

## Lecture Notes

On

**Human Resource Management**

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# UNIT-1

## **Human resource management:**

Human resource management, employee relations and personnel management used in the popular press as well as by industry experts. Whenever we hear these terms, we conjure images of efficient managers busily going about their work in glitzy offices.

**“Human resource management is that it is the process of managing people in organizations in a structured and thorough manner.”**

**“ HRM encompasses the management of people in organizations from a macro perspective.**

**HUMAN:** refers to the skilled workforce in an organization.

**RESOURCE:** refers to limited availability or scarce.

**MANAGEMENT:** refers how to optimize and make best use of such limited or scarce resource so as to meet the organization goals and objectives.

**According to Leon C. Megginson** “From the national point of view human resources are knowledge, skills, creative abilities, talents, and attitudes obtained in the population; whereas from the view-point of the individual enterprise, they represent the total of the inherent abilities, acquired knowledge and skills as exemplified in the talents and aptitude of its employees”.

In simple words, HRM is a process of making the efficient and effective use of human resources so that the set goals are achieved. Let us also consider some important definitions of HRM.

The National Institute of Personnel Management (NIPM) of India has defined human resource/personnel management as “that part of management which is concerned with people at work and with their relationship within an enterprise. Its aim is to bring together and develop into an effective organisation of the men and women who make up an enterprise and having regard for the well-being of the individuals and of working groups, to enable them to make their best contribution to its success”.

**According to Decenzo and Robbins** “HRM is concerned with the people dimension in management. Since every organization is made up of people, acquiring their services, developing their skills, motivating them to higher levels of performance and ensuring that they continue to maintain their commitment to the organization are essential to achieving organisational objectives. This is true, regardless of the type of organization-government, business, education, health, recreation, or social action”.

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

## Features of human resource management:

### 1. Hrm as a process

- **Acquisition of human resource-** this function includes human resource planning, recruitment, selection placement and induction of staff.
- **Development of human resources-** this function includes training and development and career development. The knowledge, skills, attitudes and social behaviours of the staff are developed.
- **Motivation of human resources-** this function includes giving recognition and rewards to the staff. It also includes performance appraisal and handling the problems of staff.
- **Maintenance of human resources-** this function includes providing the best working conditions for employees. It also looks after the health and safety of the staff.

**2. Continuous process:** HRM is not a one-time process. It is a continuous process. It has to continuously change and adjust according to the changes in the environment, changes in the expectations of the staff, etc. HRM has to give continuous training and development to the staff due to changes in technology.

### 3. Focus on objectives:

- Individual objectives of the staff.
- Group or department objectives.
- Organisational objectives.
- Societal objectives.

**4. Universal application:** HRM has universal application. That is, can be used for business as well as for other organizations such as schools, colleges, hospital, religious organisations, etc.

**5. Integrated use of subsystems:** HRM involves the integrated use of sub-systems such as training and development, career development, organisational development, performance appraisal, etc. all these subsystems increase the efficiency of the staff and bring success to the organization.

**6. Multidisciplinary:** HRM is multidisciplinary. That is, it uses many different subjects such as psychology, communication, philosophy, sociology, management, education etc.

**7. Develops team spirit:** HRM tries to develop the team spirit of the full organization. Team spirit helps the staff to work together for achieving the objectives of the organization. Now - a-days more importance is given to team work and not to individuals.

**8. Develops staff potentialities:** HRM develops the potentialities of the staff by giving them training and development. This will make the staff more efficient, and it will give them more job satisfaction.

**9. Key elements for solving problems:** Today, we have rapid technological, managerial, economic and social changes bring many problems. HRM continuously tries to solve these problems.

**10. Long term benefits:** HRM brings many long term benefits to the individuals (staff), the organization and the society. It gives many financial and non-financial benefits to the staff. It improves the image and profits of the organization. It also provides a regular supply of good quality goods and services at reasonable prices to the society.

### **Scope of human resource management**

**1. Human resource planning (HRP):** HRP estimates the manpower demand and manpower supply of the organisation. It compares the manpower demand and manpower supply. If there is manpower surplus then it gives voluntary retirement, lay-off, etc. to some employees. If there is manpower shortage then it hires employees, etc.

**2. Acquisition function:** Acquisition function includes human resource planning, recruitment, selection, placement and induction of employees. HRM uses the scientific selection procedure for selecting the right man for the right post. "The right man" is given proper placement and induction.

### **3. Placement function:**

HRM also performs the placement function. Placement is done after selection of employees. It means to put the right man in the right place of the work. Proper placement gives job satisfaction to the employees, and it increases their efficiency.

### **4. Performance appraisal:**

HRM also performance appraisal. Performance appraisal is a systematic evaluation of the employees' performance at work. It informs the employees about their strengths and weakness. It also advises them about how to increase their strengths and remove their weaknesses.

### **5. Career development:**

HRM also conducts a performance appraisal. Performance appraisal is a systematic evaluation of the employees' performance at work. It informs the employees about their strengths and weakness. It also advise them about how to increase their strenghts and remove their weaknesses.

#### **6. Training and development:**

HRM also provides training and development to the employees. Training means to increase the knowledge and skills of the employee for doing a particular job. Training given to managers is called development is given to managers.

#### **7. Quality of work life (QWL):**

HRM also includes quality of work life. **QWL** is a technique for improving productivity and quality of work. It involves labour management co-operation, collective bargaining and participative management.

#### **8. Employees' welfare:**

HRM provides employee's welfare. Measures include paid holidays, medical insurance, canteen facilities, etc. proper and timely welfare facilities, motivate the employees to work hard in the organization.

#### **9. Compensation function:**

Employees must be rewarded and recognised for their performance. HRM makes proper compensation packages for the employees. These packages motivate the employees and increase their morale. Rewards are given to individuals, and teams. The rewards may be in the form of higher pay, bonus, other monetary incentives, and non-monetary incentives such as certificate appreciation, etc.

#### **10. Labour relations:**

HRM is also includes industrial relations, joint consultations, negotiating, collective bargaining, grievance handling, disciplinary actions, settlement of industrial disputes etc.

#### **11. Maintenance function:**

HRM also performs the maintenance function. That is, protecting and promoting the health and safety measures. It also provides other benefits such as medical aid, provident fund pension, gratuity, maternity benefits, accident compensation, etc., To the employees.

#### **Objective of human resource management:**

The primary objectives of hrm are to ensure the availability of a competent and willing workforce to an organization. Beyond this there are other objectives, too. Specifically, HRM objectives are four folds- societal, organizational, functional, and personal.

**1. Societal objectives:** to be ethically and socially responsible to the needs and challenges of the while minimizing the negative impact of such demands upon the organization. The failure of organizations. The failure of organizations to use their resources for the society's benefit in ethical ways may lead to restrictions. For example, the society may limit HR decisions through laws that laws that enforce reservation in hiring and laws that address discrimination, safety or other such areas of societal concern.

**2. Organizational objectives:** to recognize the role of HRM in bringing about organizational effectiveness. HRM is not an end in itself. It is only a means to assist the organization with its primary objectives. Simply stated, the department exists to serve the rest the organization.

**3. Personal objectives:** to assist employee in achieving their personal goals enhance the individual's contribution to the organization. Personal objectives of employees must be met if workers are to be maintained, retained and motivated. Otherwise, employee performance and satisfaction may decline and employee may leave the organization.

**4. HRM Function:** in order to realize the objective stated above, HRM must perform certain functions. These functions have been stated that there is a correlation between the objectives and the functions. In other words, some functions help realize specific objectives. For example, the organizational objective is sought to be met by discharging such functions as HR planning, recruitment, and selection, training and development and performance appraisal. Similarly, the personal objective is sought to be realized through such functions as remuneration, assessment, and the like. The table contains the full list of objectives and functions.

#### **Importance of human resource management :**

**1. Recruitment and training-** this is one of the major responsibilities of the human resource team. The HR managers come up with plans and strategies for hiring the right kind of people. They design the criteria which is best suited for a specific job description. Their other tasks related to recruitment include formulating the obligations of an employee and the scope of tasks assigned to him or her.

**2. Performance appraisals-** HRM encourages the people working an organisation, to work according to their potential and gives them suggestions that can help theme to bring about improvement in it.

**3. Maintaining work atmosphere-** this is vital aspect of HRM because the performance of an individual in an organisation is largely driven by the work atmosphere or work culture that

prevails at the workplace. A good working condition is one of the benefits that the employees can expect from an efficient human resource team.

**4. Managing disputes-** in an organisation, there are several issues on which disputes may arise between the employee and the employers . you can say conflicts are almost inevitable. In such a scenario, it is the human resource department which acts as a consultant and mediator to sort out those issues in an effective manner.

**5. Developing public relations-** the responsibility of establishing good public relations lies with the HRM to a great extent. They organise business meetings, seminars and various official gatherings on behalf of the company in order to build up relationships with other business sectors.

### HRM vs. HRD

<b>BASIS FOR COMPARISON</b>	<b>HRM</b>	<b>HRD</b>
<b>Meaning</b>	Human Resource Management refers to the application of principles of management to manage the people working in the organization.	Human Resource Development means a continuous development function that intends to improve the performance of people working in the organization.
<b>What is it?</b>	Management function.	Subset of Human Resource Management.
<b>Function</b>	Reactive	Proactive
<b>Objective</b>	To improve the performance of the employees.	To develop the skills, knowledge and competency of employees.
<b>Process</b>	Routine	Ongoing
<b>Dependency</b>	Independent	It is a subsystem.
<b>Concerned with</b>	People only	Development of the entire organization.

### HRM

Human Resource Management, shortly known as HRM refers to a systematic branch of management that is concerned with managing people at work so that they can give best results to the organization. It is the application of management principles to the people working in the organization. It aims at improving the performance and productivity of the organization by finding out the effectiveness of its human capital. Therefore, HRM is an art of placing the right person at the right job, to ensure the best possible use of organization's manpower.





The process involves an array of activities that begins with the recruitment, selection, orientation, & induction, training & development, performance appraisal, incentives & compensation, motivation, maintaining workplace safety, health & welfare policies, managing relationship with the organization, managing change.

## HRD

The term Human Resource Development or HRD refers to the development of people working in an organization. It is a part of HRM; that aims at improving skills, knowledge, competencies, attitude and behaviour of employees of the organization. The purpose of the HRD is to empower and strengthen the abilities of the employees so that their performance will get better than before.

Human Resource Development involves providing such opportunities to the employees that will prove beneficial in their all around development. Such opportunities include training & development, career development, performance management, talent management, coaching & mentoring, key employee identification, succession planning and so on. Nowadays, there are many organizations work for the human resource development of employees from the day they join the enterprise, and the process continues, until the end of their employment term.

## Key Differences between HRM and HRD

The significant differences between HRM and HRD are discussed in the following points

1. Human Resource Management refers to the application of principles of management to manage the people working in the organization. Human Resource Development means a continuous development function that intends to improve the performance of people working in the organization.
2. HRM is a function of management. Conversely, HRD falls under the umbrella of HRM.

3. HRM is a reactive function as it attempts to fulfill the demands that arise while HRD is a proactive function that meets the changing demands of the human resource in the organization and anticipates it.
4. HRM is a routine process and a function of administration. On the other hand, HRD is an ongoing process.
5. The basic objective of HRM is to improve the efficiency of employees. In contrast to HRD, this aims at developing the skill, knowledge and competency of workers and the entire organization.
6. HRD is an organizationally oriented process; that is a subsystem of a big system. As opposed to HRM where there are separate roles to play, which makes it an independent function.
7. Human Resource Management is concerned with people only. Unlike Human Resource Development, that focuses on the development of the entire organization.





# UNIT-2

## **Manpower planning :**

Manpower planning which is also called as human resource planning consists of putting right number of people, right kind of people at the right place, right time, doing the right things for which they are suited for the achievement of goals of the organization. Human resource planning has got an important place in the arena of industrialization. Human resource planning has to be a systems approach and is carried out in a set procedure. The procedure is as follows:

### **Step in manpower planning**

**1. Analyzing the current manpower inventory-** Before a manager makes forecast of future manpower, the current manpower status has to be analyzed. For this the followings things have to be noted-

- Type of organization
  - Number of departments
  - Number and quantity of such departments
  - Employees in these work units
2. Once these factors are registered by a manager, he goes for the future forecasting.



- **Making future manpower forecasts-** Once the factors affecting the future manpower forecasts are known, planning can be done for the future manpower requirements in several work units.

The Manpower forecasting techniques commonly employed by the organizations are as follows:

1. **Expert Forecasts:** This includes informal decisions, formal expert surveys and Delphi technique.
2. **Trend Analysis:** Manpower needs can be projected through extrapolation (projecting past trends), indexation (using base year as basis), and statistical analysis (central tendency measure).
3. **Work Load Analysis:** It is dependent upon the nature of work load in a department, in a branch or in a division.
4. **Work Force Analysis:** Whenever production and time period has to be analysed, due allowances have to be made for getting net manpower requirements.

**3. Other methods:** Several Mathematical models, with the aid of computers are used to forecast manpower needs, like budget and planning analysis, regression, new venture analysis.

**4. Developing employment programmes-** Once the current inventory is compared with future forecasts, the employment programmes can be framed and developed accordingly, which will include recruitment, selection procedures and placement plans.

**5. Design training programmes-** These will be based upon extent of diversification, expansion plans, development programmes, etc. Training programmes depend upon the extent of improvement in technology and advancement to take place. It is also done to improve upon the skills, capabilities, knowledge of the workers.

### **Importance of Manpower Planning**

- 1. Key to managerial functions-** The four managerial functions, i.e., planning, organizing, directing and controlling are based upon the manpower. Human resources help in the implementation of all these managerial activities. Therefore, staffing becomes a key to all managerial functions.
- 2. Efficient utilization-** Efficient management of personnel's becomes an important function in the industrialization world of today. Setting of large scale enterprises requires management of large scale manpower. It can be effectively done through staffing function.
- 3. Motivation-** Staffing function not only includes putting right men on right job, but it also comprises of motivational programmes, i.e., incentive plans to be framed for further participation and employment of employees in a concern. Therefore, all types of incentive plans become an integral part of staffing function.
- 4. Better human relations-** A concern can stabilize itself if human relations develop and are strong. Human relations become strong through effective control, clear communication, effective supervision and leadership in a concern. Staffing function also looks after training and development of the work force which leads to co-operation and better human relations.

### **Need of Manpower Planning**

Manpower Planning is a two-phased process because manpower planning not only analyses the current human resources but also makes manpower forecasts and thereby draw employment programmes. Manpower Planning is advantageous to firm in following manner:

1. Shortages and surpluses can be identified so that quick action can be taken wherever required.
2. All the recruitment and selection programmes are based on manpower planning.

3. It also helps to reduce the labour cost as excess staff can be identified and thereby overstaffing can be avoided.
4. It also helps to identify the available talents in a concern and accordingly training programmes can be chalked out to develop those talents.
5. It helps in growth and diversification of business. Through manpower planning, human resources can be readily available and they can be utilized in best manner.
6. It helps the organization to realize the importance of manpower management which ultimately helps in the stability of a concern.

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

### **Employee Hiring**

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

### **RECRUITMENT**

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

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

### **Nature of Recruitment**

1. Determine the present and future requirements of the organization on conjunction with its personnel planning and job analysis activities.
2. Increase the pool of job candidates at minimum cost.
3. Help increase the success rate of the selection process by reducing the number of visibly under qualified or overqualified job applicants.
4. Help reduce the probability that job applicants, once recruited and selected, will leave the organization only after a short period of time.
5. Meet the organization's legal and social obligations regarding the composition of its work force.
6. Begin identifying and preparing potential job applicants who will be appropriate candidates.
7. Increase organizational and individual effectiveness in the short term and long term.
8. Evaluate the effectiveness of various recruiting techniques and sources for all types of job applicants.

### **Sources of Recruitment**

The eligible and suitable candidates required for a particular job are available through various sources. These sources can be divided into two categories, as shown in Figure 5.5.



Fig. 5.5 Sources of Recruitment.

## 1. Internal Sources of Recruitment

### (a) Promotions

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

### (b) Retirements

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

### (c) Former employees

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

### (d) Transfer

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

### (e) Internal advertisement

The existing employees may be interested in taking up the vacant jobs. As they are working in the company since long time, they know about the specification

and description of the vacant job. For their benefit, the advertisement within the company is circulated so that the employees will be intimated.

### **Benefits of Internal Sources of Recruitment**

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

## **2. External Sources of Recruitment**

### **(a) Press advertisement**

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

### **(b) Campus interviews**

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

### **(c) Placement agencies**

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

### **(d) Employment exchange**

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

### **(e) Walk in interviews**



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

### **(f) E-recruitment**

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

### **(g) Competitors**

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

### **Benefits of External Sources of Recruitment**

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

### **Employee Selection, Process of Employee Selection**

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

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

### **The Employee Selection Process**

#### **1. Announcing the Job**

The employee selection process usually starts with a manager or boss commissioning human resources to fill a new or vacant position. The manager must first decide what qualifications she desires in a job candidate. For example, should the person have a college degree, or how many years of relevant experience is necessary? Once the manager establishes the job requirements, the human resources department places ads in the local newspaper and online. Sometimes, human resources uses a headhunter to find candidates, someone who often specializes in a certain field, such as sales.

#### **2. Reviewing Applications**

Review resumes and match each candidate's background to the job requirements. Companies sometimes receive hundreds of resumes for an ad. However, human resources may only

consider a half dozen. During bad economic periods, a number of candidates may have an education and experience that exceed the qualifications for the job. Contrarily, it may be tougher to find qualified candidates during good economic times. Nevertheless, human resources and the hiring manager must determine how many candidates they can realistically bring in for an interview.

### 3. Initial Screening

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

### 4. In-Person Interviewing

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

### 5. Final Selection

The hiring manager will usually ask for feedback from human resources and other employees who interviewed the job candidates. She may also review her notes and decide which candidate would fit best in the open position. Qualifications are only one consideration when filling a job opening. The hiring manager will usually select someone with whom she can work, whether it is the candidate's personality or work ethic.

### 6. Testing

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

## Recent Trends in Recruitment

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

### OUTSOURCING

In India, the HR processes are being outsourced from more than a decade now. A company may draw required personnel from outsourcing firms. The outsourcing firms help the

organization by the initial screening of the candidates according to the needs of the organization and creating a suitable pool of talent for the final selection by the organization.

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

### **Advantages of outsourcing are-**

#### **Know the Internal Sources of Recruitment**

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

### **POACHING/RAIDING**

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

#### **Know the External Sources of Recruitment**

### **E-RECRUITMENT**

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

Advantages of recruitment are:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## **(vii) Effective Management**

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

## **Methods and Types of Training**

### **Training Methods**

1. On-the-job training Methods
2. Off-the-job Training Methods

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

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

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

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

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

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

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

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

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

It is a Step by step (structured) on the job training method in which a suitable trainer (a) prepares a trainee with an overview of the job, its purpose, and the results desired, (b) demonstrates the task or the skill to the trainee, (c) allows the trainee to show the demonstration on his or her own, and (d) follows up to provide feedback and help. The

trainees are presented the learning material in written or by learning machines through a series called 'frames'. This method is a valuable tool for all educators (teachers and trainers). It helps us:

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

### **(V) Apprenticeship**

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

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

### **(VI) Understudy**

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

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

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

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

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

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

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

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

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

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

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

- **Management Games-** Properly designed games help to ingrain thinking habits, analytical, logical and reasoning capabilities, importance of team work, time management, to make decisions lacking complete information, communication and leadership capabilities. Use of management games can encourage novel, innovative mechanisms for coping with stress. Management games orient a candidate with practical applicability of the subject. These games help to appreciate management concepts in a practical way. Different games are used for training general managers and the middle management and functional heads – executive Games and functional heads.
- **Case Study-** Case studies are complex examples which give an insight into the context of a problem as well as illustrating the main point. Case Studies are trainee centered activities based on topics that demonstrate theoretical concepts in an applied setting. A case study allows the application of theoretical concepts to be demonstrated, thus bridging the gap between theory and practice, encourage active learning, provides an opportunity for the development of key skills such as communication, group working and problem solving, and increases the trainees’ enjoyment of the topic and hence their desire to learn.
- **Role Playing-** Each trainee takes the role of a person affected by an issue and studies the impacts of the issues on human life and/or the effects of human activities on the world around us from the perspective of that person. It emphasizes the “real- world” side of science and challenges students to deal with complex problems with no single “right” answer and to use a variety of skills beyond those employed in a typical research project. In particular, role-playing presents the student a valuable opportunity to learn not just the course content, but other perspectives on it. The steps involved in role playing include defining objectives, choose context & roles, introducing the exercise, trainee preparation/research, the role-play, concluding discussion, and assessment. Types of role play may be multiple role play, single role play, role rotation, and spontaneous role play.
- **In-basket training-** In-basket exercise, also known as in-tray training, consists of a set of business papers which may include e-mail SMSs, reports, memos, and other items. Now the trainer is asked to prioritise the decisions to be made immediately and the ones that can be delayed.

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

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

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

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

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

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

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

#### **Types of Training**

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

Some of the commonly used training programs are listed below

##### **1. Induction training**

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

##### **2. Job instruction training**

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

##### **3. Vestibule training**

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

##### **4. Refresher training**



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

## 5. Apprenticeship training

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

## Promotion and Transfer of Employee

### PROMOTION

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

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

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

### Types of Promotion

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

#### 1. Horizontal promotion

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

#### 2. Vertical Promotion

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

#### 3. Dry Promotion

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

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

### **Purpose of Promotion**

The following are the purposes or objectives of promotion:

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

### **TRANSFER**

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

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

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

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

### **Purposes of Transfer**

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

#### **1. To Meet the Organisational Requirements**

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

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

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

## **2. To Meet Employees' Requests**

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

## **3. To Ensure Better Utilization of the Employees**

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

## **4. To Make the Employees More Versatile**

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

## **5. To Adjust the Workforce**

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

## **6. To Provide Relief to the Employee**

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

## **7. To Reduce Conflicts and Incompatibilities**

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

## **8. To Penalise the Employees**

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

#### 9. To Maintain a Tenure System

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

#### 10. To Accommodate Family Related Issues

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

##### **Types of Transfer of employee**

Transfers may be classified on the basis of purpose or unit

##### **(A) On the Basis of Purpose**

#### 1. Production Transfers

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

#### 2. Replacement Transfers

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

#### 3. Versatility Transfers

Versatility transfers are effected to make employees versatile and competent in more than one skill. It aims at giving training to the employees of various jobs of similar nature having different operations. It helps the employees to get themselves prepared for promotions and also helps the employer in developing the effective manpower prepared to handle the higher openings.

#### 4. Shift Transfers

When the unit runs in shifts, employees are transferred from one shift to another on similar jobs. In some undertakings, where shifts are operated regularly, employees may be recruited

permanently for the shift, but in some cases they are rotated from one shift to another as a matter of practice, because many employees dislike second or third shift assignment as it interferes with their social or family engagements.

## 5. Remedial Transfers

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

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

## 6. Precautionary Transfers

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

### (B) On the Basis of Unit

#### 1. Sectional Transfers

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

#### 2. Departmental Transfers

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

#### 3. Inter-Plant Transfers

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

## Demotion and Separation of Employee

### DEMOTION OF EMPLOYEE

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

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

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

### **Causes of Demotion**

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

1. Inadequacy on the part of the employees in terms of job performance, attitude and capability. It happens when an employee finds it difficult to meet job requirement standards, following his promotion.
2. Demotion may result from organisational staff reductions. Due to adverse business conditions, organizations may decide to lay off some and downgrade some jobs.
3. Demotions may be used as disciplinary tools against errant employees.
4. If there is a mistake in staffing i.e., a person is promoted wrongly.
5. When, because of a change in technology, methods and practices, old hands are unable to adjust or when employees because of ill health or personal reasons, cannot do their job properly.

### **Demotion Policy**

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

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

1. A clear list of rules along with punishable offences be made available to all the employees.
2. Any violation be investigated thoroughly by a competent authority.
3. In case of violations, it is better to state the reasons for taking such a punitive step clearly and elaborately.
4. Once violations are proved, there should be a consistent and equitable application of the penalty.
5. There should be enough room for review.

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

## **SEPARATION OF EMPLOYEE**

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

### **Causes of employee separation**

#### **1. Resignation**

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

#### **2. Dismissal or Discharge**

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

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

#### **3. Death**

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

#### **4. Suspension**

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

#### **5. Retrenchment**

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

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

## 6. Lay off

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

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

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

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

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

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





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

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

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

### **Importance of Compensation Management**

1. Compensation management makes a company vigilant. It drives managers to be on the look out for star performers who must be given rewards for their efforts, which ultimately decreases the risk of losing a valuable employee.
2. It is positive reinforcement. Yes, money doesn't make the world go round and if line managers are not friendly, helpful and supportive retention is difficult. But cash prizes and consistent monetary perks in conjunction with a great work environment allow companies to grow by leaps and bounds through motivated, hard working employees.
3. Compensation management enhances the company's reputation. When workers are satisfied with their monetary and intangible rewards, they attract better prospects for vacant positions, bringing new, fresh talent to the organization.

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

Employee compensation and benefits are divided into four basic categories:

1. **Guaranteed pay:** A fixed monetary (cash) reward paid by an employer to an employee. The most common form of guaranteed pay is base salary. Guaranteed pay also includes cash allowances (housing allowance, transport allowance, etc.), differentials (shift differentials, holiday differentials) and premiums (overtime, night shift, etc.)
2. **Variable pay:** A non-fixed monetary (cash) reward paid by an employer to an employee that is contingent on discretion, performance, or results achieved. The most common forms of variable pay are bonuses and incentives.
3. **Benefits:** Programs an employer uses to supplement employees' compensation, such as paid time off, medical insurance, company car, and more.
4. **Equity:** Based compensation – stock or pseudo stock programs an employer uses to provide actual or perceived ownership in the company which ties an employee's compensation to the long-term success of the company. The most common examples are stock options.

### **Components Executive Compensation**

## 4 Main Components of Executive's Compensation

### 1. A basic salary

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

### 2. Short-term incentives

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

### 3. Long-term incentives

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

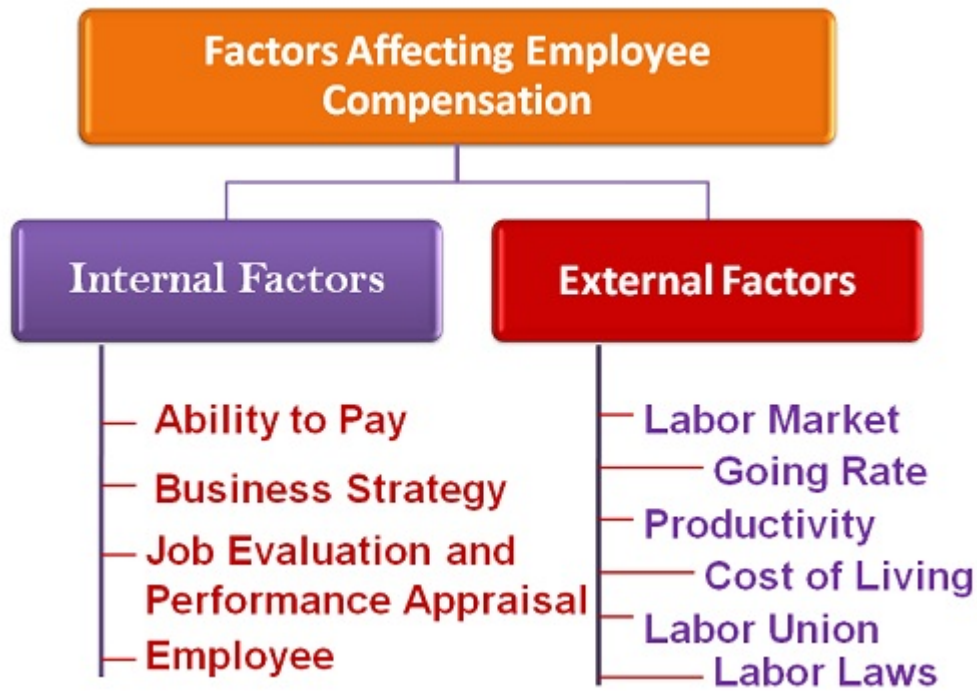
The chief grant types fall into three broad categories-stock-price appreciation grants, restricted stock or cash grants and performance-based grants.

### 4. Benefits/Perquisites

The last component of an executive's total compensation package consists of a wide variety of benefits and perquisites. It is difficult to quantify benefits due to lack of reliability of data. These benefits include company cars, club membership, spouse travel, housing accommodation etc.'

### Factors affecting Employee Compensation

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



### 1. Internal factors

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

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

**(ii) Business Strategy-** The organization's strategy also influences the employee compensation. In case the company wants the skilled workers, so as to outshine the competitor, will offer more pay as compared to the others. Whereas, if the company wants to go smooth and is managing with the available workers, will give relatively less pay or equivalent to what others are paying.

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

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

- **Performance-** The better performance fetches more pay to the employee, and thus with the increased compensation, they get motivated and perform their job more efficiently.
- **Experience-** As the employee devotes his years in the organization, expects to get an increased pay for his experience.
- **Potential-** The potential is worthless if it gets unnoticed. Therefore, companies do pay extra to the employees having better potential as compared to others.

## 2. External Factors

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

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

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

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

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

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

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

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

### Employee incentive Schemes

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

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

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

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

#### **1. Compensation incentives**

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

#### **2. Recognition incentives**

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

#### **3. The reward incentives**

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

#### **4. Appreciation incentives**

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

#### **5. Offering employee's equity**

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

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

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

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

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

## **(ii) Set targets**

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

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

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

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

## **(iv) Define rewards**

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

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

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

## **(v) Measure success**

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





## Nature of job Analysis

**Job analysis** is the process of determining the duties of various positions at an organizations and also the specific KSA's (Knowledge, Skill, Abilities) required to perform these duties and hence the characteristics of the employee that is to be hired for that position. the information collected through job analysis is used to prepare job descriptions and job specifications.

Job Analysis is a process to identify and determine in detail the particular job duties and requirements and the relative importance of these duties for a given job. Job Analysis is a process where judgements are made about data collected on a job.

The Job; not the person An important concept of Job Analysis is that the analysis is conducted of the Job, not the person. While Job Analysis data may be collected from incumbents through interviews or questionnaires, the product of the analysis is a description or specifications of the job, not a description of the person.

## Nature of Job Analysis

1. Job analysis is a process of gathering relevant information about various aspects of a job and is concerned with the identification of tasks required to be performed as part of it.
2. It approaches the task of defining the role, context, conditions, human behavior, performance standards and responsibilities of a job systematically.
3. It helps in establishing the job's worth to an organization. In other words, it measures the value and contribution of a job to the growth of the organization.
4. It establishes job relatedness, which is a crucial input for HR decisions involving recruitment, selection, compensation, training, health and safety.
5. It facilitates the process of understanding the impact of environmental changes on individual jobs.

## Uses of Job Analysis

**(i) Provide Base for different jobs** Job analysis provides the base for identifying the contents of different jobs, their interrelationship and interdependence, responsibility involved in a job, and authority that may be required to perform the job.

**(ii) Helps in organisational design** Job analysis provides all the required information to get the framework of organisational design. Organisational design is building a network of relationships among various functions and positions. In organisational design various jobs to be perform are identified and grouped together on the basis of similarity. This process can only be done with the help of job analysis.

**(iii) Human resource planning** Job analysis proves to be of great help in case of Human Resource Planning by providing information for forecasting human resource needs in terms of knowledge, skills and experience. Job analysis also helps in planning for promotions and transfers by showing relationships among different jobs laterally as well as vertically.

**(iv) Recruitment and selection** Job analysis provides the basic ingredient required for recruitment and selection. It is well understood that recruitment and selection, taken together,

is a process of identifying the source from where the personnel can be hired, motivating them, analysing them and selecting the ones who match the concerned job. We can say that matching jobs and individuals is the whole process of recruitment and selection. And both the types of information in the form of job description and job specification are provided through job analysis.

**(v) Orientation and placement** job analysis also helps in orientation and placement by providing complete information about job requirements. It further helps when an individual is selected to perform number of jobs and not a specific job.

**(vi) Career planning** Job analysis helps in career planning by providing information about the opportunities in terms of career paths and jobs availability in the organization with the help of this information, both individuals and organisation are able to chart out their plan for career planning and development.

**(vii) Training** Job analysis provides valuable information to identify training and development needs of various individuals. It is obvious that training and development needs can only be determined by job analysis. It is very important for every organization to put its endeavor in the form of training and development so that the individuals are equipped to meet the requirements of their jobs.

**(viii) Job evaluation** Job analysis plays an important role in evaluating the job and compensating it according to its worth in comparison to other jobs in an organization. The worth of a job is determined on the basis of job characteristics and job-holder characteristics. Job analysis provides both in the forms of job description and job specification.

**(ix) Performance appraisal** Job analysis helps in evaluating the performance of any individual in the organization. Performance appraisal is done by comparing the individual's actual job performance with what is expected of him and job analysis decides what is expected of an employee and hence, it helps in determining performance standards against which the actual job performance is measured.

**(x) Employee safety** Job analysis helps in taking precautions to save the employees from the hazardous environmental and operational conditions in various jobs. It is obvious that all such kind of information related to a particular job will be provided by job analysis.

**(xi) Counselling** Job analysis also helps in providing counselling to employees in different areas. Sometimes, employees are unable to bear the stress of a particular job, then they are advised to opt for another job, but this is only possible with the information provided by job analysis.

### **Purpose of Job Analysis**

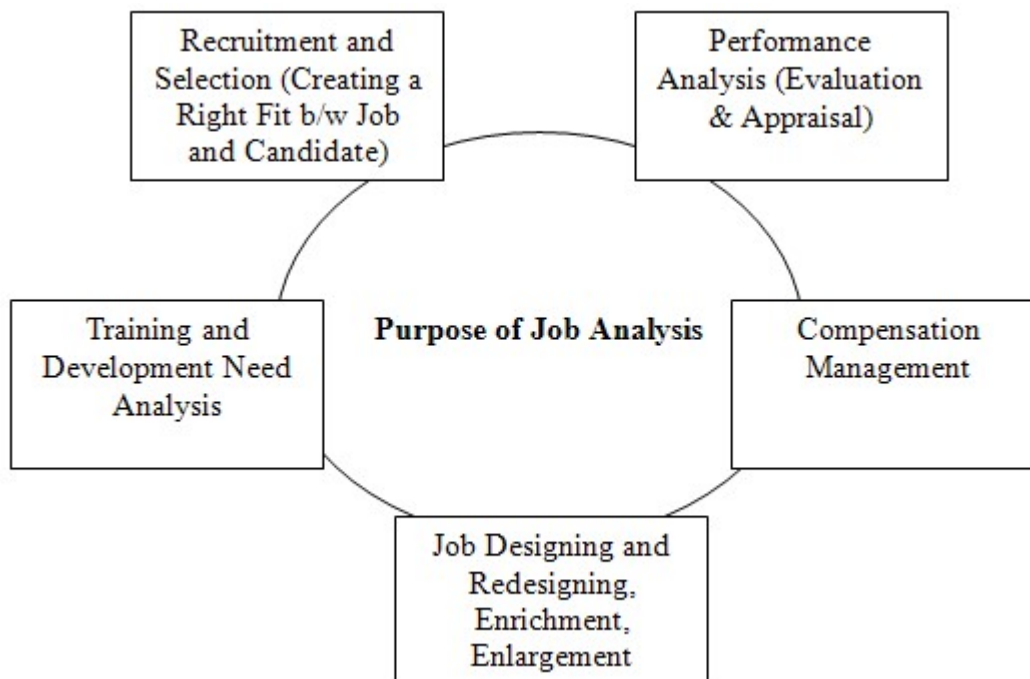
As discussed already, job analysis involves collecting and recording job-related data such as knowledge and skills required to perform a job, duties and responsibilities involved, education qualifications and experience required and physical and emotional characteristics required to perform a job in a desired manner.

The main purposes of conducting a job analysis process is to use this particular information to create a right fit between job and employee, to assess the performance of an employee, to determine the worth of a particular task and to analyze training and development needs of an employee delivering that specific job.

Let's understand the concept with the help of an example. If the job of an executive sales manager is to be analyzed, the first and foremost thing would be to determine the worth of this job. The next step is to analyze whether the person is able to deliver what is expected of him. It also helps in knowing if he or she is perfect for this job. The process doesn't finish here. It also involves collection of other important facts and figures such as job location, department or division, compensation grade, job duties, routine tasks, computer, educational, communicational and physical skills, MIS activities, reporting structure, ability to adapt in a given environment, leadership skills, licenses and certifications, ability to grow and close sales, ability to handle clients, superiors and subordinates and of course, the presentation of an individual.

### **Purpose of Job Analysis**

Job Analysis plays an important role in recruitment and selection, job evaluation, job designing, deciding compensation and benefits packages, performance appraisal, analyzing training and development needs, assessing the worth of a job and increasing personnel as well as organizational productivity.



- **Recruitment and Selection:** Job Analysis helps in determining what kind of person is required to perform a particular job. It points out the educational qualifications, level of experience and technical, physical, emotional and personal skills required to carry out a job in desired fashion. The objective is to fit a right person at a right place.
- **Performance Analysis:** Job analysis is done to check if goals and objectives of a particular job are met or not. It helps in deciding the performance standards, evaluation criteria and individual's output. On this basis, the overall performance of an employee is measured and he or she is appraised accordingly.
- **Training and Development:** Job Analysis can be used to assess the training and development needs of employees. The difference between the expected and actual output determines the level of training that need to be imparted to employees. It also helps in deciding the training content, tools and equipments to be used to conduct training and methods of training.
- **Compensation Management:** Of course, job analysis plays a vital role in deciding the pay packages and extra perks and benefits and fixed and variable incentives of employees. After all, the pay package depends on the position, job title and duties and responsibilities involved in a job. The process guides HR managers in deciding the worth of an employee for a particular job opening.
- **Job Designing and Redesigning:** The main purpose of job analysis is to streamline the human efforts and get the best possible output. It helps in designing, redesigning, enriching, evaluating and also cutting back and adding the extra responsibilities in a particular job. This is done to enhance the employee satisfaction while increasing the human output.

### **Job Analysis Process**

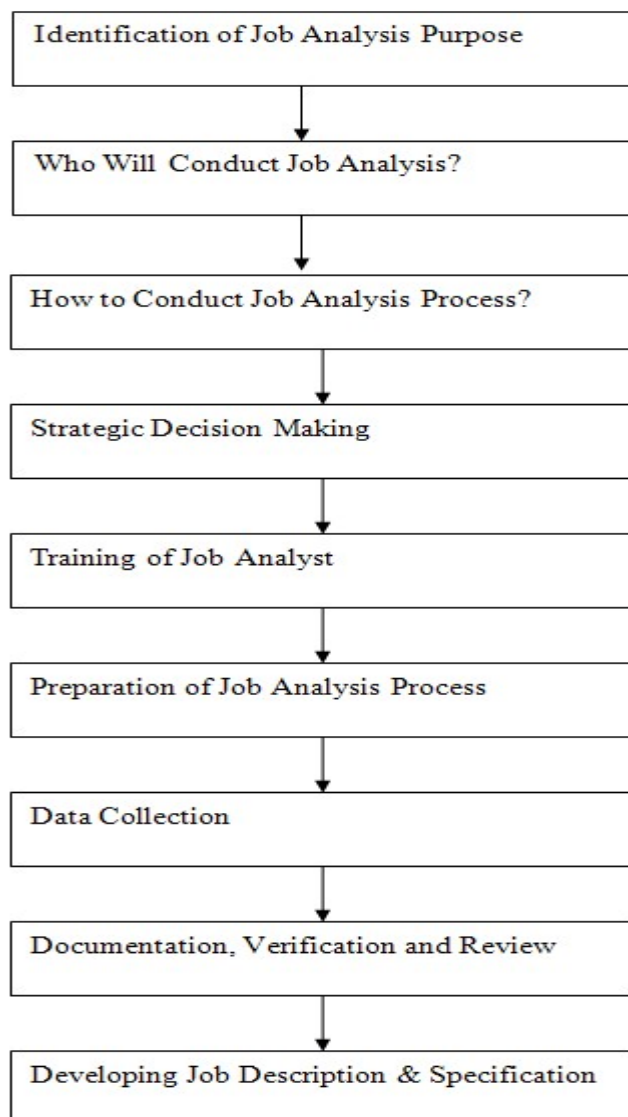
Where to place the employees in order to best utilize their skills and talent? How to determine the need of new employees in the organization? How to eliminate unneeded jobs? How to set realistic performance measurement standards? How to identify the jobs and prepare a plan to fill them?

Well, all this can be effectively done by a proper and thorough job analysis. Managers deal such kinds of challenges in day-to-day company operations where they need to fulfill

effectively and efficiently fulfill the organization's requirements related to human resource recruitment, selection, performance, satisfaction and cutting down and adding extra responsibilities and duties. And there is no scope where they can avert the risk of being wrong.

An effective and right process of analyzing a particular job is a great relief for them. It helps them maintain the right quality of employees, measure their performance on realistic standards, assess their training and development needs and increase their productivity. Let's discuss the job analysis process and find out how it serves the purpose.

### Job Analysis Process



- **Identification of Job Analysis Purpose:** Well any process is futile until its purpose is not identified and defined. Therefore, the first step in the process is to determine its

need and desired output. Spending human efforts, energy as well as money is useless until HR managers don't know why data is to be collected and what is to be done with it.

- **Who Will Conduct Job Analysis:** The second most important step in the process of job analysis is to decide who will conduct it. Some companies prefer getting it done by their own HR department while some hire job analysis consultants. Job analysis consultants may prove to be extremely helpful as they offer unbiased advice, guidelines and methods. They don't have any personal likes and dislikes when it comes to analyze a job.
- **How to Conduct the Process:** Deciding the way in which job analysis process needs to be conducted is surely the next step. A planned approach about how to carry the whole process is required in order to investigate a specific job.
- **Strategic Decision Making:** Now is the time to make strategic decision. It's about deciding the extent of employee involvement in the process, the level of details to be collected and recorded, sources from where data is to be collected, data collection methods, the processing of information and segregation of collected data.
- **Training of Job Analyst:** Next is to train the job analyst about how to conduct the process and use the selected methods for collection and recoding of job data.
- **Preparation of Job Analysis Process:** Communicating it within the organization is the next step. HR managers need to communicate the whole thing properly so that employees offer their full support to the job analyst. The stage also involves preparation of documents, questionnaires, interviews and feedback forms.
- **Data Collection:** Next is to collect job-related data including educational qualifications of employees, skills and abilities required to perform the job, working conditions, job activities, reporting hierarchy, required human traits, job activities, duties and responsibilities involved and employee behaviour.
- **Documentation, Verification and Review:** Proper documentation is done to verify the authenticity of collected data and then review it. This is the final information that is used to describe a specific job.
- **Developing Job Description and Job Specification:** Now is the time to segregate the collected data in to useful information. Job Description describes the roles, activities, duties and responsibilities of the job while job specification is a statement of educational qualification, experience, personal traits and skills required to perform the job

### **Job Analysis Methods**

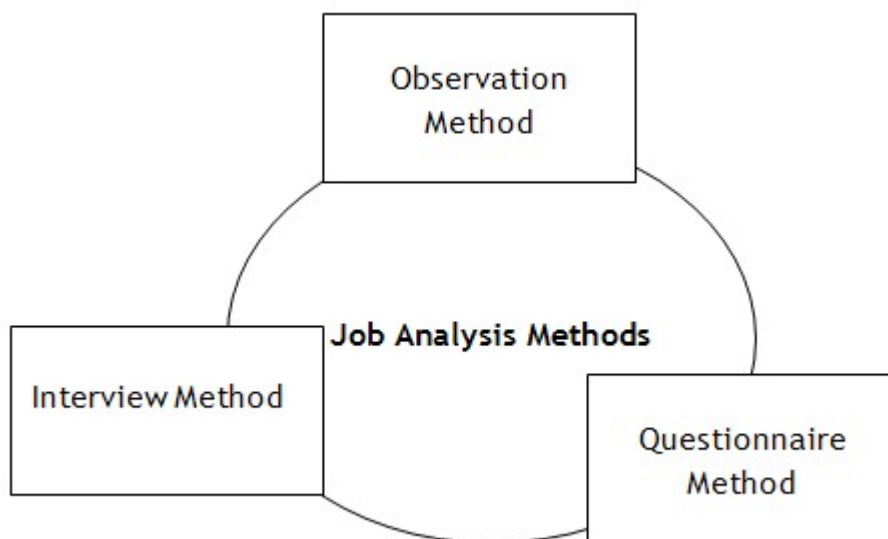
Though there are several methods of collecting job analysis information yet choosing the one or a combination of more than one method depends upon the needs and requirements of

organization and the objectives of the job analysis process. Typically, all the methods focus on collecting the basic job-related information but when used in combination may bring out the hidden or overlooked information and prove to be great tools for creating a perfect job-candidate fit.

Selecting an appropriate job analysis method depends on the structure of the organization, hierarchical levels, nature of job and responsibilities and duties involved in it. So, before executing any method, all advantages and disadvantages should be analyzed because the data collected through this process serves a great deal and helps organizations cope with current market trends, organizational changes, high attrition rate and many other day-to-day problems.

Let's discuss few of job analysis methods that are commonly used by the organizations to investigate the demands of a specific job.

### Job Analysis Methods



### Most Common Methods of Job Analysis

- **Observation Method:** A job analyst observes an employee and records all his performed and non-performed task, fulfilled and un-fulfilled responsibilities and duties, methods, ways and skills used by him or her to perform various duties and his or her mental or emotional ability to handle challenges and risks. However, it seems one of the easiest methods to analyze a specific job but truth is that it is the most difficult one. Why? Let's Discover.
- It is due to the fact that every person has his own way of observing things. Different people think different and interpret the findings in different ways. Therefore, the process may involve personal biasness or likes and dislikes and may not produce

genuine results. This error can be avoided by proper training of job analyst or whoever will be conducting the job analysis process.

- This particular method includes three techniques: direct observation, Work Methods Analysis and Critical Incident Technique. The first method includes direct observation and recording of behaviour of an employee in different situations. The second involves the study of time and motion and is specially used for assembly-line or factory workers. The third one is about identifying the work behaviours that result in performance.
- **Interview Method:** In this method, an employee is interviewed so that he or she comes up with their own working styles, problems faced by them, use of particular skills and techniques while performing their job and insecurities and fears about their careers.
- This method helps interviewer know what exactly an employee thinks about his or her own job and responsibilities involved in it. It involves analysis of job by employee himself. In order to generate honest and true feedback or collect genuine data, questions asked during the interview should be carefully decided. And to avoid errors, it is always good to interview more than one individual to get a pool of responses. Then it can be generalized and used for the whole group.
- **Questionnaire Method:** Another commonly used job analysis method is getting the questionnaires filled from employees, their superiors and managers. However, this method also suffers from personal biasness. A great care should be taken while framing questions for different grades of employees.
- In order to get the true job-related info, management should effectively communicate it to the staff that data collected will be used for their own good. It is very important to ensure them that it won't be used against them in anyway. If it is not done properly, it will be a sheer wastage of time, money and human resources.

These are some of the most common methods of job analysis. However, there are several other specialized methods including task inventory, job element method, competency profiling, technical conference, threshold traits analysis system and a combination of these methods. While choosing a method, HR managers need to consider time, cost and human efforts included in conducting the process.

### **What is Motivation ?**

Motivation is the word derived from the word 'motive' which means needs, desires, wants or drives within the individuals. It is the process of stimulating people to actions to accomplish the goals. In the work goal context the psychological factors stimulating the people's behaviour can be -



- desire for money
- success
- recognition
- job-satisfaction
- team work, etc

One of the most important functions of management is to create willingness amongst the employees to perform in the best of their abilities. Therefore the role of a leader is to arouse interest in performance of employees in their jobs. The process of motivation consists of three stages:-

1. A felt need or drive
2. A stimulus in which needs have to be aroused
3. When needs are satisfied, the satisfaction or accomplishment of goals

### **Importance of Motivation**

Motivation is a very important for an organization because of the following benefits it provides:

1. Puts human resources into action
2. Every concern requires physical, financial and human resources to accomplish the goals. It is through motivation that the human resources can be utilized by making full use of it. This can be done by building willingness in employees to work. This will help the enterprise in securing best possible utilization of resources.
3. Improves level of efficiency of employees
4. The level of a subordinate or a employee does not only depend upon his qualifications and abilities. For getting best of his work performance, the gap between ability and willingness has to be filled which helps in improving the level of performance of subordinates. This will result into-
  1. Increase in productivity,
  2. Reducing cost of operations, and
  3. Improving overall efficiency.
5. Leads to achievement of organizational goals
6. The goals of an enterprise can be achieved only when the following factors take place :-
  1. There is best possible utilization of resources,
  2. There is a co-operative work environment,
  3. The employees are goal-directed and they act in a purposive manner,

4. Goals can be achieved if co-ordination and co-operation takes place simultaneously which can be effectively done through motivation.
7. Builds friendly relationship
8. Motivation is an important factor which brings employees satisfaction. This can be done by keeping into mind and framing an incentive plan for the benefit of the employees. This could initiate the following things:
  1. Monetary and non-monetary incentives,
  2. Promotion opportunities for employees,
  3. Disincentives for inefficient employees.
9. In order to build a cordial, friendly atmosphere in a concern, the above steps should be taken by a manager. This would help in:
  1. Effective co-operation which brings stability,
  2. Industrial dispute and unrest in employees will reduce,
  3. The employees will be adaptable to the changes and there will be no resistance to the change,
  4. This will help in providing a smooth and sound concern in which individual interests will coincide with the organizational interests,
  5. This will result in profit maximization through increased productivity.
10. Leads to stability of work force
11. Stability of workforce is very important from the point of view of reputation and goodwill of a concern. The employees can remain loyal to the enterprise only when they have a feeling of participation in the management. The skills and efficiency of employees will always be of advantage to employees as well as employees. This will lead to a good public image in the market which will attract competent and qualified people into a concern. As it is said, "Old is gold" which suffices with the role of motivation here, the older the people, more the experience and their adjustment into a concern which can be of benefit to the enterprise.

From the above discussion, we can say that motivation is an internal feeling which can be understood only by manager since he is in close contact with the employees. Needs, wants and desires are inter-related and they are the driving force to act. These needs can be understood by the manager and he can frame motivation plans accordingly. We can say that motivation therefore is a continuous process since motivation process is based on needs which are unlimited. The process has to be continued throughout.

We can summarize by saying that motivation is important both to an individual and a business. **Motivation is important to an individual as:**

1. Motivation will help him achieve his personal goals.
2. If an individual is motivated, he will have job satisfaction.

3. Motivation will help in self-development of individual.
4. An individual would always gain by working with a dynamic team.

Similarly, **motivation is important to a business as:**

1. The more motivated the employees are, the more empowered the team is.
2. The more is the team work and individual employee contribution, more profitable and successful is the business.
3. During period of amendments, there will be more adaptability and creativity.
4. Motivation will lead to an optimistic and challenging attitude at work place.

### **Motivation theories**

We can distinguish between **content** and **process** motivation theories. Content theories focus on WHAT, while process theories focus on HOW human behaviour is motivated. Content theories are the earliest theories of motivation. Within the work environment they have had the greatest impact on management practice and policy, whilst within academic circles they are the least accepted. Content theories are also called needs theories: they try to identify what our needs are and relate motivation to the fulfilling of these needs. The content theories cannot entirely explain what motivate or demotivate us. Process theories are concerned with “*how*” motivation occurs, and what kind of process can influence our motivation.

The **main content theories** are: Maslow’s needs hierarchy, Alderfer’s ERG theory, McClelland’s achievement motivation and Herzberg’s two-factor theory.

The **main process theories** are: Skinner’s reinforcement theory, Victor Vroom's expectancy theory, Adam’s equity theory and Locke’s goal setting theory (Figure 1).

No single motivation theory explains all aspects of people’s motives or lack of motives. Each theoretical explanation can serve as the basis for the development of techniques for motivating.

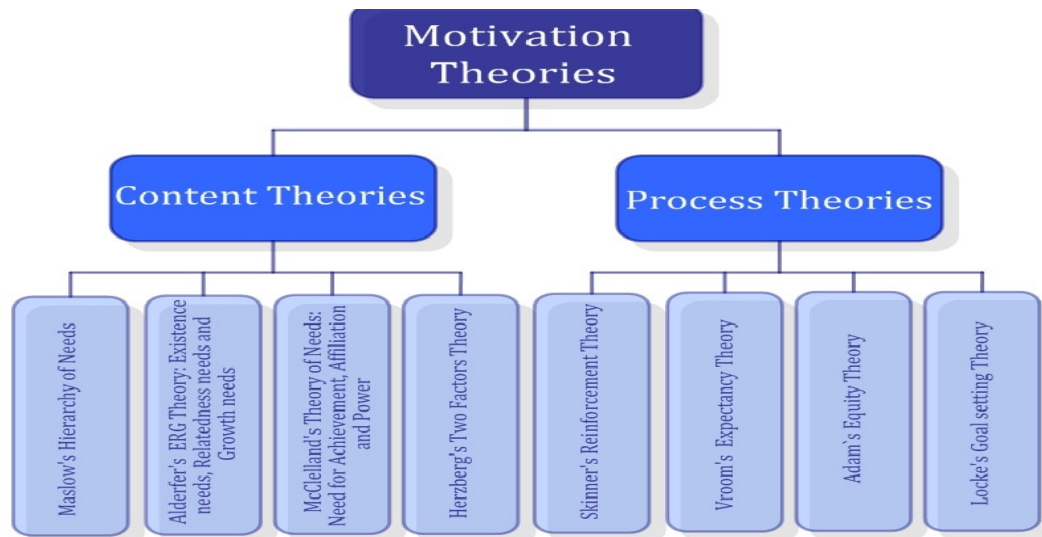


Figure 1. Motivation theories (Source: Author's own figure)

### Maslow – hierarchy of needs

This is the earliest and most widely known theory of motivation, developed by Abraham Maslow (1943) in the 1940s and 1950s.

This theory condenses needs into five basic categories. Maslow ordered these needs in his hierarchy, beginning with the basic psychological needs and continuing through safety, belonging and love, esteem and self-actualization (Figure 2). In his theory, the lowest unsatisfied need becomes the dominant, or the most powerful and significant need. The most dominant need activates an individual to act to fulfil it. Satisfied needs do not motivate. Individual pursues to seek a higher need when lower needs are fulfilled.

Maslow's hierarchy of needs is often shown in the shape of a pyramid: basic needs at the bottom and the most complex need (need for self-actualization) at the top. Maslow himself has never drawn a pyramid to describe these levels of our needs; but the pyramid has become the most known way to represent his hierarchy.



Figure 2. Maslow's Hierarchy of Needs (Source: Author's own figure)

### 1. **Physiological needs** (e.g. food, water, shelter, sleep)

It includes the most basic needs for humans to survive, such as air, water and food. Maslow emphasized, our body and mind cannot function well if these requirements are not fulfilled.

These physiological needs are the most dominant of all needs. So if someone is missing everything in his/her life, probably the major motivation would be to fulfil his/her physiological needs rather than any others. A person who is lacking food, safety, love (also sex) and esteem, would most probably hunger for food (and also for money, salary to buy food) than for anything else.

If all the needs are unsatisfied, and the organism is then overruled by the physiological needs, all other needs may turn into the background. All capacities are put into the attendance of satisfying hunger. Any other things are forgotten or got secondary importance.

### 2. **Safety and security** (secure source of income, a place to live, health and well-being)

If the physiological needs are relatively well contented, new needs will appear, the so called safety needs. Safety needs refer to a person's desire for security or protection. Basically everything looks less important than safety and protection (the physiological needs even sometimes). The healthy and fortunate adults in our culture are largely satisfied in their safety needs. The peaceful, sure, safety and unwavering society makes us feel in safety enough from criminal assaults, murder, unbelievable natural catastrophes, and so on. In that case people no longer have any safety needs as first-line motivators.

Meeting with safety needs demonstrated as a preference for insurance policies, saving accounts or job security, etc., we think about the lack of economic safety. Children have a greater need to feel safe. That is the reason why this level is more important for children.

Safety and security needs include: Personal security; Financial security; Health and well-being; Safety mesh against accidents, illnesses and their adverse impacts.

To tell the truth, in real dangers and traumas – like war, murder, natural catastrophes, criminal assault, etc. -, the needs for safety become an active, first-line and dominant mobilizer of human beings.

### 3. **Belongingness and love** (integration into social groups, feel part of a community or a group; affectionate relationships)

If both the physiological and the safety needs are fulfilled, the affection, love and belongingness needs come into prominence. Maslow claimed people need to belong and accepted among their social groups. Group size does not mean anything: social groups can be large or small. People need to love and be loved – both sexually and non-sexually – by

others. Depending on the power and pressure of the peer group, this need for belonging may overbear the physiological and security needs.

Love needs involve giving and receiving affections (love is not synonymous with sex – sex is a physiological need). When they are unsatisfied, a person will immediately eliminate the lack of friends, peers and partner. Many people suffer from social nervousness, loneliness, social isolation and also clinical depression because of the lack of this love or belongingness factor.

#### 4. **Esteem** (respect for a person as a useful, honourable human being)

In our society most people long for a stable and high valuation of themselves, for the esteem of others and for self-respect or self-esteem.

Esteem means being valued, respected and appreciated by others. Humans need to feel to be valued, such as being useful and necessary in the world. People with low self-esteem often need respect from others. Maslow divided two types of esteem needs: a ‘lower’ version and a ‘higher’ version. The ‘lower’ version of esteem is the need for respect from others: for example attention, prestige, status and loving their opinion. The ‘higher’ version is the need for self-respect: for example, the person may need independence, and freedom or self-confidence.

The most stable and therefore the healthiest self-esteem is based on respect from others. External fame or celebrity and unwarranted adulation won’t cause self-esteem, although you feel better for a while.

#### 5. **Self-actualization** (individual’s desire to grow and develop to his or her fullest potential)

‘What humans can be, they must be.’ (Maslow, 1954)

Self-actualization reflects an individual’s desire to grow and develop to his/her fullest potential. People like opportunities, choosing his/her own versions, challenging positions or creative tasks. Maslow described this level as the ‘*need to accomplish everything that one can, to become the most that one can be*’. Maslow believed that people must overcome their other needs – described above -, not only achieve them. At this level, individual differences are the largest.

As each level is adequately satisfied, we are then motivated to satisfy the next level in the hierarchy, always new and higher needs are coming. This is what we mean, when the basic human needs are drawn like a pyramid, a hierarchy. Life experiences, including divorce and loss of job, may cause an individual to fluctuate between levels of the hierarchy. These five

different levels were further sub-categorised into two main groups: *deficiency and growth needs*.

**Deficiency needs** – The very basic needs for survival and security.

These needs include:

- *physiological needs*
- *safety and security needs*
- *social needs – belongingness and love*
- *esteem needs*

It may not cause a physical indication if these ‘deficiency needs’ are not fulfilled, but the individual will feel anxious and tense. So the most basic level of needs must be fulfilled before a person wants to focus on the secondary or higher level needs.

**Growth needs** – Personal growth and fulfilment of personal potential.

These needs include:

- *self-actualisation needs*

This hierarchy is not as rigid as we may have implied. For example, there are some humans for whom self-esteem or self-actualization seems to be more important than love or belonging. The popularity of this theory of motivation rooted in its simplicity and logic.

### **Alderfer – ERG theory: Existence needs, relatedness needs and growth needs**

Alderfer (Furnham, 2008) distinguished three steps or classes of needs: *existence, relatedness and growth*. Maslow’s physiological and safety needs belong together to existence needs. Relatedness can be harmonised to belongingness and esteem of others. Growth is the same as Maslow’s self-esteem plus self-actualization. Both Maslow and Alderfer tried to describe how these needs, these stages of needs become more or less important to individuals.

• **Existence needs:** These include needs for basic material necessities. In short, it includes an individual’s physiological and physical safety needs.

• **Relatedness needs:** Individuals need significant relationships (be with family, peers or superiors), love and belongingness, they strive toward reaching public fame and recognition. This class of needs contain Maslow’s social needs and external component of esteem needs.

• **Growth needs:** Need for self-development, personal growth and advancement form together this class of need. This class of needs contain Maslow’s self-actualization needs and intrinsic component of esteem needs.

Alderfer agreed with Maslow that unsatisfied needs motivate individuals. Alderfer also agreed that individuals generally move up the hierarchy in satisfying their needs; that is, they satisfy lower-order before higher-order needs. As lower-order needs are satisfied, they become less important, but Alderfer also said: as higher-order needs are satisfied they become more important. And it is also said that under some circumstances individuals might return to a lower need. Alderfer thought that individuals multiply the efforts invested in a lower category need when higher categorized needs are not consequent.

For example there is a student, who has excellent grades, friends, and high standard of living, maybe also work at the university. What happens if this individual finds that he or she is frustrated in attempts to get more autonomy and responsibility at the university, maybe also more scholarship that generally encourage individuals' growth? Frustration in satisfying a higher (growth) need has resulted in a regression to a lower level of (relatedness) needs (*'I need just my friends, some good wine, I do not want to go to the university anymore.'*).

This event is known and called as the frustration-regression process. This is a more realistic approach as it recognises that, because when a need is met, it does not mean it will always remain met. ERG theory of motivation is very flexible: it explains needs as a range rather than as a hierarchy. Implication of this theory: Managers must understand that an employee has various needs that must be satisfied at the same time. ERG theory says, if the manager concentrates only on one need at a time, he or she won't be able to motivate the employee effectively and efficiently. Prioritization and sequence of these three categories, classes can be different for each individual.

### **McClelland – Need for achievement, affiliation and power**

In the early 1960s McClelland – built on Maslow's work – described three human motivators. McClelland (Arnold et al., 2005) claimed that humans acquire, learn their motivators over time that is the reason why this theory is sometimes called the *'Learned Needs Theory'*. He affirms that we all have three motivating drivers, and it does not depend on our gender or age. One of these drives or needs will be dominant in our behaviour.

McClelland's theory differs from Maslow's and Alderfer's, which focus on satisfying existing needs rather than creating or developing needs. This dominant motivator depends on our culture and life experiences, of course (but the three motivators are permanent). The three motivators are:

- *achievement*: a need to accomplish and demonstrate competence or mastery
- *affiliation*: a need for love, belonging and relatedness
- *power*: a need for control over one's own work or the work of others



These learned needs could lead to diversity and variety between employees. More precisely, prioritization and importance of these motivational needs characterises a person's behaviour. As we wrote, although each person has all of these needs to some extent, only one of them tends to motivate an individual at any given time.

**Achievement motivation** – a need to accomplish and demonstrate competence or mastery. It pertains to a person's need for significant success, mastering of skills, control or high standards. It is associated with a range of actions. Individuals seek achievement, attainment of challenging (and also realistic) goals, and advancement in the school or job.

This need is influenced by internal drivers for action (intrinsic motivation), and the pressure used by the prospects of others (extrinsic motivation). Low need for achievement could mean that individuals want to minimise risk of failure, and for this reason people may choose very easy or too difficult tasks, when they cannot avoid failure. In contrast, high need for achievement means that humans try to choose optimal, sufficiently difficult tasks, because they want to get the chance to reach their goals, but they have to work for it, they need to develop themselves.

Individuals with high need for achievement like to receive regular feedback on their progress and achievements; and often like to work alone; seek challenges and like high degree of independence.

Sources of high need for achievement can be: praise for success, goal setting skills, one's own competence and effort to achieve something, and it does not depend only on luck; of course positive feelings and also independence in childhood. McClelland said that training, teaching can increase an individual's need for achievement. For this reason, some have argued that need for achievement is not a need but a value.

**Affiliation motivation** – a need for love, belonging and relatedness

These people have a strong need for friendships and want to belong within a social group, need to be liked and held in popular regard. They are team players, and they may be less effective in leadership positions. High-need-for-affiliation persons have support from those with whom they have regular contact and mostly are involved in warm interpersonal relationships. After or during stressful situation individuals need much more affiliation. In these situations people come together and find security in one another. There are times when individuals want to be with others and at other times to be alone – affiliation motivation can become increased or decreased. Individuals do not like high risk or uncertainty.

**Authority/power motivation** – a need to control over one's own work or the work of others. These persons are authority motivated. There is a strong need to lead and to succeed

in their ideas. It is also needed to increase personal status and prestige. This person would like to control and influence others. McClelland studied male managers with high need for power and high need for affiliation and found that managers with a high need for power tended to run more productive departments in a sales organization than did managers with a high need for affiliation.

It is important to speak about gender differences in need for power. It is said that men with high need for power mostly have higher aggression, drink more, act in sexually exploitative manner, and participate in competitive sports, and also political unrests. At the same time women with higher need for power show more socially acceptable and responsible manner, are more concerned and caring. These types of people prefer to work in big, multinational organisations, businesses and other influential professions.

McClelland argues that strong need for achievement people can become the best leaders – as we wrote it above. But at the same time there can be a tendency to request too much of their employees, because they think that these people are also highly achievement-focused and results-driven, as they are. Think about your teachers and professors! I am sure they all want the best for you, they would like to develop you, but I do not think you feel the same every time. McClelland said that most people have and show a combination of these characteristics.

### Herzberg – Two factor theory

It is also called motivation-hygiene theory.

This theory says that there are some factors (motivating factors) that cause job satisfaction, and motivation and some other also separated factors (hygiene factors) cause dissatisfaction (Figure 3). That means that these feelings are not opposite of each other, as it has always previously been believed.

Opposite of satisfaction is not dissatisfaction, but rather, no satisfaction. According to Herzberg (1987) the job satisfiers deal with the factors involved in doing the job, whereas the job dissatisfiers deal with the factors which define the job context.

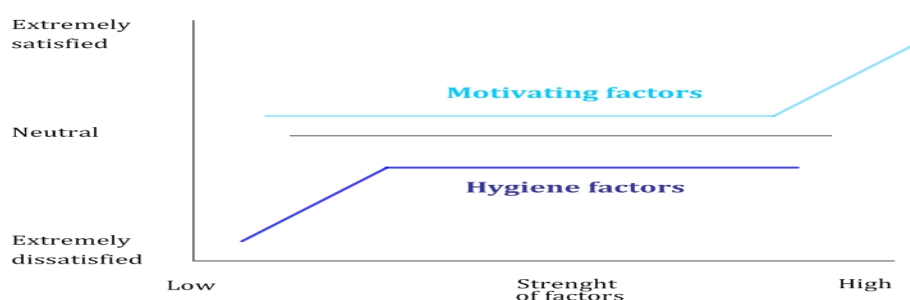


Figure 3. Herzberg's Two Factor Theory (Source: Author's own figure)

If the **hygiene factors**, for example salary, working conditions, work environment, safety and security are unsuitable (low level) at the workplace, this can make individuals unhappy, dissatisfied with their job. **Motivating factors**, on the other hand, can increase job satisfaction, and motivation is based on an individual's need for personal growth. If these elements are effective, then they can motivate an individual to achieve above-average performance and effort. For example, having responsibility or achievement can cause satisfaction (human characteristics) (Dartey-Baah, 2011).

Hygiene factors are needed to ensure that an employee is not dissatisfied. Motivation factors are needed to ensure employee's satisfaction and to motivate an employee to higher performance.

*Table 1. Herzberg's Two Factory Theory (Source: Author's own table)*

Dissatisfaction – Low level	Hygiene factors
No dissatisfaction-High level	
No satisfaction – Low level	Motivating factors
Satisfaction – High level	

**Herzberg’s five factors of job satisfaction (motivating factors):**

- *achievement*
- *recognition*
- *work itself*
- *responsibility*
- *advancement*

Only these factors can motivate us. But at the same time we need the lack of dissatisfactions (we need hygiene factors, "workpeace") to achieve more efficient work.

**Herzberg’s five factors of job dissatisfaction (hygiene factors – deficiency needs):**

- *company policy and administration*
- *supervision*
- *salary*
- *interpersonal relationships*

- *working conditions*

Can we motivate with money, with higher salary? What did Herzberg and Maslow say? Is it just the same or something different?

Herzberg addressed salary not a motivator in the way that the primary motivators are, just like achievement and recognition. Salary can be a motivator, if you get always higher and higher salary, but we cannot say that it is an incentive. Maslow said, money or salary is needed to buy food to eat, to have some place to live and sleep, etc. It can be a physiological need. Some differences between Herzberg and Maslow theory are described in Table 2.

*Table 2. Differences between Maslow's and Herzberg's theory (Source: Author's own table)*

<b>Points of view</b>	<b>Maslow's theory</b>	<b>Herzberg's theory</b>
<b>Date of the theory</b>	in 1940's	in 1960's
<b>Study group</b>	ordinary American people	well-situated American people
<b>About needs</b>	Every level of needs give us satisfaction and give the opportunity to move on to the next level of needs.	Not every type of needs can give us satisfaction, just motivating factors.

**Limitations of this theory:**

- *This theory oversees situational variables.*
- *Herzberg supposed a correlation, linear between productivity, performance and satisfaction.*
- *The theory's reliability is uncertain.*
- *No comprehensive measure of satisfaction was used.*
- *The theory ignores blue-collar workers, only white-collar men's opinion was discussed.*

However, Herzberg tried to bring more humanity and caring into companies' life. His intention was not to develop a theory that is used as a 'motivational tool', but to provide a guidance to improve organisational performance.

Table 3. Summary of Content Theories of Motivation (Source: Author's own table)

Maslow	Alderfer	McClelland	Herzberg
Physiological	Existence		Hygiene
Safety and security			
Belongingness and love	Relatedness	Need for Affiliation	Motivators
Self-esteem	Growth	Need for power	
Self-actualization		Need for achievement	

There are some critics for all need theories. Although, there is a consensus for the general concept: human behaviour is motivated by the strong wish for fulfilling a human need. Critics are:

- *Universality*: they do not care about gender, age, culture, religious or other factor differences.
- *Research support and methodology problems*: these theories were not based on reliable and creditable research results.
- *Work focus*: individuals have needs only at their workplaces, but not at any other places of their life.
- *Individual differences and stability over time*.
- *Process simplicity*.

### Skinner's reinforcement theory

The Reinforcement theory, based on Skinner's operant conditioning theory, says that behaviour can be formed by its consequences (Gordon, 1987).

**Positive reinforcements**, for example praise, appreciation, a good mark/grade, trophy, money, promotion or any other reward can increase the possibility of the rewarded behaviours' repetition.

If a student gets positive verbal feedback and a good grade for his test, this reinforcement encourages the performance of the behaviour to recur. If the teacher doesn't tell precisely what he expects, then the positive reinforcements can drive the behaviour closer to the

preferred. For example, when a student who is usually late to class gets positive feedback when he arrives on time, the student becomes more and more punctual. Positive reinforcement motivates to get the anticipated reinforcement of required behaviour.

We use **negative reinforcement** when we give a meal to a hungry person if he behaves in a certain manner/way.

In this case the meal is a negative reinforcement because it eliminates the unpleasant state (hunger).

Contrary to positive and negative reinforcement, **punishment** can be undesired reinforcement, or reinforce undesired behaviour.

For example, if a student is always late to class and thus he gets negative verbal feedback and also always has to tidy up the classroom at the end of the day, in this case the undesirable behaviour is reinforced with an undesirable reinforcer. The punishment declines the tendency to be late.

According to the theory, positive reinforcement is a much better motivational technique than punishment because punishment:

- *tries to stop undesirable behaviour and does not offer an alternative behaviour*
- *creates bad feelings, negative attitudes toward the activity, and the person who gives the punishment*
- *suppresses behaviour, but does not permanently eliminate it.*

Once certain behaviour has been conditioned through repetitive reinforcement, elimination of the reinforcement will decline the motivation to perform that behaviour. Therefore it is better not to give a reward every time. Reinforcement in the workplace usually takes place on a partial or irregular reinforcement schedule, when reward is not given for every response.

The reinforcement theory is included in many other motivation theories. Reward must meet someone's needs, expectations, must be applied equitably, and must be consistent. The desired behaviour must be clear and realistic, but the issue remains: which reinforcements are suitable and for which person?

### **Vroom's expectancy theory**

The expectancy theory places an emphasis on the process and on the content of motivation as well, and it integrates needs, equity and reinforcement theories.

Victor Vroom's (1964) expectancy theory aims to explain how people choose from the available actions. Vroom defines motivation as a process that governs our choices among

alternative forms of voluntary behaviour. The basic rationale of this theory is that motivation stems from the belief that decisions will have their desired outcomes.

The motivation to engage in an activity is determined by appraising three factors. These three factors are the following (Figure 4):

- **Expectancy** – a person’s belief that more effort will result in success. If you work harder, it will result in better performance.

In this case the question is: *"Am I capable of making a good grade on a math test if I learn more?"* Appraisal of this factor is based on the effort to learn math, on knowledge of math, on the previous experience of math test results, on self-efficacy and specific self-rated abilities.

- **Instrumentality** – the person’s belief that there is a connection between activity and goal. If you perform well, you will get reward.

In this case the question is that: *"Will I get the promised reward (a good mark) for performing well on a math test?"* Appraisal of this factor is based on the accuracy and consistency of marking. If one day I get a good grade and another day I get a bad grade for the same performance, then the motivation will decrease.

- **Valence** – the degree to which a person values the reward, the results of success.

In this case the question is that: *"Do I value the reward that I get?"* Appraisal of this factor is based on the importance of its subject (math), the good mark, and the good performance in general.

Vroom supposes that expectancy, instrumentality and valence are multiplied together to determine motivation. This means that if any of these is zero, then the motivation to do something will be zero as well.



Figure 4. Vroom's expectancy theory (Source: Author's own figure)

A person who doesn't see the connection between effort and performance will have zero expectancy. A person who can't perceive the link between performance and reward will have zero instrumentality. For a person who doesn't value the anticipated outcome, reward will have zero valence.

# UNIT-5



## Performance Appraisal: Meaning and Types of Appraisal

### Performance Appraisal

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

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

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

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

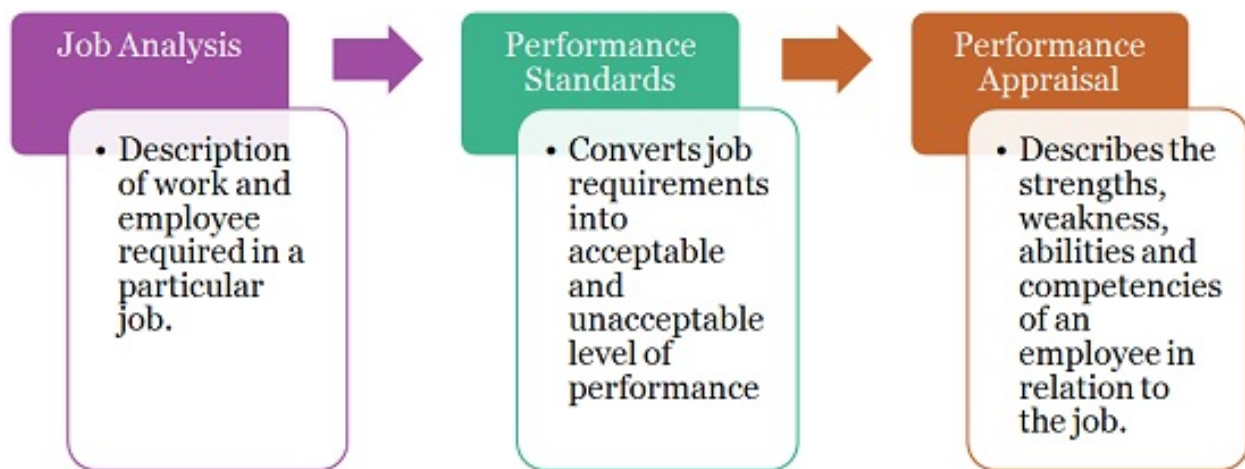
### Types of Appraisal

1. **Rating Scale** A rating scale takes certain behaviors, goals and traits and scores them on a scale. Every employee or team member is graded by the same standards giving insights about key team players not just individuals. Rating scales are usually numerically based, for example using a scale of one to five with five being the best possible performance. It is also possible that rating scales simply rate things as “poor, standard, and excellent,” or even as simple as “acceptable or unacceptable.”
2. **Self-Assessment:** You might not want to waste time on self-assessments if you buy into the false notion that everyone will rate themselves with high scores. Employees are very aware of where they excel and where they struggle. Getting a self-assessment gives you an insight to their thinking. You might not see from a managerial standpoint that a person is struggling with computer skills, but a self-assessment could show you a lack of confidence someone has in this area.  
  
It is useful to have employees rate themselves according to the same scale standards that managers rate them. This helps both leadership and the employee see gaps in performance understanding. As part of the self-assessment, ask employees to set their own goals for the next month or quarter. This helps managers get buy-in regarding goals from employees and also see what employee motivation is for bigger success.
3. **360-Degree Feedback:** This assessment style is more time consuming than other assessment methods, because it requires feedback from everyone an employee works with. The 360-degree feedback method looks at performance by gaining reviews from managers, co-workers, subordinates and other metrics conducted by sales data or customer feedback. It takes a holistic view of the employee from a performance and behavioral level. This method of review is a good way to see if an employee is a good candidate for promotion and leadership.

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

### Relationship of Performance Appraisal and Job Analysis

Performance Appraisal relates to job analysis, in the sense that job analysis establishes job requirement, which converts the analysis into standard, on which performance is judged, and results in defining the basis for performance appraisal.



### Objectives of Performance Appraisal

- To promote the employees, on the basis of performance and competence.
- To identify the requirement for training and development of employees.
- To provide confirmation to those employees who are hired as probationary employees, upon completion of the term.
- To take a decision regarding the hike in employees pay, incentives etc.
- To facilitate communication between superior and subordinate.
- To help employees in understanding where they stand in terms of performance.

Data obtained from the appraisal of performance, are documented and used for different organizational purposes.

### Performance Appraisal Process



The figure shown above is a standard performance appraisal process that takes place in an organization, wherein each step is important and arranged in a systematic manner. The process is conducted periodically, usually twice a year, i.e. semi-annually and annually called as mid-term review and annual review respectively.

### Method of Performance Appraisal

In the process of designing performance appraisal process, it is important to identify the best method for assessment. There are a number of methods introduced to gauge the quantity and quality of work performed by an individual. These methods are broadly classified into two categories:

- Past-oriented Methods (Also known as Traditional Methods of Performance Appraisal)
  1. Rating Scales
  2. Checklists
  3. Forced Choice
  4. Forced Distribution
  5. Critical Incident
  6. Performance test and observation
  7. Field review
  8. Confidential Record

9. Essay method
  10. Comparative Evaluation Approaches
  11. Cost Accounting Method
  12. Behaviorally Anchored Rating Scales
- Future Oriented Methods (Also known as Modern Methods of Performance Appraisal)
    1. Management by objectives
    2. Psychological Appraisal
    3. Assessment Centres
    4. 360-Degree Feedback
    5. 720-Degree Feedback

Performance Appraisal is a part of performance management. It helps in gaining the competitive edge, by improving the performance level of the employees working in the organization, making rational decisions **regarding hike in** salaries, promotions, transfers, discharge of the employees, reducing job dissatisfaction and employee turnover.

### **Importance of performance Appraisal**

The most likely reason for the adoption of appraisal of employees is to draw attention to present performance in the job in order to (a) reward people fairly and (b) identify those with potential for promotion or transfer.

Today, throughout the world, performance appraisals play an integral part in making a variety of critical decisions in the management of human resources. The order of importance among these uses is, from most to least-

1. Salary administration
2. Performance feedback
3. Identifying individual strengths and weaknesses
4. Documenting personnel decisions
5. Recognizing individual performance
6. Identifying poor performance
7. Assisting in goal identification

8. Making promotional decisions.
9. Retention or termination of personnel
10. Evaluating goal achievement.

### **Performance Appraisal Tools and Techniques**

Following are the tools used by the organizations for Performance Appraisals of their employees.

1. Ranking
2. Paired Comparison
3. Forced Distribution
4. Confidential Report
5. Essay Evaluation
6. Critical Incident
7. Checklists
8. Graphic Rating Scale
9. BARS
10. Forced Choice Method
11. MBO
12. Field Review Technique
13. Performance Test

We will be discussing the important **performance appraisal tools and techniques** in detail.

1. Ranking Method
2. The ranking system requires the rater to rank his subordinates on overall performance. This consists in simply putting a man in a rank order. Under this method, the ranking of an employee in a work group is done against that of another employee. The relative position of each employee is tested in terms of his numerical rank. It may also be done by ranking a person on his job performance against another member of the competitive group.
3. Advantages of Ranking Method
  1. Employees are ranked according to their performance levels.
  2. It is easier to rank the best and the worst employee.
4. Limitations of Ranking Method
  1. The “whole man” is compared with another “whole man” in this method. In practice, it is very difficult to compare individuals possessing various individual traits.

2. This method speaks only of the position where an employee stands in his group. It does not test anything about how much better or how much worse an employee is when compared to another employee.
  3. When a large number of employees are working, ranking of individuals become a difficult issue.
  4. There is no systematic procedure for ranking individuals in the organization. The ranking system does not eliminate the possibility of snap judgements.
- 5. Forced Distribution method**
6. This is a ranking technique where raters are required to allocate a certain percentage of rates to certain categories (eg: superior, above average, average) or percentiles (eg: top 10 percent, bottom 20 percent etc). Both the number of categories and percentage of employees to be allotted to each category are a function of performance appraisal design and format. The workers of outstanding merit may be placed at top 10 percent of the scale, the rest may be placed as 20 % good, 40 % outstanding, 20 % fair and 10 % fair.
- 7. Advantages of Forced Distribution**
1. This method tends to eliminate raters bias
  2. By forcing the distribution according to pre-determined percentages, the problem of making use of different raters with different scales is avoided.
- 8. Limitations of Forced Distribution**
1. The limitation of using this method in salary administration, however, is that it may lead low morale, low productivity and high absenteeism.
- Employees who feel that they are productive, but find themselves in lower grade(than expected) feel frustrated and exhibit over a period of time reluctance to work.
- 9. Critical Incident techniques**
10. Under this method, the manager prepares lists of statements of very effective and ineffective behaviour of an employee. These critical incidents or events represent the outstanding or poor behaviour of employees or the job. The manager maintains logs of each employee, whereby he periodically records critical incidents of the workers behaviour. At the end of the rating period, these recorded critical incidents are used in the evaluation of the worker's performance. Example of a good critical incident of a Customer Relations Officer is : March 12 - The Officer patiently attended to a customers complaint. He was very polite and prompt in attending the customers problem.
- 11. Advantages of Critical Incident techniques**
1. This method provides an objective basis for conducting a thorough discussion of an employees performance.

2. This method avoids recency bias (most recent incidents are too much emphasized)

**12. Limitations of Critical Incident techniques**

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

**13. Checklists and Weighted Checklists**

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

**15. Advantages of Checklists and Weighted Checklists**

1. Most frequently used method in evaluation of the employees performance.

**16. Limitations of Checklists and Weighted Checklists**

1. This method is very expensive and time consuming
2. Rater may be biased in distinguishing the positive and negative questions.

3. It becomes difficult for the manager to assemble, analyze and weigh a number of statements about the employees characteristics, contributions and behaviours.