.

b) The Corporation also accepts donations grants and gifts from governments, individuals local authority, any body whether incorporated or not.

### ***16.9.2 Purpose for which the fund amount is spent***

The fund amount is expended for the following purposes.

- (a) Payment of benefits and medical expenses of insurants and their families (where provided)
- (b) Payment of fees and allowance to members of the Corporation, the Standing Committee, the Medical Benefit Council, the Regional Boards, Local Committees, and Regional and Local Medical Benefit Council.
- (c) Expenditures in respect of the staff of the Council including salaries and other payments as well as expenditure in respect of offices and other services set up to administer the Act.
- (d) Establishment and maintenance of hospitals, dispensaries and other institutions and provision of medical and other ancillary services for the benefit of the insured persons and their families (where provided).
- (e) Payment of cost of medical treatment and attendance provided to the insured and their families (where provided) including the cost of building and equipment (if there is an agreement to that effect)
- (f) Defraying the cost of auditing the accounts of the Corporation, and of valuation of the assets and liabilities.
- (g) Defraying the Cost & Expenses of the Employees' Insurance Courts set up.
- (h) Payment of any sums under any contract, decree order or award.
- (i) Defraying the cost and other charges of instituting or defending any Civil or Criminal proceedings.
- (j) Defraying expenditure on measures for the importance of health and welfare of insured persons and for rehabilitation and re-employment of insured persons who have been disabled or injured and (k) Such other expenses as may be authorized by the Corporation with the precious approval of the Central Government.

Budget, audited accounts and the annual report of the Corporation should be placed before parliament every year [Section 36].

All employees in factories or establishments to which this Act applies are to be insured [Section 38].

### ***16.9.3 Contributions***

(a) The employers and the employees are required to contribute 4.75% and 1.75% of the wages payable in the wage period respectively. However if the average daily wage in a wage period is less than Rs.50/- the employees are exempted from payment.

(b) It is the duty of the employer to pay his as well as employees' contribution on due date. Failure makes him liable to pay simple interest at the rate of 12%p.a. or higher as specified in the regulations (but not more than 15%) till the actual date of payment [Section 39 & 42 read with Rule 52].

The employer is allowed to deduct the employees' contribution from the wages paid to them. He will bear all the expenses of remitting his contribution and the contributions of employees to the

Corporation. He is prohibited from recovering his contribution from the wages of the employees [Section 40].

The immediate employer will have to maintain a register of employees employed by or through him and submit the same to the Principal employer before settlement of any amount payable. The Principle employer is entitled to receive the contributions paid by him in respect of an employee, employed by or through an immediate employer as well as the employers contribution, which is recovered in the first instant by the principal employer [Section 41].

#### ***16.9.4 Time and Method of Payment of Contribution***

The contribution recovered would be paid into an ESI account (with a branch of SBI) on or before 21st of each month following the calendar month in which the wages fall due. The aggregate amount is rounded off to the next higher rupee [Section 43 & Regulations 29 & 31].

Wage includes all payments including payment for authorized leave, lockout (legal), lay off or any other additional remuneration paid at intervals of less than 2 months, but excludes employee's contribution to the Provident Fund, ESI Fund or Pension. It also excludes any traveling allowance paid including cycle allowance, reimbursement of any special expenses and gratuity payable on discharge [Section 2(22)].

The wage period may be daily, weekly, fortnightly or monthly. For calculating the daily average, the wages are divided by factors 6, 13, and 26 for weekly, fortnightly and monthly wages respectively. Rule 2 (1B) of ESI (Central) Rules 1950.

#### ***16.9.5 Reporting***

(a) Every principal and immediate employer is required to submit returns in the prescribed form giving details of the persons employed by him and contributions recovered in form 6 and in case such returns are not submitted, such other details about the factory or the establishment in order to enable the Corporation to decide whether it is a factory within the meaning of this Act.

(b) The employers are expected to maintain a register of employees in form 7, giving details of wages paid, contributions recovered, number of days worked etc. in respect of each employee. This applies to the contractors also.

(c) The register should be preserved and kept open for inspection by the inspectors of the Corporation.

(d) Employers are also expected to maintain an Accident Book and an Inspection Book (Section 44 and ESI (Central) Rules, 1950).

### **16.10 RECOVERY OF CONTRIBUTION**

Any contribution payable under this Act may be recovered as an arrear of Land Revenue

### **16.10.1 Benefits**

(1) The insured person (or his dependents as the case may be) is entitled to the following benefits under the Act.

(a) Periodical payment in case of sickness if the sickness is certified by a duly appointed medical practitioner.

(b) Periodical Payment to an insured woman in case of confinement or miscarriage or sickness arising out of pregnancy, confinement premature birth of child, or miscarriage if certified by the authorized medical practitioner.

(c) Periodical Payment for disablement of such dependents of an insured person who dies as a result of an employment injury, duly certified by the authorized medical practitioner.

(d) Periodical payment to an insured person for disablement if certified by the authorized medical practitioner.

(e) medical treatment for and attendance on insured persons.

(f) Funeral expenses to be paid to the eldest dependent of the insured person who dies as a result of an employment injury (maximum Rs. 2500/- are paid).

(2) The benefits paid will not exceed the amount prescribed by the central government and the claim is to be made within 3 months of the death of the insured.

(3) The Corporation may extend the benefits to the family of an insured person on the recommendation of the government [Section 46].

### **16.10.2 Disablement Benefit**

(a) A person who sustains disablement for not less than 3 days, is entitled to periodic payment (at the rate of 40% more than the standard benefit rate which is Rs. 14 or more depending upon his wages).

(b) A person who sustains permanent disablement whether total or partial is entitled to periodical payment at such percentage of benefit payable in the case of temporary disablement, as is proportionate to the percentage of loss of earning capacity (duly certified) [Section 51].

For the purpose of this Act, an accident arising in the course of an insured person's employment shall be presumed, in the absence of evidence to the contrary also to have arisen out of that employment [Section 51A].

### **16.10.3 Dependent's benefit**

25. If an insured person dies as a result of an employment injury, dependent's benefit is payable to his dependent (at 40% more than the standard benefit rate) [Section 52]

### **16.10.4 Occupational disease**

An employee (employed in employment specified in Part A of the Third Schedule) contracts any disease specified as an occupational disease under the Act or if an employee employed in employment specified in part B of the third schedule for continuous period of not less than six

months contracts any occupational disease or if employee employed in employment falling under Part C of the 3rd schedule, for continuous period specified by the corporation contracts an occupational disease the contracting of such disease will be deemed to be an injury arising out of and in the course of employment [Section 52-A].

#### ***16.10.5 Medical benefit***

(a) An insured person or a member of his family (in case the benefit is extended to the family) will be entitled to receive medical benefit if they need medical treatment and attention. The benefit may be given as an outpatient treatment or attendance in a hospital or dispensary, clinic, or other institution or by visits to the home or an inpatient in a hospital or other institution. (b) A permanently disabled person can receive medical benefit till the age of normal superannuation. (c) An insured person who has attained the age of superannuation and his spouse can receive medical benefit provided he has paid contribution and satisfied such other conditions as specified by the Corporation [Section 56].

##### ***16.10.5.1 Scale of medical benefit***

The insured person and his family shall be entitled to received medical benefit only of such kind and on such scale as may be provided by the State Government or by the Corporation and medical treatment as is provided by the dispensary, hospital, clinic or other institution to which he and his family is allotted. They are also not entitled to claim reimbursement of any expenses incurred in respect of any medical treatment except as may be provided by the regulations [Section 57].

29. The limit on medical benefit per family unit per annum in respect of all employees was made Rs. 345/- w.e.f. 01.01.1992.

##### ***16.10.5.2 Establishment and Maintenance of Hospitals by the Corporation***

(a) The Corporation maintains hospitals, dispensaries and medial and surgical services for the benefit of the insured with the approval of the State Government. (b) The Corporation also enters into an agreement with the local authority, private body or individual in regard to the provision of medical treatment and attendance for insured persons and their families in any area and shares the cost thereof. (c) The Corporation may also undertake to provide medical benefit to the insured persons (and their families) of the State instead of the State Government on cost sharing basis [Section 59 & 59A].

##### ***16.10.5.3 General Provisions***

Benefits under this act are not attachable. They cannot be commuted by the person receiving them. The person is also not entitled to receive any similar benefits admissible under any other law [Section 60, 61 & 62].

a) A recipient of sickness benefit has to be under medical treatment at the institution and will have to carryout the instructions given by the medical attendant in charge. b) He will not do anything that will retard his recovery. c) He will not leave the area in which the medical treatment is being given without the permission of the medical attendant in charge, and shall allow himself to be examined by any duly appointed medical officer [Section 64].

b) An insured person is not allowed to combine benefits for the same period.

a) Sickness and maternity benefits, b) sickness and disablement benefit, c) maternity and disablement benefit. He/she is allowed to choose any one of the benefits for a particular period [Section 65].

#### ***16.10.5.4 Adjudication of disputes and claims***

a) State Government have constituted ESI courts for the disposal of cases arising out of the ESI Act. b) The State Government may appoint the same court for two or more local areas or two or more courts for the same local area. c) The State Government may distribute work between the courts where there are two or more courts for the same area [Section 74].

The ESI Courts will adjudicate upon the following disputes and claims.

a) Whether the employee is covered by the Act. b) The rate of daily wage or average daily wage for the purpose of the Act. c) Rate of contribution payable by a Principal employer in respect of an employee. d) Whether a person is or was a principal employer in respect of an employee. e) The right of any person to a benefit and to the amount and duration thereof. f) Any direction issued by the Corporation on review of any payment of dependent benefit. g) Any matter under dispute between the Principal employer and the Corporation or between a principal employer and an immediate employer, or between a person and the Corporation or between an employee and a principal or immediate employer [Section 75 (1)].

The ESI Courts shall deal with the following claims.

a) Claim for recovery of contributions from the principal employer  
 b) Claim by a principal employer to recover contributions from any immediate employer.  
 c) Claim against a principal employer  
 d) Claim for the recovery of value of amount of the benefits recovered by a person when he is not lawfully entitled thereto.  
 e) any claim for the recovery of any benefit admissible under this Act [Section 75 (2)]. No matter which is in dispute between an employer and the ESI Corporation in respect of any contribution or any other dues shall be admitted unless the employer deposits 50% of the amount due, with the court [Section 72(2-B)].

38. An appeal against the ESI Court Order shall lie to the High Court if it involves a substantial question of law. It should be preferred within 60 days [Section 82].

Only a legal practitioner or an officer of a registered trade union authorized to make an appearance can appear before the ESI Court [Section 79].

## **16.11. PENALTIES**

### ***16.11.1 Offences Penalties***

1. For making a false statement for claiming or increasing any benefit or payment allowable to him or (b) for avoiding any payment by him Imprisonment upto 6 months or fine upto Rs. 2000/- or both [Section 84]

2. a) Failure to pay employees' contribution deducted from the wages Punishment upto 3 years (minimum 1 year) and fine of Rs. 10,000/-

- b) Failure to pay contributions Imprisonments upto 3 years (minimum 6 months) and a fine of Rs. 5000/-
  - c) Deduction of any sum from or reduction of wages of an employee on a/c of employer's contribution Imprisonment upto one year or fine upto Rs. 4000/- or both.
  - d) Reduction of the wages or any privilege or benefits admissible to an employee in violation of Section 72 Same as above
  - e) Dismissal or discharge of an employee in violation of Section 73. Same as above
  - f) Failure to submit any return or submission of false return Same as above
  - g) Obstruction of any inspector in allowing him to discharge his duties Same as above
  - h) Contravention of any other provisions of the Act, Rules or Regulations Same as above
3. On every subsequent offence committed after conviction for the same offence being so mentioned at 2(a) or 2 (b)] Imprisonment upto 5 years(minimum 2 years) and a fine of Rs.25,000/-
4. On every subsequent offence committed after conviction for the same offence being any offence other than 2(a) & 2(b) Impressments upto 2 years and a five of Rs.5,000/-

## 16.12 SUMMARY

The Employees State Insurance Act 1948 is a landmark in the history of social security in India. The Act is an attempt to introduce an integrated system of health, maternity and accident insurance. The scheme also provides for unemployment insurance during illness and medical facilities to industrial workers.

The Act extends to the whole of India including the State of Jammu and Kashmir. The scheme applies to factories that employ a minimum of ten workers where manufacturing activity is carried out with the aid of power and the factories with a minimum of twenty workers which do not use power for manufacturing. The scheme does not cover seasonal factories and mines. It covers labor employed directly including the clinical staff whose salary in the aggregate does not exceed Rs.7500/- p.m. Apprentices are however, not covered by the scheme.

The scheme is administered by the ESI Corporation, an autonomous body consisting of representatives of the Central and State Governments, employers, employees, medical profession and members of parliament.

The scheme operates on contribution basis. The employers pay 4.75% of the wages with a maximum of Rs. 7.5 per week for the highest level. The employees pay 1.75% of the wages, around Rs. 4/- per week. State Governments contribute 7/8th of the expenses incurred on workers' family and 3/4th of that incurred on workers. In order to qualify for the benefit, workers should have contributed to the scheme for a minimum period of 12 weeks. Employees State Insurance fund has been set up in which all contribution have to be deposited.



The scheme covers the following benefits:

(a) Medical cover, (b) Sickness, (c) Maternity, (d) Disability, (e) Dependent benefits (to widows and children of the deceased) (f) In case of death an outright grant of funeral expenses of Rs. 2,500/-

The scheme provides for medical care through dispensaries, hospitals, etc. Contracting an occupational disease is also termed as an accident and the workers are entitled to benefits as a consequence of that sickness. Benefit is provided for upto 91 days and maternity benefit for 12 weeks. Disablement benefit (partial or total) entitles the insured person to receive cash benefit. Dependents (widow & children) receive pension. Artificial limbs, dentures and spectacles are provided either free or at a nominal cost.

The ESI Corporation has established a chain of hospitals to provide for the medical facilities. The Act provides stringent punishment for breach of provisions regarding contribution and wrong recovery of employer's contribution from workers wages. Similarly punishments have been prescribed for failure to submit returns or for submitting false returns and for obstructing an inspector in allowing him to discharge his duty. ESI Courts have been set up by the State Governments to try ESI cases.

They have a very clear territorial division. The appeal against their order lies with the High Court.

### 16.13 KEY TERMS

Appropriate Government Confinement Contributions Corporation Dependent

Duly appointed Employment injury Employee

Exempted employee Family Factory Immediate employer Insurable employer Insurable employment Insured person Managing agent Manufacturing process Miscarriage Occupier

Permanent partial disablement Permanent total disablement Power Prescribed

Principal employer Regulation Schedule Seasonal factory Sickness

Temporary disablement

Wages Wage period

### 16.14 SELF ASSESSMENT QUESTIONS

1. What was the objective in setting up the ESI Corporation? What is its composition? What are its important committees?
2. What is the term of office of a standing committee member and the medical benefit committee member other than ex-officio members or members holding office during the pleasure of the government?
3. What are the different types of benefits provided in the ESI Act, 1948? State the general provisions regarding these benefits.

4. A notice of dismissal is given by An employer to A, an employee, during the period A was in receipt of sickness benefit under the ESI Act 1948. Discuss the effect of the notice of dismissal given to A by the employer.
5. What is the meaning of “accident” in the ESI Act 1948? Has the term been defined in the Act ?
6. What records are expected to be maintained by the employer according to this Act ?
7. Give their format.
8. Distinguish between “principal employer” and “immediate employer” . Who is
9. expected to remit the ESI contribution and what is the time limit for remitting the
10. contribution ?
11. What penalties are prescribed in the Act for delay in remitting the contribution and for repeated delay in remitting the contribution?

### **16.15 SUGGESTED BOOKS FOR FURTHER READINGS**

1. Sharma, A.M: Industrial jurisprudence, Himalaya Publishment House, Mumbai, 2002
2. Agarwal, S.L: Labour Relations law in India, Maemillan Company of India Ltd., New Delhi 1990
3. Vaid, K.N: Labour welfare in india, Sri Ram Centre for Industrial Relations, New Delhi
4. Government of India, Report of the Royal Commission on Labour, New Delhi
5. Malik, P.L: Industrial Law, Eastern Book company, Lucknow, 1999

**LESSON 17****THE EMPLOYEES' PROVIDENT FUND AND  
MISCELLANEOUS PROVISIONS ACT 1952****STRUCTURE**

- 17.1 Introduction**
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- 17.10 Suggested Books for further readings.**

**17.1 INTRODUCTION**

The object of this Act, which came into force from November 1952 is to provide for the institution of provident funds and family pension and deposit linked insurance scheme for employees in factories and other establishments. Initially the Act applied to only industries manufacturing cement, cigarettes, electrical, mechanical and general engineering products, iron & steel, paper and textiles. Now it extends to every establishment which is a factory engaged in

any industry in which twenty or more persons are employed. It extends to the whole of India except the State of Jammu and Kashmir.

## 17.2 SCOPE AND COVERAGE

The Act extends to the whole of India except the State of Jammu & Kashmir and covers factories which employ twenty or more persons. Schedule 1 gives the establishments which are covered under this Act. The Central Government has powers to notify establishment to which this Act is applicable for counting the number of employees. Contract labour is included but casual labour is excluded. Apprentices also do not count as employees under this Act. The Central Government can notify any establishment to be covered under this Act by giving two months' notice.

## 17.3 EXEMPTIONS

- a) Cooperative Societies, employing less than 50 persons and working without the aid of power.
- b) Newly set up establishments for a period of 3 years.
- c) Any State or Central Government establishment having its own scheme of provident fund or pension [Section 16].

The appropriate Government is empowered to exempt any establishment in which the Act applies if the rules of provident fund and other provident fund benefits are not less favourable compared to those under this Act. The Government grants exemption after consultation with the Central Board.

## 17.4 IMPORTANT PROVISIONS

### 17.4.1 Implementation

Establishments to include all departments and branches, whether situated in the same place or different places [Section 2A).

Under the Act the Central Government has framed a scheme called "The Employees' Provident Fund Scheme" for the establishment of provident funds for employees and has notified the class of establishments to which the scheme shall apply. A fund has been established which vests in and is administered by the Central Board duly constituted, for financing the scheme as well as the family pension scheme and deposit linked insurance scheme [Section 5].

### 17.4.2 Central Board

To administer the scheme, the Central Government has constituted Central Board consisting of the following persons as members of the board.

- i) A Chairman and a Vice Chairman (to be appointed by the Government)
- ii) The Central Provident Fund Commissioner (an ex-officio member)
- iii) Not more than 5 persons appointed by the Central Government from amongst its officials
- iv) Not more than 15 persons representing Governments of such state as specified by the Central Government & appointed by the Central Government
- v) Ten persons represent employers appointed by the Central Government after consultations with concerned organizations.
- vi) Ten persons representing employees appointed by the

Central Government after consultations with the concerned organizations [Section 5A).

- iii) The terms and conditions of appointment of members of the Central Board and the time, place and procedure of meeting is determined in the scheme [Section 5-A]

The Central Board administers the Fund in accordance with the Provident Fund Scheme, The Employees' Pension Scheme and The Deposit Linked Insurance Scheme [Section 5-A].

The Central Board performs its function as laid down in the three schemes [Section 5-A].

### **17.4.3 The Executive Committee**

The Central Government has constituted an Executive Committee to assist the Central Board in its functions of administering the three schemes [Section 5-AA(1)].

The following persons are the members of the Executive Committee, appointed by the Central Government.

- (i) A Chairman from amongst the members of the Central Board.
- (ii) Two persons from amongst the five government officials on the Central Board.
- (iii) Three persons from amongst fifteen representatives of state on the Central Board.
- (iv) Three persons from amongst the ten members of the Central Board representing the employers.
- (v) Three persons from amongst the ten members of the Central Board representing employees in establishments covered under the Act.
- (vi) The Central Provident Fund Commissioner (ex-officio)

The terms and conditions of appointment and the time, place and procedure of the meeting of the executive committee will be as given in the scheme [Section 5-AA (2)].

### **17.4.4 State Board**

- i) The Central Government constitutes the "State Board" for the state, after consultations with the state, as provided in the scheme.
- ii) It performs such duties and exercises such powers as the Central Government assigns.
- iii) The terms and conditions of appointment of members of the State Boards, and the time & place of meeting as well as the procedure is as determined in the scheme [Section 5-B].

The Central Board and the State Board, being Boards of Trustees are a body corporate and are independent legal entities [Section 5-C].

## **17.5 THE SCHEMES**

### **17.5.1. Employment Provident Fund Scheme**

It provides for contribution from the employer to the Provident Fund amounting to 10% of the basic wages dearness allowance and retaining allowance if any. The employee should contribute more. The Central Government by notification has increased this to 12% in respect of certain

establishments. The dearness allowance shall include the cash value of the food concession allowed to the employee.

The term retaining allowance means an allowance payable during the time the factory is not working for retaining the services of the employee [Section 6 and explanations thereon].

Encashment of leave must be included in the basic wages.

**17.5.2 Employee's Pension Scheme 1995** (The employees family pension scheme was merged with this scheme w.e.f. 16.11.1995)

The Central Government has framed a scheme called "The Employees' Pension Scheme" for the purpose of providing for :

a) Superannuation pension, retiring pension or permanent total disablement pension to the employees of any establishment or class of establishments to which this Act applies. b) Widows' or widowers' pension, children's pension or orphan pension payable to the beneficiaries of such employees [Section 6-A(1)].

A Fund called "Pension Fund" has been established into which, in respect of every employee covered by the Pension Scheme, the following sums are paid :

i) Employer's contribution under Section 6, such sum not exceeding 8 1/3 % of the basic wages, dearness allowance and retaining allowance if any, of the concerned employee, as may be specified, (in case of establishments employing not more than 20 persons or a sick industrial establishment or establishments in the Jute, beedi brick, coir or gaurgum industry 10% of the basic wage, dearness allowance and retaining allowance. In all other cases it is 12%. ii) Such sums as are payable by the employers of exempted establishments. iii) The net assets of the employees' family pension fund as on date of the establishment of the Pension Fund. iv) The Central Government's contribution (The Central Government contributes 1.16% of the pay of the employee, according to the scheme) [Section 6-A(2)].

On establishment of the Pension Fund, the "Family Pension Scheme has ceased to operate and all assets of the ceased scheme stood transferred to the fund (similarly the liabilities). The beneficiaries under the family pension scheme will continue to draw the benefits not less than the benefits they were entitled to under the old scheme[Section 6-A(3)].

The Pension Fund vests in and is administered by the Central Board [Section 6-A(4)].

The pension scheme provides for all the matters mentioned in schedule III [Section 6-A(5)].

### **17.5.3. Employees' Deposit- Linked Insurance Scheme**

The scheme was introduced in 1976 by the Amendment Act of 1976. The objective was to provide life insurance benefits to the employees of any establishment or class of establishments to which the Act applies. The Amendment Act 1976 was renamed as "The Employees Provident Funds and Miscellaneous Provisions Act 1952"[Section 6-C].

As a result of the Amendment of 1976, a separate fund Deposit Linked Insurance

Fund called "Insurance Fund" has been created in which contributions towards Deposit Linked Insurance Scheme are deposited. The employer is to contribute not more than 1% of aggregate of wages dearness allowance and retaining allowance (if any) [Section 6-C(2)].

In addition the employer has to pay into the Insurance Fund such further sums of money, not exceeding one-fourth of the contribution to the fund as mentioned (in Section 6C(2)) above towards administrative expenses of the Insurance scheme, apart from the cost of any benefits provided under the scheme [Section 6-C(4)].

The Central Provident Fund Commissioner or the designated officers under him have the power to decide the applicability of this Act (The Employees Provident Fund & Miscellaneous Provision Act 1952) as amended from time to time and to determine the amount due from any employer. He may conduct necessary enquiry for the purpose and has the power of a court under the Code of Civil Procedure for trying a suit in respect of enforcing attendance, requiring the discovery and production of documents, receiving evidence on affidavit and issuing commissions for examining the witnesses [Section 7-A].

The order passed by the Central Provident Fund Commissioner or any of his authorized officers, can be reviewed suo-moto or on application by the officer who passed the order [Section 7-B].

The Central Government has constituted the Employees' Provident Funds Appellate Tribunal with effect from 1.7.1997 to exercise the powers and discharge the functions of the tribunal conferred on it by the Act (Section 7D)

(a) No appeal by the employer shall be entertained by a Tribunal unless he has deposited with it 75% of the amount due from him as determined by the Central Provident Fund Commissioner or his Officers. (b) The Tribunal has the power to waive or reduce the amount [Section 7-0].

#### **17.5.4 Rights and Obligations**

The employer is liable to pay interest at the rate of 12% p.a. on the amount due from him, from the date it is due till the date of payment [Section 7-Q].

The Act provides for the modes of recovery of the amount due and the Recovery Officer has to recover the amount accordingly.

The amount standing at the credit of any member in the Fund cannot be attached, assigned or changed under any decree or order of any Court [Section 10-(1)].

Recovery of any debt incurred by a member before his death cannot be made from the amount paid to his nominee from the fund [Section 10-(2)].

In case an employer is declared as insolvent the amount due from him towards contribution to the fund shall be the first charge on his assets and will be paid in priority to all other debts [Section 11].

**17.5.5 Penalties**

Section 14 of the Act provides for the penalties in respect of various offences in regard to the schemes. They are as follows.

**17.5.6 Offence Penalty**

Making any false statement or misrepresentation to avoid any payment under the schemes. Imprisonment upto one year and fine of Rs. 5000/- or both

Default in payment in respect of inspection charges or administrative charges towards provident fund Imprisonment upto 3 years

Default in payment of employees' contribution Imprisonment upto 3 years and a fine of Rs. 10,000/- (Minimum imprisonment for one year).

Default in payment of contribution or administrative charges towards Deposit Linked Insurance Fund imprisonment upto one year or a fine upto Rs. 5,000/- or both (Minimum imprisonment of 6 months)

Contravention of or default in complying with, any of the provisions of the schemes

Imprisonment upto one year and fine upto Rs 4000/- or both.

Contravention of or default in complying with any of the conditions subject to which exemption was grant u/s 17. imprisonment upto 6 months (minimum 1 month) and fine upto Rs. 5000/-

Any subsequent offence committed after previous conviction Imprisonment upto 5 years (minimum 2years) and fine upto 25000/-

In case of offences by companies, firms, body corporate or association of individuals, its director, partner or principal officer who is responsible for the conduct of its business shall be deemed to be guilty of such offence and punished accordingly [Section 14A]

**17.6 PAYMENT OF GRATUITY ACT 1972****17.6.1 INTRODUCTION**

Gratuity is a payment intended to help the workmen after their retirement whether the retirement is a result of superannuation or of some physical disability. It is earned by an Employee as a reward for long and meritorious service.

The Payment of Gratuity Act 1972 a long awaited and progressive social measure, was passed in Aug. 1972. It came into force on the 16th of Sept. 1972

**17.6.1.1 SCOPE AND COVERAGE**

The Act extends to the whole of India. However in respect of plantations or ports, it does not extend to the State of Jammu & Kashmir. It was amended five times since enactment, the last being in 1998 (11 of 1998).

The Act applies to every factory, mine, oilfield, plantation port and railway company. It also applies to shops and establishments as defined by the States, in which 10 or more persons are employed or were employed on any one day of the preceding twelve months. It also may be applied to such other establishments where 10 or more persons are or were employed on any day during the last twelve months by the Central Government, by a notifications in this behalf [Section 1 (1), (2)].



The Central Government has made the Act applicable to all the Educational Institutions, and to all Trusts and Societies registered under the Societies Registration Act 1860, employing 10 or more employees. The Central Government has made the Act applicable to motor transport undertakings, clubs, Chamber of Commerce and Industry associations, Federation of Chambers of Commerce and Industry, local bodies and Solicitors' offices, and Municipal Boards which employ more than 10 persons.

### **17.6.2 EMPLOYEES ENTITLED**

Employees with five years' continuous service on his superannuation, retirement or resignation or on his death or disablement due to accident or disease.

In case of death or disablement continuous service can be less than five years prior to his death or disablement [Section 4 (1)].

### **17.6.3 SALIENTS FEATURES**

#### **17.6.3.1 Rate of Gratuity**

1. For every completed, year of continuous service or part thereof in excess of six months, gratuity at the rate of fifteen days wages last drawn is to be paid. In case of piece rate workers, the average daily wage drawn is calculated on the basis of remuneration received during the last three months preceding the termination divided by the number of working days during those three months.

In case of seasonal employment, gratuity rate is seven days' wages for each season. In case of monthly rated employee, the rate of gratuity is equal to the monthly rate x  $\frac{15}{26}$  [Section 4(2)].

2. The amount of gratuity paid should not exceed Rs.3,50,000/-

3. In case of reduction of wages due to disablement the rate of gratuity will be different for the two periods i.e. before disablement (normal wage rate for 15 days) and after disablement (reduced wage rate for 15 days) [Section 4(4)].

4. Any employee however can receive better terms of gratuity under an award or an agreement [Section 4(5)].

5. An employee whose services have been terminated for any act, willful omission or negligence causing any loss or damage to the employer, forfeits his gratuity to the extent of the loss or damage [Section 4(6)].

6. The gratuity of an employee is wholly or partially forfeited if the services of such employee have been terminated due to riotous or violent behavior or disorderly conduct or moral turpitude provided such offence is committed in the course of his employment.

### **17.6.3.2 Compulsory Insurance**

7. Every employer (except the Central & State Government) should obtain an insurance over for the liability for payment towards the gratuity from the LIC or any other prescribed insurer [Section 4A].

8. The employer who has already established an approved gratuity fund in respect of his employees is exempted from taking insurance provided he continues with the fund [Section 4A(21)].

9. Every employer has to get his establishment registered with the controlling authority for the purpose of this Act. No registration will be granted unless insurance cover has been obtained for each employee [Section 4A(3)].

10. The appropriate government frames rules for effective implementation of this Act. The rules provide for the composition of a Board of Trustees of the approved and gratuity fund and for the recovery by the controlling authority of the amount of gratuity payable to an employee from the insurer or the Board of Trustees of the approved gratuity fund [Section 4A(4)].

### **17.6.3.3 Interest for Delayed Payment**

11. In case of non payment or delayed payment of amount due on account of insurance to the insurer or the approved fund, the employer is liable to pay the same to the controlling authority with interest for delayed payment [Section 4A(5)].

### **17.6.3.4 Exemption**

12. If the employees of an establishment are in receipt of better pensionary benefits the appropriate government may exempt such establishment from the operation of this Act [Section 5 (1) & (2)].

### **17.6.3.5 Nomination**

13. Each employee on completion of one year service should make nomination in respect of his gratuity claim. He can distribute the benefit amongst more than one nominee. However, if an employee has a family at the time of making a nomination, then the nomination of anyone who is not a member of his family is void. However, if he subsequently acquires a family, such nominations of a non-member of his family becomes invalid and a fresh nomination is required to be made. The nomination can be modified after giving a written notice to the employer. Nominations are required to be kept in safe custody by the employer [Section 6].

### **17.6.3.6 Determination of the amount of gratuity**

14. The employer determines the gratuity payable on receipt of application by the claimant or as soon as it becomes due and given a notice to the person to whom it is payable and also to the controlling authority specifying the amount of gratuity so determined. He should arrange to pay the same within 30 days from the date in which it becomes payable. For delay he should pay simple interest for the period of delay.

15. In case of dispute regarding the amount of gratuity payment, the employer should deposit the amount with the controlling authority. The claimant can raise the issue with the controlling authority. The controlling authority after due inquiry and after giving reasonable opportunity to all the parties, decides the issue and order enhanced amount to be paid by the employer or pay the amount already deposited with him as the case may be. For conduct of such inquiry the controlling authority has the power of a court under code of Civil Procedure. Appeal against the orders of the controlling authority lies with the government or any authority nominated by the government in this behalf. The appeal is to be preferred within 60 days [Section 7].

### **17.6.3.7 Penalties**

16. Following penalties have been laid down in the Act for Offences mentioned.

#### **17.6.3.7.1 Offence Penalties**

1. Failure to make payment by way of premium for compulsory insurance u/s 4A(1) or by way of contribution to the approved fund Fine upto Rs.10,000/- and Rs.1000/- for each day during which the offence continues
  2. Making a false statement or false representation to avoid any payment under the Act or both Imprisonment upto 6 months or fine upto Rs.10,000/-
  3. Contravention or non-compliance of any provision of the Act or the rules Imprisonment upto one year (minimum 3 months) or fine upto Rs.20,000/- (minimum Rs.10,000/-) or both
  4. Non-payment of any gratuity payable under the act Imprisonment upto two years (minimum 6 months) or fine upto Rs.20,000/- (minimum Rs.10,000/- or both).
17. No gratuity payable under this Act can be attached by any court order [Section 13].

## **17.7 SUMMARY**

The payment of gratuity Act 1972 is yet another landmark in the history of progressive social security measure in India. Gratuity is a reward for long and meritorious service and under this Act all persons employed in establishments in which 10 persons or more are employed (or were employed on any one day during the last three months) are covered.

Gratuity is paid at the time of retirement or in case of death before superannuation or in case of permanent disablement. The amount of gratuity is calculated on the basis of number of years of service. For every year or part thereof in excess of six months, 15 days' wages are paid as gratuity. Employees who have rendered five years of continuous service are eligible for the benefit of gratuity. The maximum gratuity payable is Rs.3,50,000/- Employers (except the State or Central Government) are expected to buy an insurance policy with the LIC for payment of gratuity to every worker. The establishments falling under the purview of this Act are required to be registered themselves with the controlling authority.

One of the conditions of registration is that for each person employed for one year the establishment should have a policy from the LIC for payment of gratuity.

The units which have their own gratuity policy and fund and the benefits from which are no less than those from this Act are exempted from the purview of this Act. However such gratuity funds must be administered by a Board of Trustees.

Controlling authorities of the appropriate government administer the Act. They have powers of civil courts in settling the disputes arising out of this Act. Stringent punishments have been laid down in the Act for violation and repeated violation of the Act.

The Employees' Provident Fund Act 1952 came into force from Nov. 1952, and it provided for institution of Provident Fund Family Pension Fund and Deposit Linked Insurance Fund. its objective was to provide social security for employees in factories and other establishments Originally the Act covered factories and establishments employing fifty or more employees but with effect from Dec. 31st 1960, this number was reduced to 20. It extends to the whole of India except the State of Jammu & Kashmir. More he Central Government had three schemes under which the Act is implemented. They were the Employee's Provident Fund Scheme, 1957, for establishment of Provident Funds for the employees, the Employees' Family Pension Scheme 1971 for providing family pension and life assurance benefit and the Employees' Deposit Linked Insurance Scheme 1976, for providing Life Insurance Benefit to the employees. With effect from Nov. 1995, the Family pension Scheme 1971 has been merged into the Employees Pension Scheme 1995. The other two schemes continue to operate.

## 17.8 KEY TERMS

Appropriate Government Completed year of service Continuous service  
 Controlling authority Employee Employer Factory Family Major port  
 Mine Notification Oilfield Plantation Port Prescribed Railway  
 Company Retirement Superannuation Wages Appropriate governments Authorized officer Basic wages Contributions  
 Controlled industry Employer Employee Exempted employee  
 Exempted establishment Factory Fund Industry Insurance Fund  
 Insurance scheme Manufacture or manufacturing process Member  
 Occupiers of a factory Pension Fund Pension Scheme Prescribed  
 Recovery Officer Scheme Superannuation Tribunal

## 17.9 SELF ASSESSMENT QUESTIONS

1. In what situation can be Central Government exempt an establishment from the purview of this Act ?
2. What are the provisions relating to nomination by an employee in the Act ?
3. Who is controlling authority under this Act? What are his powers? Who can apply to the controlling authority for direction?

4. When can this application be made? Are employees of the State and Central Government covered by this Act? Give reasons.
5. Can a beedi worker who rolls beedis for his employer but at his own house be considered an employee within the provisions of this Act?
6. An offence involving moral turpitude results in forfeiture of the benefit of gratuity under this Act. If a person, who has committed an offence involving moral turpitude
7. Is given the benefit of probation under Section 3 of probation of offender's Act 1958 dies can such a person be disqualified to receive the amount of his gratuity?
8. If there are several factories situated in different places and having separate licenses but the same registered office, same activities, the same Managing Director, Finance Director and Secretary empowered to operate bank accounts of the factories and have the balance sheet, income and expenditure account common can they be treated as parts of the same establishment under the provisions of this Act Can the encashment of leave be included in the basic wages for the purpose of calculating the contribution towards provident fund ?
9. Can the proceedings under Section 7A determine the applicability of the Act to any class of employees ?
10. Can partners receiving remuneration be included in employees category to satisfy requirement of minimum number of employees ? Give reasons for your answer.
11. What establishments may be exempted from the operations of this Act ?
12. Write Short Notes on :
  - 1) Central Board
  - 2) State Board
  - 3) Inspectors & their power
  - 4) Mode of payment of contributions
  - 5) Employer's obligations under the Act

### 17.11 SUGGESTED BOOKS FOR FURTHER READINGS

1. Vaidyanathan, N: ILO Conventions and India, Menerva Associates, Calcutta, 1975
2. Sinha, G.P. & Sinha, P.R.N.: Industrial Relations and Labour Legislations, Oxford and IBH Publishing Co., New Delhi, 1980
3. Sharma, A.M: Legal Framework on Industrial Relations, Himalaya Publishing House, Mumbai, 2002
4. Goswamy, V.G: Labour and Industrial Relations Law, Central Law Agency, Allahabad, 2004
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## Lesson 18

# THE MINIMUM WAGES ACT 1948

## 18.0 OBJECTIVE:

1. To know about the provisions of the act
2. To discuss about the rights and obligations of employees
3. To analyse the adjudication

## STRUCTURE

- 18.1 Introduction
- 18.2 Scope and coverage
- 18.3 Important provisions of the act
- 18.4 Implementation
- 18.5 Mode of payment
- 18.6 Rights and obligations of employees
- 18.7 Reporting
- 18.8 Adjudication
- 18.9 Payment of Wages Act -1956
  - 18.9.1 Introduction
    - 18.9.1.1 Objectives
    - 18.9.1.2 Scope and Coverage
    - 18.9.1.3 Employees entitled
    - 18.9.1.4 Important provisions of the Act
    - 18.9.1.5 Reporting
    - 18.9.1.6 Rights of Employees and Employers
    - 18.9.1.7 Penalties
    - 18.9.1.8 Implementation
- 18.10 Summary
- 18.11 Key terms
- 18.12 Self Assessment Questions
- 18.13 Suggested Books for further Readings

## 18.1 INTRODUCTION

This is an Act of The Central Government, which is also followed by the State Governments. The Act is a measure to regulate wages in the country in consonance with the cost of living. The legislation covers 46 scheduled employments and totally 260 employments in the country. It stipulates payments of wages for sustenance. The Act is now being amended to link the same to the cost of living in order to take care of inflation. The variable Dearness Allowance (VDA) is proposed so that the minimum wages are reviewed at least once in two years and amended

according to the cost of living index variations. The Act also provides max-daily working hours, weekly rest day and overtime.

## 18.2 SCOPE AND COVERAGE

The Act extends to the whole of India and applies to all establishments employing one or more persons engaged in any of the scheduled employments. The act covers every employee including an outworker to whom materials are given out for manufacturing or processing at his own premises.

## 18.3 IMPORTANT PROVISIONS OF THE ACT

The State can fix minimum wage rate for the whole state or a part of the state or for any specified class or classes of employment in the whole state or part thereof [section 3(a)].

The state has to review at intervals not exceeding five years the minimum wage rate [sec 3(b)].

The state need not fix minimum wage rule in respect of such employments which employ less than 1000 employees in the whole state

The state may fix :

- (i) A minimum wage rate for time work
- (ii) A minimum wage rate for piece work
- (iii) A minimum wage rate for piece rate workers to secure a minimum wage rate on a time work basis, called a guaranteed time rate
- (iv) a minimum rate to apply in substitution for the minimum rate which would otherwise be applicable in respect of overtime work done (called "overtime rate"). [see 2(a), (b), (c) and (d).
- (v) Different wage rates may be fixed for different scheduled employments, different classes of work in the same scheduled employment for adults, adolescents, children and apprentices and for different localities.
- (vi) Minimum wage rate may be fixed by one or more of the wage periods i.e. hour, day, month or other larger period provided, where wage periods have been fixed under payment of wages Act 1936, the minimum wages shall be fixed in accordance therewith.

The minimum wage rate fixed may consist of

- (i) A basic rate and a special allowance at a rate of be adjusted with the variation in the cost of living.
- (ii) A basic rate with or without the cost of living Allowance
- (iii) An all inclusive rate allowing for the basic rate the cost of living allowance and the cash value of the concessions if any.

The minimum rate in respect of an employment is fixed or revised on the advice of committees or sub committees who hold necessary enquiries.

Or the state notifies its proposals in official Gazette and getting response within two months of such notification from those who will be affected revises the minimum wages by notification in the official Gazette [section 5].

### **18.4 IMPLEMENTATION**

. For the purpose of advising the Central and State Government in the matter of fixation and revision of minimum rates of wages and other matters under this Act and for coordinating the work of the Advisory Boards the Central Government shall appoint a Central Advisory Board consisting of persons nominated by the central government representing employers and employees in the scheduled employments, in equal number and independent members not exceeding one-third of its total number of members. The chairman is from among the independent members [sec 9].

### **18.5 MODE OF PAYMENT**

Minimum wages are paid in cash. However, wherever it has been a custom to pay wages wholly or partly in kind and the government feels necessary to continue the practice the government can authorize the same. Similarly, if the government feels provision should be made to supply essential commodities at convenient rate the government can authorize the same. However cash value of wages in kind and of concessions in respect of essential supplies is estimated in the prescribed manner for calculation of minimum wages [sec 11].

### **18.6 RIGHTS AND OBLIGATIONS OF EMPLOYEES**

Wherever in respect of any employment a notification under sec 5 is in force, the employer has to pay wages not less than the minimum wage fixed by such notification [sec 12].

The government may fix the number of hours of work, a day of rest in every period of seven days and provide for payment for work on the rest day at a rate not less than the overtime rate [sec 13].

Wherever the minimum wages are fixed the employer has to pay overtime for every hour of work or part thereof at the overtime rate fixed under this Act [sec. 14].

### **18.7 REPORTING**

Employers have to maintain registers and records giving particulars of employees, work performed by them and wages paid to them in the prescribed form [sec 18].

The appropriate government may appoint inspectors to administer this Act [sec 19].

### **18.8 ADJUDICATION**

The appropriate government may appoint an officer with experience as a judge to be the authority to hear and decide all claims arising out of payment of less than the minimum rates of wages [sec 20(1)].

All such claim applications have to be preferred within 6 months of the date on which the wage became payable [sec 20(3)].



## 18.8 PENALTIES

An employer who pays wages at the rate less than the minimum rate prescribed or violates the provisions regarding fixation of number of hours of work for normal working day can be punished with imprisonment up to 6 months or fine of Rs.500/- or both [sec.22].

In case of companies, every person who was in charge of the matter and the company itself shall be deemed to be guilty of the offence in case of violation of the provisions of this Act [sec.22c].

The appropriate government may by notification direct that the provisions of payment of wages Act 1936 will apply to any employment covered under this Act [sec. 22f].

The appropriate government may exempt any employment from the purview of this act for valid reasons [sec. 26(2A)].

The Act does not apply to the wages payable by an employer to a member of his family who is living with him and is dependent on him [sec 26(3)].

## 18.9 THE PAYMENT OF WAGES ACT 1936

### 18.9.1 Objectives

The objective of this Act is to provide for regular payment of wages without exploitation by unscrupulous employers who may make unauthorized deductions from their remuneration. Thus, it protects the employees from non-payment, short payment, irregular payment or payment in kind instead of in cash.

### 18.9.1.2 Scope and Coverage

The Act is a central Act covering the whole country in respect of any factory, industrial or other establishment, like railways, transport service, dock, Warf, mine, quarry, oil fields, plantations, workshops, or other establishment producing, adapting or manufacturing any article, establishments engaged in construction, development or maintenance of buildings, roads, bridges or canals, navigation, supply of water, power generation and transmission, and any establishment notified by the central or state government.

### 18.9.1.3 Employees entitled

The Act is applicable to the employees receiving wages upto Rs.6500/- per month.

### 18.9.1.4 Important provisions of the Act

(1) The term wages (expressed in terms of money) includes not only the daily/weekly/monthly wages/salary but overtime, leave salary, additional remuneration (that includes bonus payable under Bonus Act) but does not include suspension or subsistence allowance, value of house accommodation, cost of supply of light, water or medical attendance, or cost of any other amenity, traveling allowance, gratuity or reimbursement of any special expenses. **(Sec.2 of the Act).**

(2) Every employer or a manager or a person designated by the employer or a contractor for supervision and control is responsible for payment of wages **(Section3)**

(3) The employer or a person designated for supervision & control should fix the wage period (day, week or month) but in no case, the period should exceed one month **(section 4)**

- (4) If the number of employees in the establishment is less than 1000, wages must be paid within 7 days of the expiry of the wage period. In other cases, wages should be paid (**Section 5**)
- (5) On termination of employment, wages should be paid within 2 days of termination.
- (6) The employer should not make any unauthorised deductions from wages such as authorized absence from duty or fines imposed without show-cause notice. (**Section 7**)
- (6a) The amount of time imposed on an employee should not exceed 3% of the wages payable for that wage period and should be recovered in 90 days from imposition, in one lump.
- (7) Deductions can be made for absence on “no work no pay” basis, loss incurred on account of the employee amenities, provided, advances/loans taken, tax payable, PF, ESI and insurance.
- (8) The total deductions made from the wages of a wage period should not exceed:
- (i) In case of payment to co-operative societies, 75% of the wages and (ii) In other cases, 50% of the wages (section 7)

#### ***18.9.1.5 Reporting***

- (9) The employer is required to submit an annual return of wages in Form No.IV for every year by the 15th of Feb of the succeeding year.
- (10) The employer should maintain the following registers in the prescribed form and preserve them for 3 years after the date of last entry made therein.
- (a) Register of payment of wages (Section 13 A)
- (b) Register of fines imposed & realized, (Section 8(8))
- (c) Register of deductions for damages or loss and realization thereon; (Section 10 (2) )

#### ***18.9.1.6 Rights of Employees and Employers***

(11) The employer has a right to appeal against an order directing him to refund a deduction or against penalty imposed under section 15(3) & 15(4) respectively if the appeal is made within 30 days of the passing of the order and if the payment of wages or compensation exceeds Rs.300/- or if the fine imposed exceeds Rs.1000/- (section 17)

(12) The employees have the right to claim unpaid or delayed wages, unauthorized deductions from wages or fines imposed, if the application is made within 12 months of due date or dates of such deductions or fines imposed. For sufficient reasons, delayed applications can also be accepted. (section 15)

(13) The employees have also a right to appeal against an order withholding wages if the amount exceeds Rs.20/- and against penalty imposed for making a malicious or vexatious claim against an employer (section 17)

#### ***18.9.1.7 Penalties***

(14) For delay in or non payment of wages within the prescribed period, fine from Rs.1500/- to Rs.7500/- can be imposed (Section 20 as amended in 2005)

(15) For making an unauthorised deductions or imposing fines in contravention of the Act, fine from 1500/- to Rs.7000/- can be imposed (section 20 as amended in 2005)

(16) For failure to fix wage period or make payment of wages on a working day fine upto 3750/- can be imposed.

(17) For failure to maintain the register of fines and deductions or failure to display the prescribed notices, fine is upto 3750/- (section 20 as amended in 2005)

(18) For failure to nominate or designate a person under section 3 of the Act fine upto Rs.3000/- (section 20 as amended in 2005)

(19) failure to maintain the prescribed returns and records, failure to furnish the required information or furnishing of false information fine from Rs.1500/- to 7000/-

(20) On repeating the offence mentioned in (19) above, imprisonment from 1 to 6 months and a fine from Rs.3750/- to Rs.22500/- (section 20 as amended in 2005)

(21) Failure to pay the wages by the date fixed by the authority, additional fine of Rs.750/- per day of default.

#### **18.9.1.8 Implementation**

The Act is administered by the State Governments in their respective jurisdiction. The Central government administers in respect of Central Government departments and undertakings. Since the Act ensures payment of wages in a particular form (cash or cheque) at regular intervals without unauthorized deductions, it contributes a great deal in preventing industrial unrest.

### **18.10 SUMMARY**

The Minimum Wages Act 1948 was passed by the Central Government and all the state governments follow this Act. The Act empowers the central and state governments to fix minimum wages in respect of about 260 sweated and unorganized employments specified in Part I and Part II of its schedule. Employments which employ less than one thousand employees in the whole state are not covered by this Act. A Central Advisory Board coordinates the work of the State Advisory Boards and advises the state and central governments in the matters of fixation and revision of minimum rates of wages. The Act empower the government to fix basic rate of wages and a special allowance which is adjusted periodically with the variation in the cost of living. Penalties are prescribed for violation of the provisions of the Act and employees are expected to furnish an annual return in the prescribed form by the 1st of Feb. of the succeeding year. They are also expected to maintain the prescribed registers and records. The act also provides for the review and revision of minimum wages at intervals not exceeding 5 years.

The payment of wages Act 1963 was passed to regulate payment of wages in respect of those persons employed in the industry, who draw wages below 6500 p.m. It seeks to protect workers against irregularities in payment of wages and unauthorised deductions made by employers. It also ensures that wages are paid in cash or cheque and at regular intervals. It also limits the deductions to 50% or 75% of the wages in a wage period, ensuring that the worker is left with some amount to feed himself. It prescribes punishments for violating the provisions of the Act and also for not maintaining proper records and registers as per the Act.

## 18.11 KEY TERMS

- (1) Wage Period
- 2) Unauthorised Deductions/Authorised Deductions
- 3) Fines
- 4) Mode of payment
- 5) Time of payment
- 6) Returns
- 7) Contracting out
- 8) Offences & Penalties

## 18.12 SELF ASSESSMENT QUESTIONS

1. Labour legislation plays a vital role in Wages & Salaries Administration – Explain w.r.t. Payment of Wages Act 1936.
2. What do you understand by the term “contracting out”?
3. Do you think that the penalties prescribed in the Act are adequate to ensure that there is no violation of the Act?
4. What is the limitation on deductions from wages provided in the Act? What is the objective behind it?
5. While working on an equipment, a worker happens to damage it accidentally. The employer deducts the value of the equipment from the wages of the worker. Is the deduction justified?
6. A fine is imposed on an employed person who is 14 years old and is deducted from his wages after three months from the date on which it was imposed. What irregularity, if any, has been committed by the employer?
7. (a) Should wages be adjusted directly as cost of living changes? Why? Or Why not?  
(b) What modification would you suggest to the Act in order to ensure that the minimum wages prescribed are in tune with the cost of living?
8. What is the object of minimum wages Act 1948?
9. What remedy is available to a worker who has been paid less than the minimum rate of wages?
10. Which of the following alternatives is correct? The components of minimum wages may be basic rate of wages-
  - (a) plus cost of living allowance
  - (b) plus cost of living allowance plus cash value of concessions regarding supplies of essential

commodities at concessional rate.

(c) Minus cost of living allowance plus value of concessions regarding supplies of essential commodities at concessional rates.

11. Under the Minimum Wages Act, 1948. State what constitutes the minimum rate of wages.

12. If a worker whose minimum rate of wages has been fixed by the day happens to work for a period less than the requisite number of hours constituting a normal working day. In such a situation, what wages is he entitled to?

13. If a worker is employed on piece work, what wage rate is he entitled to?

### **18.13 SUGGESTED BOOKS FOR FURTHER READINGS**

1. Vaidyanathan, N: ILO Conventions and India, Menerva Associates, Calcutta, 1975
2. Sinha, G.P. & Sinha, P.R.N.: Industrial Relations and Labour Legislations, Oxford and IBH Publishing Co., New Delhi, 1980
3. Sharma, A.M: Legal Framework on Industrial Relations, Himalaya Publishing House, Mumbai, 2002
4. Goswamy, V.G: Labour and Industrial Relations Law, Central Law Agency, Allahabad, 2004
5. Prabhakara Rao, D.V.R.S.R Contract Labour : Abolition and Absorption, Law Publishing Jagannadha Rao. V: Andhra Pradesh Factories Rules 1950

## LESSON 19

# THE MATERNITY BENEFIT ACT 1961

## 19.0 OBJECTIVE

- To Discuss the Salient provisions of the Act
- To Know about the Forfeiture of the maternity Act

## STRUCUTRE

### 19.1.1 Objectives

### 19.1.2 Salient Provisions

#### 19.1.2.1 Prohibition of employment

#### 19.1.2.2 Discharge during absence due to pregnancy

#### 19.1.2.3 Maternity benefit

#### 19.1.2.4 Amount of benefit

#### 19.1.2.5 Notice to be given of maternity

#### 19.1.2.6 Miscarriage on Medical Termination of Pregnancy

#### 19.1.2.7 Leave for Jubectomy

#### 19.1.2.8 Leave for illness

#### 19.1.2.9 Nursing breaks

#### 19.1.2.10 No Deduction of Wages

#### 19.1.2.11 Forfeiture of Maternity Benefit

### 19.2 Penalties

### 19.3 Summary

### 19.4 Self Assessment Questions

### 19.5 Key words

### 19.6 Suggested Books for further readings.

## 19.1 MATERNITY BENEFIT ACT 1961

### 19.1.1 OBJECTIVES

The objective of this Act is to regulate the employment of women in certain establishments for certain period before and after child birth and to provide for maternity benefit and certain other benefits. It applies to whole of India and came into force w.e.f. 1st November 1963.

It applies to all the establishments being a factory, mine or plantation including those belonging to government as well as those wherein employees exhibit equestrian, acrobatic and other performances. Further save as provided in Section 5A & 5B of the Act, nothing contained in this Act applies to those establishments to which the provisions of ESI Act 1948 apply.

## **19.1.2 SALIENT PROVISIONS**

### ***19.1.2.1 Prohibition of Employment***

Under Section 4 of this Act an employer is prohibited from employing a woman for six weeks after delivery or miscarriage or medical termination of pregnancy. Similarly a woman is prohibited from working in any establishment during the period. Further no employer should require a pregnant woman to do an arduous work which is likely to adversely affect her pregnancy or foetus during the period of one month immediately preceding six weeks before the expected date of delivery.

### ***19.1.2.2 Discharge during absence due to Pregnancy***

It is unlawful for her employer to discharge or dismiss her if she remains absent during the above periods. Such discharge or dismissal will not deprive her of maternity benefits unless the dismissal or discharge is on account of gross misconduct.

### ***19.1.2.3 Maternity Benefit***

A woman employee is entitled to maternity leave for a period of 12 weeks, six weeks prior to the delivery (including the day of delivery) and six weeks after the day of delivery. If she does not avail of leave prior to the day of delivery, she is entitled to maternity leave for 12 weeks following the day of delivery (including the day of delivery).

### ***19.1.2.4 Amount of Benefit***

The benefit is payable at the daily average wages consisting of basic wages, dearness and house rent allowance, incentive bonus and money value of concessional supply of food grains and other articles.

In case of death of a woman during the benefit period, the benefit is payable (a) upto the date of her death in case she dies without delivering the child, (b) upto the date of her child's death if the child also dies during the period and (c) for the entire period if the woman dies after delivering the child.

### ***19.1.2.5 Notice to be given of Maternity***

A woman who is pregnant is required to give notice to her employer in the prescribed form stating that maternity benefit may be paid to her before the expected date of delivery, that she will remain absent for 6 weeks before the expected date of delivery and she will not work in any establishment during the period of 6 weeks. On receipt of notice the employer will pay her the maternity benefit on receipt of proof of pregnancy for the period prior to the date of delivery. The benefit for the subsequent period should be paid within 48 hours of receipt of proof of delivery.

### ***19.1.2.6 Miscarriage or Medical Termination of Pregnancy***

In case of miscarriage or MTP, a woman is entitled to the benefit on production of proof, for a period of 6 weeks from the date of such miscarriage or MTP.

### ***19.1.2.7 Leave for Tubectomy***

A woman is granted maternity benefit of two weeks from the date of tubectomy in production

of prescribed proof (Section 9A).

#### ***19.1.2.8 Leave for Illness***

A woman suffering from sickness arising out of pregnancy, delivery, premature birth of a child, miscarriage, medical termination of pregnancy or tubectomy operation on production of proof prescribed is entitled to additional leave with wages at the rate of maternity benefit for a period of one month.

#### ***19.1.2.9 Nursing Breaks***

A woman who returns to duty after delivery is allowed two breaks of prescribed duration for nursing the child, in addition to the normal work breaks.

#### ***19.1.2.10 No Deduction of Wages***

There should be no deductions of wages from a woman entitled to maternity benefits only on account of less arduous work during the period prior to delivery or nursing breaks after she returns to duty after delivery.

#### ***19.1.2.11 Forfeiture of Maternity Benefit***

If a woman on maternity leave works in any other establishment for a period during the maternity leave then her claim to maternity benefit for that period is forfeited.

### **19.2 PENALTIES**

The following penalties are proposed for the offences committed under this Act:

#### **S.No. Offences Penalties**

(1) (a) Failure to pay maternity benefit as provided for under the Act

Imprisonment upto 1 year (Minimum 3months) and fine upto Rs.5000/- (Min.Rs.2000/-)

(b) Dismissal or discharge of a woman employee in contravention of the Act

Imprisonment upto 1 year (Minimum 3months) and fine upto Rs.5000/- (Min.Rs.2000/-)

(2) Failure to produce any register or document before the inspector or obstructing the inspector  
Imprisonment upto one year or fine upto Rs.5000/- or both

(3) Contravention of any other provisions of the Act  
Imprisonment upto one year or fine upto Rs.5000/- or both

### **19.3 KEY TERMS**

***Maternity Act:*** This Act is to regulate the employment of women in certain establishments for certain period before and after child birth and to provide for maternity benefit and certain other benefits

***Forfeiture of Maternity Benefit:*** If a woman on maternity leave works in any other establishment for a period during the maternity leave then her claim to maternity benefit for that period is forfeited.



***Medical Termination of Pregnancy***

In case of miscarriage or MTP, a woman is entitled to the benefit on production of proof, for a period of 6 weeks from the date of such miscarriage or MTP.

**19.4 SELF ASSESSMENT QUESTIONS**

1 : What are the conditions for payment of maternity benefit under this Act? When is this benefit forfeited?

2 : Is a woman, employed as a casual labour or on daily wage basis entitled to the maternity benefit under this Act?

3 : Can an appropriate government having been satisfied with regard to grant of benefits have the power to exempt an establishment or a class of establishments, i.e. hospitals, nursing homes and dispensaries from the operation of all or any of the provisions of the Act? Give reasons.

4 : What are the leaves to which a woman worker is entitled to in case of miscarriage or illness arising out of pregnancy?

5 : What are the penalties given in the Act for the following offences?

(i) Failure to pay any amount of maternity benefit to a woman entitled under this Act.

(ii) For contravention of the provisions of the Act by an employer.

**19.5 SUGGESTED BOOKS FOR FURTHER READINGS**

1. Sharma, A.M: Industrial jurisprudence, Himalaya Publishment House, Mumbai, 2002
2. Agarwal, S.L: Labour Relations law in India, Maemillan Company of India Ltd., New Delhi 1990
3. Vaid, K.N: Labour welfare in india, Sri Ram Centre for Industrial Relations, New Delhi
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## LESSON 20

# THE PAYMENT OF BONUS ACT 1965

## 20.0 OBJECTIVE

1. To Discuss the scope and coverage of the Act
2. To Know about the Important provisions of the Act
3. To Understand the Penalties of the Act
4. To Analyse the Eligibility for bonus

## STRUCTURE

### 20.1 Introduction

### 20.2 Scope and Coverage

### 20.3 Important Provisions

#### 20.3.1 Coverage

#### 20.3.2 Calculation of Gross Profits and available surplus

#### 20.3.3 Eligibility for bonus

#### 20.3.4 Quantum of bonus

#### 20.3.5 Deduction from bonus and time limit for payment

#### 20.3.6 Recovery from the employer

#### 20.3.7 Presumption about accuracy of accounts

#### 20.3.8 Penalties

##### 20.3.8.1 Offences by Companies

##### 20.3.8.2 General

### 20.4 Summary

### 20.5 Key Terms

### 20.6 Self Assessment Questions

### 20.7 Suggested Books for Further Readings

## 20.1 INTRODUCTION

In a society like ours where there has been a tradition of celebrating festivals with much fanfare, payment of bonus on the eve of such festivals makes a greater impact on the workers who get some extra money to defray the extra expenses on account of the festival. Hence the practice of payment of bonus on the eve of major festivals. Payment of bonus is justified on the ground of sharing the profits of the employer. Bonus is a payment made to maintain industrial harmony and to motivate the workers to do their best to keep the industry performing well. Bonus is also paid to make available to every employee a living wage which is more often higher than the actual wage. Under the Act, every eligible employee is entitled to a minimum bonus of 8.33% of the salary or wages. The maximum bonus to be paid is 20%. Though intended to improve industrial relations in India, it has failed to achieve the purpose.

## 20.2 SCOPE AND COVERAGE

The Act is a Central legislation which extends to the whole of India and is applicable to every factory (as defined under the factories Act 1948) and to every other establishment wherein 20 or more workmen are employed on any day during an accounting year. The Central / State Government can, however, extend its provisions to establishments employing less than 20 persons but not less than 10. Part time employees are also included in the number of employees for bonus purpose (Section 10)

## 20.3 IMPORTANT PROVISIONS

### 20.3.1 Coverage

The Act extends to the whole of India, to every factory and every other establishment in which twenty or more persons are employed on any day during an accounting year (Section 1).

The appropriate government can extend the provisions of this Act to establishments (including a factory) which employs less than twenty but more than ten persons by notifying it in the official Gazette and by giving two months' notice (Section 1[3]).

An establishment to which this Act applies shall continue to be governed by this Act even if the number of persons employed falls below twenty (Section 1B).

### 20.3.2 Computations of Gross Profits and Available Surplus

The available surplus in respect of any accounting year will be the gross profit less the sums deductible under section 6 (Section 5).

Gross profits of establishments which is used in calculation of bonus, is to be calculated in the manner prescribed in the first schedule in respect of a Banking company or that prescribed in the second schedule in respect of other establishments (Section 4).

The Act provides for calculation of direct tax payable by the employer at the rates applicable to the income of the employer.

(a) In calculating the direct tax payable,

- (i) Any loss carried forward is not taken into account.
- (ii) No arrears of depreciation are taken into account.
- (iii) No exemption under section 84 of the IT Act and no deduction under subsection (1) of Section 101 of IT Act is to be taken into account.

(b) A charitable institution to which the provision of Section 32 of the IT act are not applicable and where whole or part of the income is exempt from tax, is to be treated as a company in which the public are substantially interested within the meaning of the IT Act.

(c) Where the employer is an individual or an HUF, the tax is to be calculated as if the income from the establishment is his only income.

(d) Where the income of the employer includes profits or gains on account of export out of India and a rebate is allowed, that rebate will not be taken into account while calculating the tax.

(e) Similarly no account of any rebate (other than development rebate, investment allowance or development allowance) or credit or relief or deduction in the payment of direct tax allowed

under any extant law or under any relevant Finance Act for the development of Industry will be taken into account while calculating the direct tax (Section 7).

The Act provides for calculation of available surplus as the gross profit for the year less the sums deductible under Section 6 of the Act provided from 1968 onwards the available surplus will be the aggregate of the gross profit less the sums deductible u/s6 and the difference between the direct tax in respect of the gross profits in respect of the previous year and the direct tax in respect of the gross profit less the bonus paid (or liable to be paid) in a respect of the previous year ( Section 5).

The following sums are deductible from the gross profits as prior charges:

- (a) Depreciation admissible under sub Section (1) of Section 32 of the IT Act
- b) Development rebate or investment allowance or development allowance which the employer is entitled to deduct from his income
- (c) Any direct tax the employer is liable to pay for the accounting year.
- (d) Such further sums as are specified in respect of the employer in the Third Schedule (Section 6).

### **20.3.3 Eligibility for bonus**

Every employee receiving salary or wages upto Rs.3500 p.m. and engaged in any kind of work skilled or unskilled is entitled to be paid bonus by the employer provided he has worked in the establishment for not less than thirty working days in that year.

- (i) A probationer is eligible for bonus.
- (ii) A part-time screeper is eligible for bonus.
- (iii) A daily wager is eligible for bonus.
- (iv) An apprentice is not eligible for bonus (Section 1B and Section 8).

9. An employee who is dismissed from service for fraud, riotous or violent behaviour, theft, misappropriation or sabotage, is not qualified to receive bonus (Section 9).

### **20.3.4 Quantum of bonus**

(a) Every employer is bound to pay to every employee from the year 1979 onwards, a minimum bonus of 8.33% of the salary or wages or Rs.100/- whichever is higher. (b) Where the employee is below the age of fifteen, he is to be paid 8.33% or Rs.60% whichever is higher (Section 10).

Where the allocable surplus 60% or 67% of the available surplus – (Section 2(4)) exceeds the amount of minimum bonus payable to the employees (from the year 1979 onwards), the employer is bound to pay to every employee higher bonus subject to a maximum of 20% of the salary or wages (Section 11).

- (a) If for any year the allocable surplus exceeds the amount of maximum bonus payable, the excess amount (subject to the limit of 20% of the salary or wages), will be carried forward for being set on and added to the allocable surplus of the subsequent year, upto the 4th accounting year.
- (b) Similarly if for any year the allocable surplus falls short of the amount of minimum bonus payable, the deficiencies carried forward in the same manner as the excess, for being set off, in the succeeding year and so on upto and inclusive of the 4th year in the manner illustrated in the 4th schedule (Section 15).

Employees whose salary or wages exceed Rs.2500/- will be paid bonus calculated under this Act, as if the salary were only Rs.2500/- (Section 12).

If a worker is laid off under an agreement or as permitted by standing order under the Industrial Employment (Standing Orders) Act 1946 or under the Industrial Disputes Act 1947, or under any other law applicable to the establishment, or is on leave with salary or wages, or is absent due to temporary disablement caused by accident arising out of and in the course of his/her employment or the employee has been on maternity leave with salary or wages, the period of absence will count towards bonus, as if he/she has worked on those days (Section 14).

15. In case of newly set up establishment, before or after the commencement of this Act, the employees of such establishments are entitled to be paid bonus under this Act in accordance with the following provisions:

(a) In the first five years, bonus will be paid in respect of only the year in which the employer derives profit, without applying the provisions regarding set off and set on.

(b) In the 6th and 7th year, the provision of set off and set on will be applied in the following manner.

(i) Set off or set on as the case may be, may be applied in respect of the fifth and sixth accounting year.

(ii) For the seventh accounting year, the set off or set on will be applied in respect of fifth, sixth and seventh year.

(c) From the eighth accounting year, the set off or set on will be applied as illustrated in the fourth schedule.

(d) The provision regarding, the newly set up departments or undertakings may also apply to new departments or undertakings set up by the existing establishments and if bonus was earlier paid on the basis of consolidated profits of all branches, then the same practice will be continued in respect of the newly set up branches or undertakings (Section 16)

#### ***20.3.5 Deductions from bonus and time limit for payment***

An interim interaction bonus or a part of the bonus paid on some customary occasion or before the date on which bonus is payable is adjusted against the total bonus payable for the year (Section 18).

Amount to be recovered from the employee on account of misconduct causing loss can be adjusted against bonus payable for that year only (Section 18).

(i) Bonus is to be paid in cash within eight months from the close of the accounting year.

(ii) In case of dispute regarding payment of bonus, it is to be paid within a month from the date in which the award becomes enforceable or the settlement comes into operation, provided further that the government or the Authority specified by government can extend the period upto two years (Section 19).

19. The provisions regarding bonus are applicable to a public sector unit provided the public sector unit sells or renders any service in competition with a private sector establishment and the income from such a sale, or service or both is not less than 20% of the gross income of the establishment for the year (Section 20).

### **20.3.6 Recovery from the employer**

If any bonus amount due to an employee is not paid to him by the employer, the employee (or his assignee or heir in case of death) can make an application within one year to the government which in turn can direct the collector to recover the amount as arrears of land revenue. (Section 21).

Any dispute regarding bonus payable, between the employee and the employer becomes an industrial dispute and is settled by application of the concerned Act or Law in force (Section 22).

### **20.3.7 Presumption about accuracy of accounts**

(i) Under the proceedings relating to bonus, the balance sheet and profit and loss account duly audited by a qualified auditor (designated under the Companies Act) are presumed to be accurate and the company is not required to prove the accuracy.

(ii) However, if the authority (an arbitrator or a tribunal) is satisfied that the particulars in the balance sheet or the profit and loss account are not accurate, it may take steps as deemed fit to verify the accuracy.

(iii) If the complaining party in the dispute wants a clarification about any item in the balance sheet or the profit and loss account, the said authority may direct the company to furnish the same (Section 33).

In case of a bonus dispute relating to a banking company the authority will not permit questioning of the correctness of the duly audited accounts of the banking company. It may, however, permit obtaining any information necessary for verifying the amount of bonus due under the Act. However, nothing can compel a banking company to furnish any information which the banking company is not compelled to furnish under the provisions of Section 34A of the Banking Regulation Act 1949 (Section 24).

In the dispute between the employer (not being a company or a corporation) and the employee regarding bonus, if the accounts are found to have not been audited by qualified auditors the authority may direct the employer to get the accounts audited by qualified auditors within a specified time. In case he fails to get it done, the authority may get it done without prejudice to the provisions of penalty (Section 28) under the Act (Section 25).

Every employer will prepare and maintain the following registers ie.,

(a) A register showing computation of the allocable surplus, in form A.

(b) A register showing the set on and the set off of the allocable surplus, in form B. (c) A register showing the details of the amount of bonus due to each of the employees, the deductions of interim bonus made and that of financial loss made, from the bonus payment due in form C.

The appropriate government may appoint inspectors for administering the Act (Section 27). Every employer has to send a return in form D to the inspector so as to reach him within 30 days after the expiry of the time limit specified in Section 19 for payment of bonus.

### **20.3.8 Penalties**

The penalty for contravening the provisions of this Act or the rules made there under is imprisonment upto six months or fine upto one thousand rupees or both. The same penalty is prescribed for non compliance with the directions or requisition issued under this Act (Section 28).

#### **20.3.8.1 Offences by Companies**

In case of companies contravening the provisions of the Act or not complying with the direction or requisitions, the company as well as the person in charge of the company shall be liable to be proceeded against unless such person in charge can prove that the offence was committed without his knowledge or he exercised due diligence to prevent the commission of the offence (Section 29).

#### **20.3.8.2 General**

Offences under the Act are non-cognizable offences (Section 30).

No suit, prosecution or legal action can be taken against the government or any officer of the government acting in good faith in pursuance of this Act.

Where an agreement or settlement has been reached for payment of an annual bonus linked with production or commencement of the Act, then the employees will be entitled to receive bonus under such agreement or settlement but such agreement or settlement will not deprive them of the right to receive the minimum bonus under this Act and such employees will not be entitled to receive bonus in excess of 20% of the salary or wages (Section 31A).

The Act does not apply to certain classes of employees including State / Central government employees, LIC, RBI, UTI, Local bodies, etc. What they receive is only ex-gratia payment.

(a) The appropriate government can exempt an establishment from the purview of this Act for valid reasons (Section 36).

(b) The prescribed authority for granting permission for change of accounting year in respect of a central government establishment is the Chief Labour Commissioner (central)

(c) In respect of other establishments it will be the labor commissioner of the state in which the establishment is situated.

## **20.4 SUMMARY**

The objective of the payment of Bonus Act 1965 is to provide for the payment of bonus to the employees of certain establishments, to impose statutory liability upon the employers to pay bonus, so that the surplus is shared by workers to some extent. It extends to the whole country and to every establishments where 20 or more workmen are employed on any day during

an accounting year with powers to the Central / State governments to extend it to the establishment employing less number (but more than 10) on a day. Bonus is calculated on the basis of available surplus which is on the basis of gross profit. To calculate gross profit two formulae one for banking companies and the other for other companies are used as given in the first and second schedule. With the enactment of the Act, bonus acquired the character of a right on the part of workers because the Act makes payment of minimum bonus(8.33% of the wages) obligatory whether the establishment made profit or not. The Act has been amended in 1969,1972,1975, 1977 and 1980. The 1977 amendment emphasized linking bonus with increasing production / productivity and once again declared bonus as a deferred wage,refixing the minimum at 8.33% of salary / wages. It however, retained the maximum at 20%. Employees in establishment mentioned in Section 32 where also to be paid bonus as deferred wages between 8.33% to 20% , providing for bargaining and with the approval of the appropriate government. Though bonus was sought to be linked to production by this amendment, there are very few instances in the country with productivity linked bonus. (Eg. Indian Railways), Bihar Electricity Board. However, in this the difficulty is to identify measures of productivity which can be applicable to all industries. Another aspect, as pointed out in the National tripartite Seminar on Bonus, held in March 1980 is that productivity depends upon many factors other than workers' contribution.

Bonus started in India as an ex-gratia payment (during the Second World War) and it has reached a stage that it is recognized as a matter of right of the employees In mid 1983, the central government extended coverage of the Bonus Act to a wide variety of its own white collared employees such as The Post and Telegraphs Department, Defence Ministry production units and other departments, particularly in the Education and Research Sectors, as a result of the interpretation of the term “Worker” by the Supreme Court.

## 20.5 KEY TERMS

Accounting year Agricultural Income Agricultural Income Tax Law Allocable Surplus  
Appropriate Government Available Surplus  
Award Banking Company Company Cooperative Society  
Corporation Direct Tax Employee Employer Establishment in Private Sector Establishment in  
Public Sector Factoring Gross Profits Income  
Tax Act Prescribed Salary or Wages.

## 20.6 SELF ASSESSMENT QUESTIONS

- 1: Define the following terms as used in the payment of Bonus Act 1965.  
(a) Allocable Surplus b) Available Surplus c) Direct Tax d) Employer and Employee  
e) Salary or Wages.
- 2: Under what circumstances, an employee is disqualified from receiving bonus?
- 3: How is “available surplus” determined under the payment of Bonus Act 1965?  
How is the “Allocable Surplus” calculated from it?
- 4: Explain in detail the procedure for “Set Off” and “Set On” by giving an example
- 5: Mention the Special Provisions of the Payment of Bonus Act in respect of new establishments.



6: An employee caused damage to the property of the employer by willful negligence to the extent of Rs.10,000/- in a particular year wherein he was entitled to receive bonus of Rs.5000/-.

Can the employer recover the loss from his subsequent years' bonus?

7: If an employee has not worked for all the working days in any accounting year is he entitled to any bonus?

8: The employees of an establishment have entered into an agreement for payment of an annual bonus linked with production or productivity in lieu of bonus based on profits under the payment of Bonus Act 1965. In such a situation, do the limits of 8.33% and 20% apply to them?

## 20.7 SUGGESTED BOOKS FOR FURTHER READINGS

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