SÜLEYMAN DEMİREL UNIVERSITY

Human Resource Management

Lecture Book

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Lecture Book

HUMAN RESOURCE MANAGEMENT

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CHAPTER 1
INTRODUCTION TO HUMAN RESOURCE MANAGEMENT

1.1 INTRODUCTION

HRM is effective and efficient use of the organization's human resources. Let's begin with an examination of the term "management". Within most organizations, considerable thought is given to the effective and efficient use of financial resources. This is called "Financial Management". Similarly, "Operations Management" concerns itself with the effective utilization, storage, and distribution of material resources. Further, "Marketing Management" concerns itself with the promotion and sale of the organization's products. So, what about "Human Resources Management (HRM)"? HRM is concerned with the effective and efficient use of the organization's human resources.

We begin our management of the firm's human resources by asking: How do we decide what kind of human resources (employees) we need? How will we procure them? How will we ensure that we select only the best? How will we ensure that the people we choose can do the jobs we expect them to do? How will we measure their effectiveness? How will we maintain or motivate these employees?, What is it that we're trying to manage?. The answers to all these questions are clear; we need human resources to run our operations. Hence, we need to attract and hire the best employees possible. One of the functions of a human resources management department is to attract potential employees. Having attracted potential employees, we need to be able to choose the best of these applicants. Furthermore, having hired employees, we need to train them if we expect them to function effectively.

Once our employees are functioning effectively, we need to ensure that they continue to do so; we need to concern ourselves with their motivation. Part of this motivational process involves compensation. This begs a further question; how do we decide how and when to compensate our employees, including decisions about the relationship between the nature of their jobs and level of their compensation.

How do we make these decisions? Or, more specifically, how do we make these decisions rationally how can we ensure that these decisions are made with objective criteria? What kind of employee we're looking for? Which of the applicants will actually be the best employee?

The answers to the questions above lie in an understanding of the jobs that our employees are performing and, to understand their jobs, we need to do a job analysis. Essentially, the job analysis forms the core of the human resource management function.

Management also includes marketing research and development, and accounting and finance. Because the purpose of HRM is to improve the productive contribution of people, it is intimately related to all other aspects of management. Figure 1.1 shows HRM is management, but management is more than HRM. HRM is that part of management dealing directly with people.

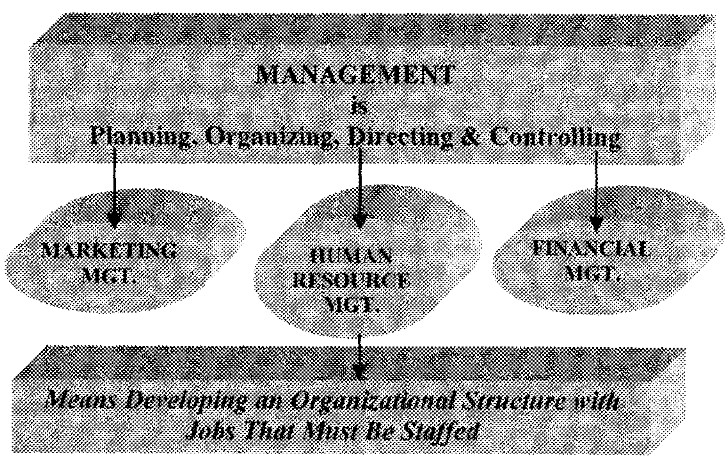

Figure 1.1 Shows HRM as A Part of Organizational Function.

1.2 THE HRM CONCEPT

"Human Resource Management is the planning, organizing, directing and controlling of the procurement, development, compensation, integration, maintenance, and separation of human resource to the end that individual, organizational, and societal objectives are accomplished. ***By Edward Flippo.***

According to ***Leon C. Meggison***, "From the national point of view, human resources may be defined the knowledge, skills, creative abilities, talents and aptitudes obtained in the population; whereas from the viewpoint of the individual enterprise, they represent the total of the inherent abilities acquired knowledge and skills as exemplified in the talents and aptitudes its employees".

Human Resource Management is one of those courses that a potential manager must learn very well. There are many reasons why. First and foremost of all is because everything is done by people. Whatever the activity is marketing, finances, accounting or any other function of an organization they are all conceived, analyzed, processed, and delivered by human beings. So if you have the right people all the above-mentioned activities will naturally be carried out the right way. Hence choosing the right people in the right time and for the right place is the primary concern for any sensible manager if s/he wants their organization to perform well. Therefore it is the role of the Human Resource Department to make sure that the organization always has the right people in the right place and in the right time.

Human Resource Management is managing people within the employer-employee relationship. It involves the productive use of people in achieving the organization's strategic business objectives and the satisfaction of individual employee needs. It is either a part of the problem or part of the solution in gaining the productive contribution of people. As we already know organizations are made up of *People, Machines, Buildings, and Equipments* etc. but what is an organization without people? Not much. Only buildings, furniture, machines etc. So the point is people are the most important part of any organization.

"Managing people is the heart and essence of being a manager" People are responsive- they feel, think, and act, therefore they cannot be operated like machines, they need to be tactfully handled by management personnel's.

Human Resource Management (HRM) is study of managing people within the employer-employee relationship, understanding the functions involved in managing the employer-employee relationship and understanding how HRM can contribute to an organization's long-term performance and viability. It is hard to imagine that it is scarcely much more than a decade since the time when the term 'human resource management' (HRM) was rarely used . Yet nowadays the term is utterly familiar around the globe and hardly a week goes by without the publication of another book on the subject.

But it is observes that despite the proliferation of books, journals, conferences, academic sub-groups, etc. the subject remains 'and always has been from its earliest inception, highly controversial.' Specifically, questions about the nature of HRM, the domain it covers, the characteristics of HR practice, the reach of the subject and its antecedents, outcomes and impact.

Along with management experts devoted to HRM, and inputs from a wider field that have supported the increased importance of HRM, the resource-based theory of the firm and Knowledge Management.

From a Business Process Perspective, it may be observed that the 80s were all about automation. In the manufacturing industry automatic machines, Robots, etc. were commonplace. But the 90s have been about people, this is evident in the development of Total Quality Management concepts throughout the 90's focusing on delegation, involvement, ownership cross functional teamwork, self managed works teams and so on. The development of such models made the role and importance of people and the need for robust processes to manage people explicit.

1.3 IMPORTANCE OF HRM

HRM (People Management) is a critical input enhancing the business results. HRM covers planning, managing and improving the Human Resources; identifying, developing and sustaining people's knowledge and competencies; involving and empowering people. All these things have an effect on business results, because Human Resources are key assets. HRM has a significant impact on the performance of the manufacturing business. Therefore there is a need to understand HRM as a *Business Process* in order to improve manufacturing performance.

Following factors contribute to the growing importance of HRM:

a. Accommodation to workers' needs

Workers are demanding that organizations accommodate their personal needs by instituting such programs as flexible work schedules, parental leave, child-care and elder-care assistance, and job sharing. The human resource department plays a central role in establishing and implementing policies designed to reduce the friction between organizational demands and family responsibilities.

b. Increased complexity of the Manager's job

Management has become an increasingly complex and demanding job for many reasons, including foreign competition, new technology, expanding scientific information, and rapid change. Therefore, organizations frequently ask human resource managers for assistance in making strategic business decisions and in matching the distinctive competencies of the firm's human resources to the mission of the organization. Executives need assistance from the human resource department in matters of recruitment, performance evaluation, compensation, and discipline.

c. Legislation and litigation

The enactment of state laws has contributed enormously to the proliferation and importance of human resource functions. The record keeping and reporting requirements of the laws are so extensive that to comply with them, many human resource departments must work countless hours and often must hire additional staff. Four areas that have been influenced most by legislation include equal employment, Compensation, safety, and labor relations. An organization's failure to comply with laws regulating these areas can result in extremely costly back-pay awards, class action suits, and penalties.

d. Consistency

Human resource policies help to maintain consistency and equity within an organization. Consistency is particularly important in compensation and promotion decisions. When managers make compensation decisions without consulting the human resource department the salary structure tends to become very uneven and unfair promotion decisions also may be handled unfairly when the HR department does not coordinate the decision of individual manger.

e. Expertise

Now days there exist sophisticated personnel activities that require special expertise. For example, researchers have developed complex procedures for making employee-selection decisions; statistical formulas that combine interviews, test scores, and application-blank information have replaced the subjective interviews traditionally used in making selection decisions. Similarly, many organizations have developed compensation systems with elaborate benefits packages to replace simple hourly pay or piece rate incentive systems

f. Cost of Human Resource

Human resource activities have become increasingly important because of the high cost of personal problem. The largest single expense in most organizations is labor cost. which is often considerably higher than the necessary because of such problems as absenteeism tardiness and discrimination.

1.4 FUNCTIONS OF HUMAN RESOURCE MANAGEMENT

How the HRM functions are divided between the human resource department's specialists and the organization's other managers varies from situation to situation, depends on various factors for example Internal Factors like Organizational history, Size, structure and location, Values, philosophies and management styles of top management, Nature of the workforce and Type of industry. External Factors like Economic conditions, Legislative requirements, Industrial relations and trade union developments, other broader social factors, Influence on the country's human resources and thus on labor market demographics.

1.4.1 Classification of Functions:

The functions of HRM are broadly classified into two groups viz.

1. *Managerial functions*
2. *Operative functions:*

1. Managerial Functions

As shown in figure 1.2 The Managerial functions of HRM involves planning, organizing, directing, and controlling. These functions are goal-directed, interrelated and interdependent. Planning involves devising a systematic process for attaining the goals of the organization. It prepares the organization for the future. Organizing involves arranging the necessary resources to carry out the plan. It is the process of creating structure, establishing relationships, and allocating resources to accomplish the goals of the organization. Directing involves the guiding, leading, and overseeing of employees to achieve organizational goals. Controlling involves verifying that actual performance matches the plan. If performance results do not match the plan, corrective action is taken.

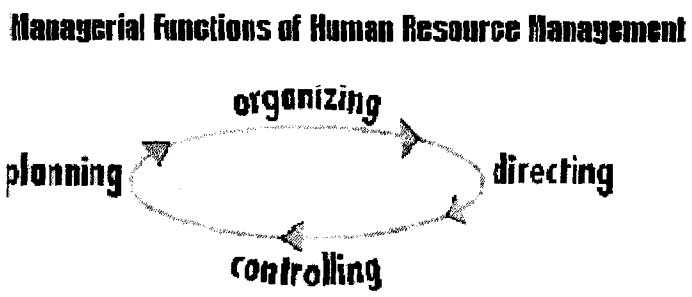

Figure 1.2 Shows Managerial Functions of HRM

***i. Planning*:**

Is a predetermined course of action. "Planning is the foundation of most successful actions of any enterprise".

Planning is the determination of the plans, strategies, programs, policies, procedures, and standards needed to accomplish the organizational objectives, and avoid crises. For this purpose personnel programs should be determined well in advance. The two important features of planning are research and forecasting. Predictions about wage, trends in labor market, union demands should be accurately made. The task of forecasting personnel needs, in relation to production or seasonal variation is extremely important for both management and employees.

ii. Organizing:

After a course of action is planned the organization must be established to carry it out. An organization is "a structure, a framework, a process by which a cooperative group of people allocate it tasks amongst its members, identifies relationships and integrates its activities towards common objectives." This is done by designing the structure of relationships among jobs, personnel's and physical factors. Here the authority and responsibility are defined, and functions are assigned to people and departments. The right organization foundation is necessary otherwise all the other functions of management will be adversely affected.

iii. Directing:

Directing is involved with getting persons together and asking them [thro command or motivation] to work willingly and effectively for achievement of designated goals. Directing deals not only with the dissemination of orders within an organization unit and department but also the acceptance and execution of these orders by the employees. The top management but only after consulting with the personal department takes the decisions. The decision is then taken however the securing acceptance and execution generally requires a certain amount of motivation. of individual groups otherwise the actual performance level may be well below desired.

iv. Controlling:

Controlling is the act of checking regularly and verifying weather everything occurs in conformity with the plan that has been adopted, the instructions issued and the principles established. It greatly concerns with actions and remedial actions. It is through control that actions and operations are adjusted to predetermined standards. Auditing training programs, analyzing labor turn over records, directing moral survey, conducting separation interviews, interviewing new employees are some of the means of control used by the personnel department. This last function of control closes the system loop by providing feed back of significant deviation from the planned performance.

2. Operative Functions:

i. The Procurement function: is concerned with the obtaining of a proper kind and number of personnel's necessary to accomplish organizational goals. It deals with subjects like determination of manpower requirements, their recruitment, selection and placement. it also includes induction, follow-up, transfers, layoffs discharge.

ii. The Development function: is concerned with the personnel development, of employees by increasing their skills through training so that job performance is properly achieved. Drafting and directing training programs for all levels of employees, holding seminars, conferences, providing for educational and vocational counseling.

iii. The Compensating function: is concerned with securing adequate and equitable remuneration to personnel's for their contribution to achieve the organizations objectives. Function is related to wage survey, establishment of job classification, job description and job analysis merit rating incentives and profit sharing plans wage rate and wage structure etc.

iv. Integration Function: After recruitment and development the personnel's compensation determined now the most important task of the department is bring about integration of these personnel's with the organizational and societal goals. Integrating is concerned with the attempt to effect a reasonable reconciliation of individual, societal and organizational interests. e.g. safe working conditions, increased wages, disciplinary action programs, all this will bring about reduction in accidents, absenteeism, raised moral, increased productivity. No strikes etc.

v. Maintenance function: deals with sustaining and improving the conditions that have been established. Specific problems like maintaining the physical conditions of employees, like health and safety measures and employee service programs are the responsibility of the personnel department.

1.5 NEW TRENDS AT WORK PLACE:

The past two decades have witnessed a dramatic transformation in how firms are structured. Tall organizations that had many management levels are becoming flatter as companies reduce the number of people between the chief executive officer (CEO) and the lowest-ranking production employee in an effort to become more competitive. This transformation has had enormous implications for the effective utilization of human resources. Since the late 1980s, many companies have instituted massive layoffs of middle managers, whose traditional role of planning, organizing, implementing, and controlling has come to be equated with the kind of cumbersome bureaucracy that prevents businesses from responding to market forces. It is estimated that two thirds of the jobs eliminated in the 1990s were supervisory/middle management jobs. New relationships among firms are also fostering hybrid organizational structures and the blending of firms with diverse histories and labor forces. Mergers and acquisitions, in which formerly independent organizations come together as a single entity, represent two important sources of restructuring. A newer and rapidly growing form of inter organizational bonding comes in the form of joint ventures, alliances, and collaborations among firms that remain independent, yet work together on specific products to spread costs and risks. To be successful, organizational restructuring requires effective management of human resources. For instance, flattening the organization requires careful examination of staffing demands, workflows, communication channels, training needs, and so on. Likewise, mergers and other forms of inter organizational relations require the successful blending of dissimilar organizational structures, management practices, technical expertise, and so forth. Following factors show modern trends in HRM:

a. Education

b. Work time
c. Standard of living
d. Expectations & demand
e. Diversity and gender issues at work place
f. QWL
g. TQM

a. **Education:** Now a day organizations are available with the opportunity of having more knowledge and skilled workers, increase in the education level of society's continuously providing the highly educated work force in the organizations.

b. Work time: Flextime—the practice of permitting employees to choose, with certain limitations, their own working hours. Compressed Workweek—any arrangement of work hours that permits employees to fulfill their work obligation in fewer days than the typical five-day workweek. This approach adds many highly qualified individuals to the labor market by permitting both employment and family needs to be addressed.

c. **Standard of living:** High employment rate, low inflation and Steady economic growth provide opportunity and rising living standards. Technological advance has enabled the world's population to grow with improved living standards for most.

d. **Expectations & demand:** People's expectations that their employers will behave ethically are increasing, so much that many firms and professional organizations have created codes of ethics outlining principles and standards of personal conduct for their members. Figure 1-5 shows the code of ethics for members of the American Marketing Association. Unfortunately, these codes often do not meet employees' expectations of ethical employer behavior. These negative perceptions have worsened over the years.

e. **Diversity and gender issues at work place:** Managing diversity means planning and implementing organizational systems and practices to manage people so that the potential advantages of diversity are maximized while its potential disadvantages are minimized. Managers are striving for racial, ethnic, and sexual workplace balance as a matter of economic self-interest. A study found that cultural diversity contributes to improved productivity, return on equity, and market performance.

f. **QWL:** High quality of work life is related to job satisfaction, which in turn is a strong predictor of absenteeism and turnover. A firm's investments in improving the quality of work life also payoff in the form of better customer service. We discuss issues covering job design and their effects on employee attitudes and behavior.

g. **TQM:** Many companies are implementing total quality management (TQM) initiatives, which are programs designed to improve the quality of all the processes that lead to a final product or service. In a TQM program, every aspect of the organization is oriented toward providing a quality product or service.

EXERCISE:

Fill In The Blanks With Correct Answers From The Text:

1. ____________ is effective and efficient use of the organization's human resources.
2. Human Resource Management is managing people within the ____________relationship.
3. HRM can contribute to an organization's long-term ____________ and ____________
4. QWL is ____________
5. Workers are demanding that organizations accommodate their personal needs by instituting such programs as flexible work schedules, parental leave, child-care and ____________, and ____________.
6. Management has become an increasingly complex and demanding job for many reasons, including foreign competition____________, expanding scientific information, and ____________.
7. In a TQM program, every aspect of the organization is oriented toward providing ____________or ____________
8. An organization's failure to comply with laws regulating these areas can result in extremely ____________, class action suits, and ____________
9. ____________help to maintain consistency and equity within an organization.
10. The largest single expense in most organizations is ____________
11. ____________is the foundation of most successful actions of any enterprise
12. ____________ "a structure, a framework, a process by which a cooperative group of people allocate it tasks amongst its members, identifies relationships and integrates its activities towards common objectives."
13. Directing deals not only with the dissemination of orders within an organization unit and department but also the ____________and ____________of these orders by the employees.

14. _____________is the act of checking regularly and verifying weather everything occurs in conformity with the plan that has been adopted, the instructions issued and the principles established

15. _____________is concerned with the obtaining of a proper kind and number of personnel's necessary to accomplish organizational goals.

16. _____________is concerned with the personnel development, of employees by increasing their skills through training so that job performance is properly achieved.

17. _____________is concerned with securing adequate and equitable remuneration to personnel's for their contribution to achieve the organizations objectives.

18. _____________After recruitment and development the personnel's compensation determined now the most important task of the department is bring about integration of these personnel's with the organizational and societal goals.

19. _____________deals with sustaining and improving the conditions that have been established.

The functions of HRM. are broadly classified into two groups viz. _____________and _____________

Case
Carter Cleaning Company

Source: Adapted from: Human Resource Management – Gary Dessler, (10th Edition), Prentice Hall

Jennifer Carter graduated from State University in June 1994, and, after considering several job offers, decided to do what she really always planned to do—go into business with her father, Jack Carter.

Jack Carter opened his first Laundromat in 1980 and his second in 1982. The main attraction to him of these coin laundry businesses was that they were capital- rather than labor-intensive. Thus, once the investment in machinery was made, the stores could be run with just one unskilled attendant and none of the labor problems one normally expects from being in the retail service business. The attractiveness of operating with virtually no skilled labor notwithstanding, Jack had decided by 1986 to expand the services in each of his stores to include the dry cleaning and pressing of clothes. He embarked, in other words, on a strategy of related diversification, by adding new services that were related to and consistent with his existing coin laundry activities. He added these in part because he wanted to better utilize the unused space in the rather large stores he currently had under lease and partly because he was, as he put it, "tired of sending out the dry cleaning and pressing work that came in from our coin laundry clients to a dry cleaner five miles away, who then took most of what should have been our profits." To reflect the new expanded line of services he renamed each of his two stores Carter Cleaning Centers and was sufficiently satisfied with their performance to open four more of the same type of stores over the next five years. Each store had its own on-site manager and, on average, about seven employees and annual revenues of about $400,000. It was this six-store chain of cleaning centers that Jennifer joined upon graduating from State University. Her understanding with her father was that she would serve as a troubleshooter/consultant to the elder Carter with the aim of both learning the business and bringing to it modern management concepts and techniques for solving the business's problems and facilitating its growth.

Questions

1. What sorts of personnel problems do you think Carter Cleaning will have to grapple with?
2. What would you do first if you were Jennifer?

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CHAPTER 2
ENVIRONMENT OF HUMAN RESOURCE MANAGEMENT

2.1 THE CHALLENGES OF HRM ENVIRONMENT

Today's organizations are facing challenges upon following levels:

i. Environmental Challenges
ii. Organizational Challenges
iii. Individual Challenges

2.1.1 Environmental Challenges

Environmental challenges refer to forces external to the firm that are largely beyond management's control but influence organizational performance. They include: rapid change, the internet revolution, workforce diversity, globalization, legislation, evolving work and family roles, and skill shortages and the rise of the service sector.

Six important environmental challenges today are:

a) Rapid change,
b) Work force diversity,
c) Globalization,
d) Legislation,
e) Technology
f) Evolving work and family roles,
g) Skill shortages and the rise of the service sector

a) Rapid Change

Many organizations face a volatile environment in which change is nearly constant. If they are to survive and prosper, they need to adapt to change quickly and effectively. Human resources are almost always at the heart of an effective response system.

b) Work Force Diversity.

All these trends present both a significant challenge and a real opportunity for managers. Firms that formulate and implement

HR strategies that capitalize on employee diversity are more likely to survive and prosper.

c) Globalization.

One of the most dramatic challenges facing as they enter the twenty-first century is how to compete against foreign firms, both domestically and abroad. Many companies are already being compelled to think globally, something that doesn't come easily to firms long accustomed to doing business in a large and expanding domestic market with minimal foreign competition. Weak response to international competition may be resulting in upwards layoffs in every year. Human resources can play a critical role in a business's ability to compete head-to-head with foreign producers. The implications of a global economy on human resource management are many.

d) Legislation

Much of the growth in the HR function over the past three decades may be attributed to its crucial role in keeping the company out of trouble with the law. Most firms are deeply concerned with potential liability resulting from personnel decisions that may violate laws enacted by the state legislatures, and/or local governments. These laws are constantly interpreted in thousands of cases brought before government agencies, federal courts, state courts, and t Supreme Court. How successfully a firm manages its human resources depends to a large extent on its ability to deal effectively with government regulations. Operating within the legal framework requires keeping track of the external legal environment and developing internal systems (for example, supervisory training and grievance procedures) to ensure compliance and minimize complaints. Many firms are now developing formal policies on sexual harassment and establishing internal administrative channels to deal with alleged incidents before employees feel the need to file a lawsuit.

Legislation often has a differential impact on public- and private sector organizations. (Public sector is another term for governmental agencies; private sector refers to all other types of organizations.) Some legislation applies only to public-sector organizations. For instance, affirmative action requirements are typically limited to public organizations and to organizations that do contract work for them. However, much legislation applies to both public- and private sector organizations. In fact, it's difficult to think of any HR practices that are not influenced by government regulations.

e) Technology

The world has never before seen such rapid technological changes as are presently occurring in the computer and telecommunications industries. One estimate is that technological change is occurring so rapidly that individuals may have to change their entire skills three or four times in their career. The advances being made, affect every area of a business including human resource management.

f) Evolving Work and Family Roles

The proportion of dual-career families, in which both wife and husband (or both members of a couple) work, is increasing every year. Unfortunately, women face the double burden of working at home and on the job, devoting 42 hours per week on average to the office and an additional 30 hours at home to children. This compares to 43 hours spent working in the office and only 12 hours at home for men.

More and more companies are introducing "family-friendly" programs that give them a competitive advantage in the labor market. These programs are HR tactics that companies use to hire and retain the best-qualified employees, male or female, and they are very likely to payoff. For instance, among the well known organizations / firms, half of all recruits are women, but only 5% of partners are women. Major talent is being wasted as many women drop out after lengthy training because they have decided that the demanding 10- to 12-year partner track requires a total sacrifice of family life. These firms have started to change their policies and are already seeing gains as a result. Different companies have recently begun offering child-care and eldercare referral services as well to facilitate women workers as well as are introducing alternative scheduling to allow employees some flexibility in their work hours.

g) Skill Shortages and the Rise of the Service Sector. Expansion of service-sector employment is linked to a number of factors, including changes in consumer tastes and preferences, legal and regulatory changes, advances in science and technology that have eliminated many manufacturing jobs, and changes in the way businesses are organized and managed. Service, technical, and managerial positions that require college degrees will make up half of all manufacturing and service jobs by 2000. Unfortunately, most available workers will be too unskilled to fill those jobs. Even now, many companies complain that the supply of skilled labor is dwindling and that they must provide their employees with basic training to make up for the shortcomings of the public education system. To rectify these shortcomings, companies currently spend large amount year on a wide variety of training programs.

2.1.2 Organizational Challenges

Organizational challenges refer to concerns that are internal to the firm. However, they are often a byproduct of environmental forces because no firm operates in a vacuum. These issues include: competitive position (cost, quality, and distinctive capability), decentralization, downsizing, organizational restructuring, self-managed work teams, small businesses, organizational culture, technology, and outsourcing.

Organizational challenges are concerns or problems internal to a firm. They are often a byproduct of environmental forces because no firm operates in a vacuum. Still, managers can usually exert much more control over organizational challenges than over environmental challenges. Effective managers spot organizational issues and deal with them before they become major problems. One of the themes of this text is proactively: the need for firms to take action before problems get out of hand. Only managers who are well informed about important HR issues and organizational challenges can do this. These challenges include the need for a competitive position and flexibility, the problems of downsizing and organizational restructuring, the use of self-managed work teams, the rise of small businesses, the need to create a strong organizational culture, the role of technology, and the rise of outsourcing. An organization will outperform its competitors if it effectively utilizes its work force's unique combination of skills

and abilities to exploit environmental opportunities and neutralize threats.

HR policies can influence an organization's competitive position by:

a) Controlling costs,

b) Improving quality, and

c) Creating distinctive capabilities

d) Restructuring

a) Controlling costs

One way for a firm to gain a competitive advantage is to maintain low costs and a strong cash flow. A compensation system that uses innovative reward strategies to control labor costs can help the organization grow. A well-designed compensation system rewards employees for behaviors that benefit the company. Other factors besides compensation policies can enhance a firm's competitiveness by keeping labor costs under control. These include: better employee selection so that workers are more likely to stay with the company and to perform better while they are there, training employees to make them more efficient and productive; attaining harmonious labor relations); effectively managing health and safety issues in the workplace and structuring work to reduce the time and resources needed to design, produce, and deliver products or services

b) Improving quality.

The second way to gain a competitive advantage is to engage in continuous quality improvement. Many companies are implementing total quality management (TQM) initiatives, which are programs designed to improve the quality of all the processes that lead to a final product or service. In a TQM program, every aspect of the organization is oriented toward providing a quality product or service.

c) Creating Distinctive Capabilities

The third way to gain a competitive advantage is to utilize people with distinctive capabilities to create unsurpassed competence in a particular area (for example, 3M's competence in adhesives, Carlson Corporation's leading presence in the travel business, and Xerox's dominance of the photocopier market).

d) Restructuring

A number of firms are changing the way the functions are performed. For example, some companies are restructuring HR for reasons such as time pressures, financial considerations, and market pressures. This restructuring often results in a shift in terms of who performs each function. Organizations still perform the majority of a firm's HR functions inside the firm. Adjusting to HR restructuring trends—who performs the human resource management tasks? The traditional human resource manager continues to be in place in most organizations, but some organizations are also using shared service centers, outsourcing, and line managers to assist in the delivery of human resources to better accomplish organizational objectives. Additionally, the size of some HR departments is getting smaller because certain functions are now being accomplished by others. This shift permits the HR managers to focus on more strategic and mission-oriented activities.

2.1.3 Individual Challenges

Human resource issues at the individual level address concerns that are most pertinent to decisions involving specific employees. These issues almost always reflect what is happening in the larger organization. How individuals are treated also is likely to have an effect on organizational issues. For instance, if many key employees leave a firm to join its competitor, it will affect the competitive posture of the firm. The individual issues include matching people and organization, ethics and social responsibility, productivity, empowerment, brain drain, and job insecurity. Human resource issues at the individual level address the decisions most pertinent to specific employees. These individual challenges almost always reflect what is happening in the larger organization. For instance, technology affects individual productivity; it also has ethical ramifications in terms of how information is used to make HR decisions (for example, use of credit or medical history data to decide whom to hire).

How the company treats its individual employees is also likely to affect the organizational challenges we discussed earlier. For example, if many key employees leave the firm to join competitors, the organization's competitive position is likely to be affected. In other words, there is a two-way relationship between organizational and individual challenges. This is unlike the relationship between environmental and organizational challenges, in which the relationship goes only one way few organizations can have much impact on the environment. The most important individual challenges today involve:

a) productivity,
b) ethics and social responsibility,
c) empowerment,
d) brain drain.
e) job security and
f) matching people and organizations.

a. **Productivity** is a measure of how much value individual employees add to the goods or services that the organization produces. The greater the output per individual, the higher the organization's productivity. Two important factors that affect individual productivity are ability and motivation. Employee ability, competence in performing a job, can be improved through a hiring and placement process that selects the best individuals for the job. It can also be improved through training and career development programs designed to sharpen employees' skills and prepare them for additional responsibilities. Motivation refers to a person's desire to do the best possible job or to exert the maximum effort to perform assigned tasks. Motivation energizes. directs, and sustains human behavior. A growing number of companies recognize that employees are more likely to choose a firm and stay there if they believe that it offers a high quality of work life (QWL).

b. **Ethics and Social Responsibility** – Corporate social responsibility refers to the extent to which companies should and do channel resources toward improving one or more segments of society other than the firm's owners or stockholders. Ethics is the bedrock of socially responsible behavior. People's expectations that their employers will behave ethically are increasing, so much that many firms and professional organizations have created codes of ethics outlining principles and standards of personal conduct for their members. Unfortunately, these codes often do not meet employees' expectations of ethical employer behavior. These negative perceptions have worsened over the years. In a recent poll of *Harvard Business Review* readers, almost half the respondents indicated their belief that managers do not consistently make ethical decisions. The widespread perceptions of unethical behavior may be attributed to the fact that managerial decisions are rarely clear-cut. Except in a few blatant cases (such as willful misrepresentation), what is ethical or unethical is open to debate. Even the most detailed codes of ethics are still general enough to allow much room for managerial discretion. In other words, many specific decisions related to the management of human resources are subject to judgment calls. A company that exercises *social responsibility* attempts to balance its commitments-not only to its investors, but also to its employees, its customers, other businesses, and the community or communities in which it operates. For example, McDonald's established Ronald McDonald houses several years ago to provide lodging for families of sick children hospitalized away from home. Sears and General Electric support artists and performers, and many local merchants support local children's sports teams.

c. **Empowerment** – In recent years many firms have reduced employee dependence on superiors and placed more emphasis on individual control over (and responsibility for) the work that needs to be done. This process has been labeled empowerment because it transfers direction from an external source (normally the immediate supervisor) to an internal source (the individual's own desire to do well). In essence, the process of empowerment entails providing workers with the skills and authority to make decisions that would traditionally be made by managers. The goal of empowerment is an organization consisting of enthusiastic, committed people who perform their work ably because they believe in it and enjoys doing it *(internal control)*. This situation is in stark contrast to an organization that gets people to work as an act of compliance to avoid punishment (for example, being fired) or to qualify for a paycheck *(external control)*.

d. **Brain Drain** - With organizational success more and more dependent on knowledge held by specific employees, companies are becoming more susceptible to brain drain-the loss of intellectual property that results when competitors lure away key employees. High-Tec firms are particularly vulnerable to this problem. Such important industries as semiconductors and electronics suffer from high employee turnover as key employees, inspired by the potential for huge profits, leave established firms to start their own businesses. This brain drain can negatively affect innovation and cause major delays in the introduction of new products. To make matters worse, departing employees, particularly those in upper management, can wreak considerable havoc by taking other talent with them when they leave. To combat the problem of defection to competitors, some firms are crafting elaborate ant defection devices. For example, Compaq computer has introduced a policy that revokes bonuses and other benefits to key executives if they take other employees with them when they quit. Micron Technology staggers key employees' bonuses; they lose un-awarded portions when they leave.

e. **Job Insecurity** – In this era of downsizing and restructuring, many employees fear for their jobs. For most workers, being able to count on a steady job and regular promotions is a thing of the past. Even the most profitable companies have laid off workers. Companies argue that regardless of how well the firm is doing, layoffs have become essential in an age of cutthroat competition. In addition, the stock market often looks favorably on layoffs. For employees, however, chronic job insecurity is a major source of stress and can lead to lower performance and productivity. Though union membership has been declining in recent years, many workers still belong to unions, and job security is now a top union priority. In return for job security, though, many union leaders have had to make major concessions regarding pay and benefits.

f. **Matching People and Organizations Research** suggests that HR strategies contribute to firm performance most when the firm uses these strategies to attract and retain the type of employee who best fits the firm's culture and overall business objectives. For example, one study showed that the competencies and personality characteristics of top executives could hamper or improve firm performance, depending on what the firm's business strategies are. Fast-growth firms perform better with managers who have a strong marketing and sales background, who are willing to take risks, and who have a high tolerance for ambiguity. However, these managerial traits actually reduce the performance of mature firms that have an established product and are more interested in maintaining (rather than expanding) their market share. Other research has shown that small high-tech firms benefit by hiring employees who are willing to work in an atmosphere of high uncertainty, low pay, and rapid change in exchange for greater intrinsic satisfaction and the financial opportunities associated with a risky but potentially very lucrative product launch

2.2 THE DYNAMIC ENVIRONMENT

Many interrelated factors affect human resource management. Such factors are part of either the firm's external environment or its internal environment. The firm often has little, if any, control over how the external environment affects management of its human resources. In addition, there are certain interrelationships that complicate the management of human resources.

2.2.1. The External Environment

External Environmental factors Comprised of those factors that affect a firm's human resources from outside the organization's boundaries.

a. **The Labor Force**

The labor force is a pool of individuals external to the firm from which the organization obtains its workers. The capability of a firm's employees determines to a large extent how well an organization can perform its mission.

b. **Legal Considerations**

Another significant external force affecting human resource management relates to federal, state, and local legislation and the many court decisions interpreting this legislation. In addition, many presidential executive orders have had a major impact on human resource management.

c. **Society**

Society may also exert pressure on human resource management. If a firm is to remain acceptable to the general public, it must be capable of accomplishing its purpose in line with societal norms. Social responsibility is an implied, enforced, or felt obligation of managers, acting in their official capacities, to serve or protect the interests of groups other than themselves.

d. **Unions**

Union is a group of employees who have joined together for the purpose of dealing collectively with their employer. Although unions remain a powerful force, union membership as a percentage of the nonagricultural workforce slipped from 33 percent in 1955 to 9.5 percent today.

e. **Shareholders**

The owners of a corporation are concerned about shareholders. Because shareholders have invested money in a firm, they may at times challenge programs considered by management to be beneficial to the organization.

f. **Competition**

For a firm to succeed, grow, and prosper, it must be able to maintain a supply of competent employees. Other organizations are also striving toward that objective.

g. **Customers**

Because sales are critical to the firm's survival, management has the task of ensuring that its employment practices do not antagonize the members of the market it serves.

h. **Technology**

As technological changes occur, certain skills are no longer required. This necessitates some retraining of the current workforce. The trend toward a service economy also affects the type and amount of technology needed.

i. **The Economy**

The economy of the nation—on the whole—and of its various segments is a major environmental factor affecting human resource management. As a generalization, when the economy is booming, it is often more difficult to recruit qualified workers. On the other hand, when a downturn is experienced, more applicants are typically available.

2.2.2 The Internal Environment

Factors that affect a firm's human resources from inside its boundaries are termed as internal environmental factors. The primary internal factors include the firm's mission, policies, corporate culture, management style of upper managers, employees, the informal organization, other units of the organization, and unions.

a. Mission

Mission is the organization's continuing purpose or reason for being. Each management level should operate with a

clear understanding of the firm's mission. In fact, each organizational unit (division, plant, and department) should clearly understand objectives that coincide with that mission.

b. Policies

A predetermined guide established to provide direction in decision making. As guides, rather than as hard and - fast rules, policies are somewhat flexible, requiring interpretation and judgment in their use. They can exert significant influence on how managers accomplish their jobs.

c. Corporate Culture

The system of shared values, beliefs, and habits- within an organization that interacts with the formal structure to produce behavioral norms.

d. **Management Style of Upper Managers**

Closely related to corporate culture is the way in which the attitudes and preferences of one's superiors affect how a job is done. This situation deserves special emphasis here because of the problems that can result if the managerial style of upper-level managers differs from that of lower-level managers.

e. **Employees**

Employees differ in many ways including their capabilities, attitudes, personal goals, and personalities. As a result, behavior that a manager finds effective with one worker may not be effective with another.

f. **Informal Organization**

The informal organization is the set of evolving relationships and patterns of human interaction within an organization that are not officially prescribed. Such informal relationships are quite powerful.

g. **Other Units of the Organization**

Managers must be keenly aware of interrelationships that exist among divisions or departments and should use such relationships to their best advantage.

2.2.3 Proactive Versus Reactive Approach

Managers approach changes in the external environment proactively or reactively.

a. **Proactive Response**

Proactive responsiveness involves taking action in anticipation of environmental changes.

b. **Reactive Response**

Reactive response involves simply reacting to environmental changes after they occur. Organizations exhibit varying degrees of proactive and reactive behavior.

2.3 WORK FORCE DIVERSITY

We can define the **workforce diversity management** as "set of activities involved in integrating diverse employees into the work force and using their diversity to the firm's competitive advantage".

Diversity is "Any perceived difference among people: age, functional specialty, profession, sexual orientation, geographic origin, life style, tenure with the organization, or position". Thus, diversity simply refers to human characteristics that make people different.

The sources of individual variations are complex, but they can generally be grouped into two categories: those over which individuals have little or no control and those over which individuals have more control.

Unless effectively managed, diversity among employees may have a negative impact on productive teamwork. Affirmative action is not diversity management. Affirmative action emerged from government pressure on business to provide greater opportunities for women and minorities. Managing diversity is an outgrowth of natural or environmental trends such as demographic changes and international competition. Moreover, diversity is considered an asset in terms of improving organizational functioning and reflecting the customer market.

2.3.1 Sources of Work Force Diversity

Today diversity refers to far more than skin color and gender. It is a broad term used to refer to all kinds of differences. These differences include women in business, dual-career families, workers of color, and older workers persons with disabilities, immigrants, young persons with limited education or skills, educational level of employees.

i. Racial & Ethnical Groups
ii. Older Workers
iii. Gender
iv. Education
v. Dual-Career Families
vi. Religions & Culture
vii. Persons with Disabilities
viii. Immigrants
ix. Young persons with limited education or skills

i. **Racial & Ethical Groups:** Workers of color often experience stereotypes about their group (Hispanics, African Americans, Asians, etc.). At times, they encounter misunderstandings and expectations based on ethnic or cultural differences.

ii. **Older Workers**—as the world population is growing older, a trend that is expected to continue through the year 2000. In addition, the trend toward earlier retirement appears to be reversing itself.

iii. **Gender (Women in Business):** Women represent almost 11.9 percent of corporate officers at largest companies. However, the number of women in entry and midlevel managerial positions has risen in recent years, meaning many more women are in the pipeline to executive spots. The number of nontraditional, single-parent households is growing because many marriages today end in divorce; this trend is expected to continue. Of course, there are always widows and widowers who have children as well, and there are some men and women who choose to raise children outside of wedlock.

iv. **Education:** Another form of diversity that is now found in the workplace is that of the educational level of employees. The world is becoming a bipolar with regard to education, with a growing number of very educated people on one side and an alarming increase in the illiteracy rate on the other.

v. **Dual-Career Families:** The increasing number of dual-career families presents both challenges and opportunities for organizations. As a result of this trend, some firms have revised their policies against nepotism to allow both partners to work for the same company. Other firms have developed polices to assist the spouse of an employee who is transferred. When a firm wishes to transfer an employee to another location, the employee's spouse may be unwilling to give up a good position or may be unable to find an equivalent position in the new location. Some companies are offering assistance in finding a position for the spouse of a transferred employee.

vi. **Religion and Culture:** Due to globalization religion and culture based diversity is also increasing in organizations.

vii. **Persons with disabilities:** A handicap, or disability, limits the amount or kind of work a person can do or makes achievement unusually difficult. The Americans with Disabilities Act (ADA), passed in 1990, prohibits discrimination against *qualified individuals with disabilities.*

viii. **Immigrants:** Today the permitted level of legal immigration is increasing. Some are highly skilled and well educated, and others are only minimally qualified with little education. They have one thing in common—an eagerness to work. They have brought with them attitudes, values, and mores particular to their home-country cultures.

ix. **Young persons with limited education or skills:** Each year thousands of young, unskilled workers are hired, especially during peak periods, such as holiday buying seasons. In general, they have limited education—high school or less. More jobs can be *de-skilled,* making it possible for lower-skilled workers to do them.

2.3.2 Advantages of Workforce Diversity

Advantages of workforce diversity include the following points:

1. Competitive advantage through Work Force Diversity: For many years' organizations, the original impetus to diversify their workforces was social responsibility and legal necessity. Morally ethically it was right to do so. Today many organizations are approaching diversity efforts from a moral practical, business oriented perspective. Increasingly, diversity can be a powerful tool for building completive advantage. Companies with a reputation for providing opportunities for diverse workforce will have a completive advantage in a labor market and will be sought out by the most qualified employees, In addition when employee believe their differences are not merely tolerated but valued , they may become more loyal, productive and committed.

2. Marketing: Companies are realizing that consumers, like the workforce, are changing demographically. Just as women and minorities may prefer to work for an employer that values diversity, they may prefer to patronize such organizations. A multicultural workforce can provide a company with greater knowledge of the preferences and consuming habits of thus market place.

This knowledge can assist companies in designing products and developing market campaigns to meet those consumer needs. A diverse workforce can also give company competitive edge in a global economy by facilitating understanding of other customers, cultures, and market place needs.

3. Creativity, innovation, and problem solving: Work team diversity promotes creativity and innovation, because people from different backgrounds hold different perspective on issues. Diverse groups have a broader base of experience from which to approach problem; when effectively managed, they invent more options and create more solutions than homogeneous groups do. In addition, diverse workgroups are freer to deviate from traditional approaches and practices.

4. **Flexibility:** A diverse workforce can enhance organizational flexibility because successfully managing diversity requires a corporate culture that tolerates many different styles

and approaches. Less restrictive policies and procedures and less standardized operating methods enable organization to become more flexible and thus better able to respond quickly to environmental changes.

2.3.3 How Organization Cultivate a Diverse Workforce

An Organization's plans for becoming multicultural and making the most of its diverse workforce should include:

I. Securing top management support and Commitment
II. Organizational Assessment
III. Attracting employees
IV. Developing Employees
V. Retaining employees

I. Securing top management support and commitment: Obtaining top-level commitment and support is critical for diversity programs to succeed. One way to communicate this commitment to all employees as well as to the external environment is to incorporate the organization's attitudes toward diversity into the corporate mission statement and into strategic plans and objectives. Managerial compensation can be directly linked to accomplishing diversity objectives. Adequate funding must be allocated to diversity effort to ensure its success. Also, top management can set an example for other organization members by participating in diversity programs and making participation mandatory for all managers. Top management or diversity directors alone cannot do the work for managing diversity. Many companies rely on minority advisory groups or task forces to monitor organizational policies, practices, and attitudes; access their impact on the diverse groups within the organization; and provide feedback and suggestions to top management.

II. Organizational Assessment: The next step in managing diversity is to assess the organization's workforce, culture, policies, and practices in areas such as recruitment, promotions, benefits, and compensation. In addition, the demographics of the labor pool and the customer base should be evaluated. The objective is to identify problem areas and make recommendations where changes are needed.

III. Attracting Employees: Companies can attract a diverse, qualified workforce through using effective recruiting process, accommodating employees' work and family needs, and offering alternative work arrangements.

IV. Developing Employees: Employees can be developed in a variety of ways. Here we will focus on cross cultural training and diversity training.

V. Retaining Employees: As replacing qualified and experienced workers become more difficult and costly, retaining good workers will become much more important. A number of policies and strategy will increase retention of all employees, especially those who are "different" from the norm.

2.3.3 Challenges in Managing Employee Diversity

Diversity offers opportunities as well as challenges. The challenges include appropriately valuing diversity, balancing individual needs and group fairness, dealing with resistance to change, ensuring group cohesiveness and open communication, avoiding employee resentment, keeping the focus on performance, retaining valued performers, and maximizing opportunity for all employees.

a. **Resistance to Change:** Although employee diversity is a fact of life, the dominant groups in organizations are still composed of white men.

b. **Segmented Communication Networks:** One study found that most communication within organizations occurs between members of the same sex and race. Therefore diversified workforce organization may face the challenge of segmented communication networks.

c. **Resentment:** Equal employment opportunity that can be defined as fairness of employment that is free from all sort of discrimination in majority of organizations was a forced change rather than a voluntary one.

d. **Backlash:** While women and minorities may view a firm's "cultural diversity policy" as a commitment to improving their chances for advancement, white men may see it as a threat.

e. **Retention:** The job satisfaction levels of women and minorities are often lower than those of white men.

f. **Competition for Opportunities:** As minority populations grow in any country- competition for jobs and opportunities is likely to become much stronger.

g. **Lower Cohesiveness:** Diversity can create a lack of cohesiveness. Cohesiveness' refers to how tightly knit the group is and the degree to which group members perceive, interpret and act on their environment in similar or mutually agreed upon ways. Because of their lack of similarities language, culture, and/ or experience, diverse workforce typically are less cohesive than homogeneous groups. Often mistrust, miscommunication, stress and attitudinal differences cohesiveness, which inurn can diminish productivity.

h. **Communication problem:** Perhaps the most common negative effect of diversity is communication problems. These difficulties include misunderstanding, inaccuracies, and slowness. Speed is lost when not all group members are fluent in the same language or when additional time is required to explain things.

i. **Diversity also increases errors and misunderstandings.** Group members may assume they interpret things similarly when in fact they do not, or they may disagree because of their different frames of references.

j. **Mistrust and tension:** People prefer to associate with others who are like themselves. This tendency often leads to mistrust and misunderstanding of those who are different because of lack of contact and low familiarity. It also causes stress and tension, and reaching agreement on problems can be difficult.

k. **Stereotyping:** We learn to see the world in a certain way based on our backgrounds and experiences. Our interests, values and cultures act as filters and distort, block and select what we see and hear. We see and hear what we expect to see and hear. Group members often inappropriately stereotype their "different" colleagues rather than accurately perceiving and evaluating those individual's contributions, capabilities aspirations and motivations. Such stereotypes inurn affect how people employee stereotyped as unmotivated or emotional will be given less - stress – provoking jobs than their coworkers. Those job assignments will create frustrated employees, perhaps resulting in low commitment, higher turnover, and underused skills.

2.4 LEGAL CONTEXT OF HR DECISIONS

Legal considerations are significant external force affecting human resource management relates to federal, state, and local legislation and the many court decisions interpreting this legislation. In addition, many presidential executive orders have had a major impact on human resource management. If company is having compliance with the legal considerations it will be contribution towards enhancement of good will reputation as well as fair operations of the organization that will be leading towards attaining competitive advantage. Keeping in view the importance of legal considerations mangers must understand the legal issues that affect the practices of HRM like Which employee to hire? How to compensate employees? What benefits to offer? How to handle conflicts? How and when to fire employees? Etc.

Legal environment and considerations can influence potential and prospective as well as current employees of the organization to Prospective Employees. It provides Protection from discrimination in selection, initial job placement, and initial compensation.

Employment discrimination

To make an employment decision, not on the basis of legitimate job-related factors...Any employment decision: hiring, promotions, pay, discipline, etc fail to use job-related factors (e.g., essential job qualifications, job performance, etc.), and for employment decisions Instead, of legitimate factors employer uses false stereotypes and prejudices. Law Prohibits Discrimination in Hiring, Compensation, terms, conditions or privileges of employment based on Race, religion, color, sex, national origin and Physical Disability.

Fair employment

A situation in which employment decisions, are not affected by discrimination.

2.4.1 Understanding the Legal Environment

Understanding and complying with HR law is important for three reasons.

1. It helps the company to do the right thing,

2. To realize the limitations of the HR and legal departments, and

3. It limits potential liability.

1. Doing the Right Thing

Compliance with the law is the right thing to do. The primary requirement of these laws is to mandate good management practice. Operating within these laws has benefits beyond simple legal compliance. Discriminatory practices not only create potential legal liability, but also lead to poor employee morale and low job satisfaction, which can lead to poor job performance.

2. Limiting Potential Liability

Considerable financial liabilities can occur when HR laws are broken or perceived to be broken.

2.4.2 Laws Affecting HRM:

The laws affecting HRM can be divided into two broad categories: equal employment opportunity (EEO) laws and other laws.

1. Equal Employment Opportunity (EEO)

The concept of equal employment opportunity has undergone much modification and fine-tuning since the passage of the Civil Rights Act in 1964. Congress has passed numerous amendments to that act and has passed other legislation, as oversights in the initial act surfaced. Major Supreme Court decisions interpreting the provisions of the act have also been handed down. Executive orders were signed into law that further strengthened equal employment opportunity. EEO is a combination of legislative and judicial policy, set forth by federal, state, and local governments, that ensures fair and equal treatment of all persons. Job applicants may not be rejected based on discriminatory practices.

Major Federal Laws have been many laws passed and court decisions rendered that affect the everyday actions of human resource management. Human resource decisions that were made in the past may no longer be feasible. Human resource managers have a responsibility to ensure that actions affecting human resource management adhere to both the letter and intent of the law. Unfortunately, not everyone may share this view, and that is when problems occur.

3. Equal Pay Act of 1963

This law requires the same pay for men and women who do the same job in the same organization. Basically this law provides protection against discrimination based upon sex.

4. Civil Rights Act of 1964

This act prohibits discrimination based on race, color, sex, religion, or national origin.

The Civil Rights Act of 1991 amended the Civil Rights Act of 1964 and had the following purposes:

1. To provide appropriate remedies for intentional discrimination and unlawful harassment in the workplace.
2. To codify the concepts of *business necessity* and *job related* pronounced by the Supreme Court.
3. To confirm statutory authority and provide statutory guidelines for the adjudication of disparate impacts under Title VII of the Civil Rights Act of 1964.
4. To respond to recent decisions of the Supreme Court by expanding the scope of relevant civil rights statutes in order to provide adequate protection to victims of discrimination.

5. Age Discrimination in Employment Act of 1967 (ADEA)

The Age Discrimination in Employment Act (ADEA) (amended 1978, 1986) prohibits employers from discriminating against individuals who are over 40 years of age. The latest amendment not only gives older employees the option to continue working past age 70, but the health care provision of the amendment also provides them with an additional incentive to continue to do so.

6. The Americans with Disabilities Act (ADA) 1990

The Americans with Disabilities Act (ADA), passed in 1990, prohibits discrimination against qualified individuals with disabilities.

2.4.3 Challenges to Legal Compliance

HRM practices may be challenged by anyone of stakeholders like society, community, customers, employees and shareholders so management for every decision should have legal backing in order to defend and explain its decisions. A firm's HR department has considerable responsibilities with respect to human resource law. However, if managers make poor decisions, the HR department will not always be able to resolve the situation. The manager's job is to prevent the damage from happening in the first place. Thus, understanding and complying with HR law helps the manager to do the right thing, realize the limitations of the HR and legal departments, and minimize potential liability. A dynamic legal landscape, complex laws, conflicting strategies for fair employment, and unintended consequences are among the challenges confronting managers attempting to comply with HR law.

- **A Dynamic Legal Landscape**

In addition to the many HR related laws that have been passed, there have been a myriad of opinions handed down in court cases that have affected the HR legal environment. The legal landscape is changing quickly.

- **The Complexity of Laws**

Each individual law is accompanied by a set of regulations that can be quite lengthy. Nonetheless, the gist of most HR law is fairly straightforward. Managers should be able to understand the basic intention of all such laws without too much difficulty.

- **Conflicting Strategies for Fair Employment**

Society at large, political representatives, government employees, and judges all has different views regarding the best ways to achieve equitable HR laws.

- **Unintended Consequences**

It is very common for a law, government program, or an organizational policy to have numerous unanticipated consequences, some of which turn out to be quite negative. The challenge to managers is to anticipate and deal with both the intended and unintended consequences of law.

EXERCISE:

Fill In The Blanks With Correct Answers From The Text:

1. Today's organizations are facing challenges upon following levels: ____________, Organizational Challenges, and ____________
2. ____________refer to forces external to the firm that are largely beyond management's control but influence organizational performance.
3. ____________refer to concerns that are internal to the firm.
4. ____________ system rewards employees for behaviors that benefit the company
5. The third way to gain a competitive advantage is to ____________people with distinctive capabilities to create unsurpassed competence in a particular area
6. A number of firms are changing the way the functions are performed this is called ____________
7. Human resource issues at the individual level address concerns that are most pertinent to ____________involving specific employees
8. ____________is a measure of how much value individual employees add to the goods or services that the organization produces.
9. ____________refers to the extent to which companies should and do channel resources toward improving one or more segment of society other than the firm's owners or stockholders.
10. ____________ is the loss of intellectual property that results when competitors lure away key employees.
11. ____________is a pool of individuals external to the firm from which the organization obtains its workers.
12. ____________ is a group of employees who have joined together for the purpose of dealing collectively with their employer.
13. ____________ is the organization's continuing purpose or reason for being.
14. ____________ are predetermined guide established to provide direction in decision making.

15. ____________is the system of shared values, beliefs, and habits within an organization that interacts with the formal structure to produce behavioral norms.

16. Proactive responsiveness involves taking action in anticipation of ____________

17. Reactive response involves simply reacting to environmental changes ____________. Organizations exhibit varying degrees of ____________and ____________ behavior.

18. ____________as "set of activities" involved in integrating diverse employees into the work force and using their diversity to the firm's competitive advantage".

19. ____________is "Any perceived difference among people: age, functional specialty, profession, sexual orientation, geographic origin, life style, tenure with the organization, or position".

20. ____________a situation in which employment decisions are not affected by discrimination.

Case
A Question of Discrimination

Source: Adapted from: Human Resource Management – Gary Dessler, (10th Edition), Prentice Hall

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One of the first problems Jennifer faced at her father's Carter Cleaning Centers concerned the inadequacies of the firm's current HR management practices and procedures. One problem that particularly concerned her was the lack of attention to equal employment matters. Virtually all hiring was handled independently by each store manager, and the managers themselves had received no training regarding such fundamental matters as the types of questions that should not be asked of job applicants. It was therefore not unusual in fact, it was routine for female applicants to be asked questions such as "Who's going to take care of your children while you are at work?" and for minority applicants to be asked questions about arrest records and credit histories. No minority applicants' three store managers were white males and three were white females, by the way were not asked these questions, as Jennifer discerned from her interviews with the managers. Based on discussions with her father, Jennifer deduced that part of the reason for the laid-back attitude toward equal employment stemmed from (1) her father's lack of sophistication regarding the legal requirements and (2) the fact that, as Jack Carter put it, "Virtually all our workers are women or minority members anyway. so no one can really come in here and accuse us of being discriminatory, can they?". Jennifer decided to mull that question over, but before she could, she was faced with two serious equal rights problems. Two women in one of her stores privately confided to her that their manager was making unwelcome sexual advances toward them, and one claimed he had threatened to fire her unless she "socialized" with him after hours. And during a fact-finding trip to another store, an elderly gentleman he was 73 years old complained of the fact that although he had almost 50 years of experience in the business, he was being paid less than people half his age who were doing the very same job. Jennifer's review of the stores resulted in the following questions.

Questions

1. Is it true, as Jack Carter claims, that "we can't be accused of being discriminatory because we hire mostly women and minorities anyway"?

2. How should Jennifer and her company address the sexual harassment charges and problems?

3. How should she and her company address the possible problems of age discrimination?

4. Given the fact that each of its stores has only a handful of employees, is her company in fact covered by equal rights legislation?

5. And finally, aside from the specific problems, what other personnel management matters (application forms, training, and so on) have to be reviewed given the need to bring them into compliance with equal rights laws?

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CHAPTER 3
JOB ANALYSIS

3.1 INTRODUCTION

Studying and under-standing jobs, through the process known as *job analysis* is a vital part of any HRM program. Job Analysis is the systematic process of collecting and making judgments about all the important information related to a job. **Job analysis** "is the procedure through which you determine the duties and nature of the jobs and the kinds of people who should be hired for them". You can utilize the information it provides to write job descriptions and job specifications that are utilized in recruitment and selection, compensation, performance appraisal, and training.

Job analysis is used to acquire the information in following areas:

1. Major duties or activities required

2. Conditions under which the job is performed. So this process helps us to learn the following concepts:

a) Job: A group of tasks that must be performed if an organization is to achieve its goals.

b) Position: The tasks and responsibilities performed by one person; there is a position for every individual in an organization.

c) Task: A distinct, identifiable work activity composed of motions

d) Duty: A larger work segment composed of several tasks that are performed by an individual.

e) Responsibility: An obligation to perform certain tasks and duties.

3.1.1 Reasons for Conducting Job Analysis

A sound job analysis system is extremely critical for numerous reasons.

- **Staffing**—all areas of staffing would be haphazard if the recruiter did not know the qualifications needed to perform the job.

- **Training and Development**—if the specification suggests that the job requires a particular knowledge, skill, or ability—and the person filling the position does not possess all the qualifications required—training and/or development is probably in order.
- **Compensation and Benefits**—The relative value of a particular job to the company must be known before a dollar value can be placed on it. From an internal perspective the more significant its duties and responsibilities, the more the job is worth.
- **Safety and Health**—Information derived from job analysis is also valuable in identifying safety and health considerations.
- **Employee and Labor Relations**—Regardless of whether the firm is unionized, information obtained through job analysis can often lead to more objective human resource decisions.
- **Legal Considerations**—Having properly accomplished a job analysis is particularly important for supporting the legality of employment practices.

3.1.2 Types of Job Analysis Information

Considerable information is needed if job analysis is to be accomplished successfully. Knowledge of the types of machines, tools, equipment, and work aids that are used in performing the job is important. Some job analysis systems identify the standards that are established for the job.

Questions Job Analysis Should Answer

- What physical and mental tasks does the worker accomplish?
- When does the job have to be completed?
- Where is the job to be accomplished?
- How does the worker do the job?
- Why is the job done?
- What qualifications are needed to perform the job?

3.1.3 When Job Analysis Is Performed?

Job analysis is conducted under following situations.

- When the organization is founded
- When new jobs are created as a result of new technologies, methods, procedures, or systems for analyzing them job analysis is conducted.

3.1.4 Uses of Job Analysis Information

1. **Recruitment and Selection** – Job descriptions and job specifications are formed from the information gathered from a job analysis, which help management decide what sort of people to recruit and hire.

2. **Compensation** – The estimated value and the appropriate compensation for each job is determined from the information gathered from a job analysis.

3. **Performance Appraisal** – Managers use job analysis to determine a job's specific activities and performance standards.

4. **Training** – Based on the job analysis, the job description should show the job's required activities and skills.

5. **Discovering Unassigned Duties** – Job analysis can help reveal unassigned duties.

6. **EEO Compliance** – The Uniform Guidelines on Employee Selection stipulate that job analysis is a crucial step in validating all major personnel activities.

3.2 STEPS IN JOB ANALYSIS

There are six steps in doing job analysis they are as follows:

- **Step 1:** To find out the aim, where are we going to use this job analysis information since this will determine the data to be collected and how to collect them?
- **Step 2:** Review relevant past Information such as organization charts, process charts and job descriptions.
- **Step 3:** Select representative position to be analyzed and methods for collecting information.
- **Step 4:** Implementing, or actually analyze the job by collecting information on job activities, required employee behavior, working conditions , human traits and abilities necessary to perform this job
- **Step 5:** Review information collected and verify this information with the workers performing this job or with their supervisors. This will help to confirm that the information is correct and complete.

• **Step 6:** Develop a job description and job specification. ***Job Description*** is a written statement that describes list of a job's duties, responsibilities, reporting relationships, working conditions, and supervisory responsibilities and working conditions.

Job Specification summarizes the personal qualities, traits, skills, the requisite education, personality, and the background that is required to get the job done.

3.2.1 Methods of Collecting Job Analysis Information

1. An HR specialist (an HR specialist, job analyst, or consultant), a worker, and the worker's supervisor usually work together in conducting the job analysis.

2. Job analysis data is usually collected from several employees from different departments, using interviews and questionnaires. The data is then averaged, taking into account the departmental context of the employees, to determine how much time a typical employee spends on each of several specific tasks.

3. Main sources of collection of data for job analysis are as following: Employees, Supervisor, Manager, Job Analyst, Job Analyst (HR), outside consultant, Supervisor/Manager

a. **Interview method**:

Initial job analysis data collection is generally achieved through **interviews** with one or more **job incumbents**. These incumbents are likely to be the most knowledgeable people about the duties and responsibilities of the job.

➢ *The interview process:* The job analysis interview starts with the interviewer asking the job incumbents to talk about what they do. Interviews permit the interviewer to attain considerable richness of detail; if the interviewer is unclear about what the incumbent is talking about, clarification may be asked for.

➢ *Management review of data:* Management should review the data from the initial interview to determine if the data reflect the work being done by the employees, and if the employees are doing what they should be doing?

➢ *Verification of the information:* A computer print-out of the initial interview data can then be distributed to everyone in the job, so they can revise the data according to their perception and experience with the job.

➢ *Job analysis detail (critical job behaviors):* Given the hundreds of specific tasks that might be identified for any job, one task of the analysis is to determine the level of detail necessary for a good job analysis? To this end, the incumbents should be asked to score each of the tasks for relative frequency and relative difficulty. One way to do this would be to score each task for frequency and difficulty with a number from 0 to 7. Once the employees have scored the list of tasks for frequency and difficulty, it is a simple matter to establish which tasks are critical.

Managers use three types of interviews to collect job analysis data- individual interview with each employee, group interviews with group of employees who have the same job and supervisor interviews with one or more supervisors who know the job. Interviews are quick and inexpensive ways to gather information.

b. Questionnaire:

Most Efficient Method: fast, standardized, if data is inadequate, follow-up interviews may be scheduled

➢ *Written questionnaires:* A questionnaire is a written series of questions that relate to the specific duties of the job. This questionnaire is completed by a job incumbent. The questionnaire seeks to determine the tasks the employee does most, and the skills the employee will need to do the job.

➢ Questionnaires can vary in style. For example, the questions can be highly structured or open ended. Open-ended questions allow the interviewee to give a narrative answer, such as an essay question. Open-ended questions are also especially effective for positions that cover a wide range of responsibilities.

➢ Remember, the main objective is to find out what is done. The job analysis process can help an employer crystallize her/his thoughts into a clear picture of what is needed to do a job, and which skills a prospective employee must have to do it.

c. Employee observation:

Observing employees is one of the most commonly used job analysis techniques. Observation can also serve as a complement to an interview, to ensure that nothing has been left out or to verify the data provided by the job incumbent.

Positives aspects of site observation:

✓ pinpoint precise details about timing, frequency, complexity, work flow, production efficiencies, work conditions, materials, and equipment

✓ minimizes likelihood of incumbents biasing the data

Negative aspects of site observation:

✓ can only be used on jobs that are easily discernible or measurable

✓ direct observation is especially useful when jobs consist mainly of observable physical activities. For eg. assembly-line worker, accounting clerk etc. Observation is not appropriate when job entails a lot of mental activity. Eg. lawyer, engineers. Managers often use this method with interview method.

d. Participant diary/ logs:

Another approach is to ask workers to keep diary/log of what they do during the day. Diary/logs are daily listings made by workers of every activity in which they engage along with the time each activity takes. This can produce a very complete picture of the job. This method can be supplemented with subsequent interviews of workers and supervisors.

Thus there are many ways to obtain job analysis information. You can get it from individual workers or supervisors, or from observation of job analyst. You can use interviews, observations or questionnaires. Some firms use just one basic approach like interviewing the current job incumbents. Yet recent study suggests that using just one source may not be wise. It is better to use combination of several sources.

3.2.3 Job Analysis Outcomes [Job Descriptions and Job Specification]

A. Job Descriptions:

Once you've completed your job analysis, you're ready to write a job description. The job description is the written outline of what the job entails, based on the research that you've done via job analysis. In essence, the job analysis constitutes the data collection phase of the process. Once the raw data has been collected, it needs to be organized into a readable, useable, format. This, then, is the job description.

Creating Job Descriptions

Job descriptions are good to have for several reasons. They help in:

- orienting new employees
- evaluating the performance of an employee
- motivating employees
- interviewing and selecting employees
- comparing pay between employees
- providing evidence of your practices. should you ever have to defend them in court

A **job description** "is a written statement of what the jobholder actually does, how he or she does it, and under what conditions the job is performed".

There is no standard format for writing a job description. However most descriptions contain sections that cover the following points:

1. Job identification
2. Job summary
3. Relationships,
4. Responsibilities, and duties
5. Authority of incumbent
6. Standards of performance
7. Working conditions
8. Job specifications

1. Job identification:

Consists of several parts: *Job title* - specifies title of the job (for ex. sales manager). *Job status* – permits quick identification of the exempt or nonexempt status of the job. *Job code* – permits easy referencing of all jobs. *Date* – refers to the date the job description was actually written. *Written by* - indicates the person who wrote JD. Space for who *approved* the description and space that shows the location of the job in terms of its *plant/division* and *department/section*. *Immediate supervisor's title* – regarding the job salary and/or pay scale. *Grade/level* – indicates the grade or level of the job if there is such as category; for ex., a company may classify programmers as programmer II, programmer III, and so on. *Pay range* – space provides for the specific pay or pay range of the job.

2. Job Summary:

The job summary should describe the general nature of the job, listing only its major functions or activities. For eg. Marketing manager plans directs and coordinates the marketing of organizations product. Materials manager purchases economically regulates delivery of stores and distributes material necessary.

3. Relationships:

The relationships statement shows the jobholder's relationships with others inside and outside the organization. eg. Human Resource manager

- reports to Vice president of employee relations;
- supervises human resource clerk, labor relation director and one secretary;
- works with all department managers.

4. **Responsibilities and duties:**

This section of responsibilities and duties presents a detailed list of the job's actual responsibilities and duties. e.g. Duty: Accurately Posting Accounts Payable:

- All invoices received are posted writhing the same working day.
- All invoices are routed to proper department
- Managers for approval no later than the day following receipt.
- Posting ledger is balanced by the end of third working day of each month e.g.

Duty: Meeting Daily Production Schedule:

- Work group produces no less than 426 units per working day.
- No more than an average of 2 % of units is rejected at the next workstation.
- Work is completed with no more than an average of 5 % overtime per week.

5. Authority section:

This section defines the limits of the jobholder's authority, direct supervision of other personnel, and budgetary limitations eg.

Authorities over staff and resources (to give instructions, allocate work, make rewards available, fix/change terms and conditions of employment, give feedback, assess and appraise and discipline).

6. Standards of Performance section:

This section states the standards the employee is expected to achieve in each of the job description's main duties and responsibilities eg.

Accountant

- Post all invoices received within same working day
- Route all invoices to proper department managers for approval no later than the day following receipt
- An average of no more than three posting errors per month

7. Working conditions section:

This section lists the general working conditions involved on the job. These might include things like noise level, hazardous conditions, or heat.

B. Job Specification:

The job specification takes the job description and answers the question what human traits and experience are required to do this job well? It shows what kin of person to recruit and for what qualities that person should be tested. The job specification may be a section of job description or a separate document entirely.

- *Specifications for Trained vs. Untrained Personnel* - job specifications for trained employees might focus mostly on traits like length of previous service, quality of relevant training and previous job performance. For untrained people qualities such as physical traits, personality, interests, or skills that imply some potential for performing job or for being trained to do the job.
- *Job specifications based on Judgment* – Most job specification come from educated judgment based on educated guesses of people, like supervisors and human resource management. The basic procedure here is to ask, "What does it take in terms of education, intelligence, training, and the like to do this job well."
- *Specifications based on Statistical Analysis*- the aim is to statistically determine the relationship between some predictor or human trait such as height, intelligence, or finger dexterity and some indicator or criterion of job effectiveness (such as performance as rated by the supervisor). The procedure has five steps:
- (1) analyze the job and decide how to measure job performance;
- (2) select personal traits like finger dexterity that you believe should predict successful performance;
- (3) test candidates for these traits;
- (4) measure these candidates' subsequent job performance; (5) statistically analyze the relation between the human trait and job performance. The objective is to determine whether the former predicts the latter.

EXERCISE:

Fill In The Blanks With Correct Answers From The Text:

1. __________ is the systematic process of collecting and making judgments about all the important information related to a job.
2. __________ "is a written statement of what the jobholder actually does, how he or she does it, and under what conditions the job is performed".
3. __________ "is the procedure through which you determine the duties and nature of the jobs and the kinds of people who should be hired for them".
4. __________: A group of tasks that must be performed if an organization is to achieve its goals.
5. __________: The tasks and responsibilities performed by one person; there is a position for every individual in an organization.
6. __________: A distinct, identifiable work activity composed of motions
7. __________: A larger work segment composed of several tasks that are performed by an individual.
8. __________: An obligation to perform certain tasks and duties.
9. __________ specifies title of the job (for ex. sales manager).
10. __________ permits quick identification of the exempt or nonexempt status of the job.
11. __________ permits easy referencing of all jobs.
12. __________ refers to the date the job description was actually written.
13. The job summary should describe the general nature of the job, listing only its ________ or _________.
14. _____________ summarizes the personal qualities, traits, skills, the requisite education, personality, and the background that is required to get the job done.
15. ____________ the Uniform Guidelines on Employee Selection stipulate that job analysis is a crucial step in validating all major personnel activities.

Case
The Job Description

Source: Adapted from: Human Resource Management – Gary Dessler, (10th Edition), Prentice Hall

Based on her review of the stores, Jennifer concluded that one of the first matters she had to attend to involved developing job descriptions for her store managers. As Jennifer tells it, her lessons regarding job descriptions in her basic management and HR management courses were insufficient to fully convince her of the pivotal role job descriptions played in the smooth functioning of an enterprise.

Many times during her first few weeks on the job, Jennifer found herself asking one of her store managers why he was violating what she knew to be recommended company policies and procedures. Repeatedly the answers were either "Because I didn't know it was my job" or "Because I didn't know that was the way we were supposed to do it." Jennifer knew that a job description, along with a set of standards and procedures that specified what was to be done and how to do it would go a long way toward alleviating this problem.

In general, the store manager is responsible for directing all store activities in such a way that quality work is produced, customer relations and sales are maximized, and profitability is maintained through effective control of labor, supply, and energy costs.

In accomplishing that general aim, a specific store manager's duties and responsibilities include quality control, store appearance and cleanliness, customer relations, bookkeeping and cash management, cost control and productivity, damage control, pricing, inventory control, spotting and cleaning, machine maintenance, employee safety, hazardous waste removal, human resource administration, and pest control. The questions that Jennifer had to address follow.

Questions

1. What should be the format and final form of the store manager's job description?
2. was it practical to specify standards and procedures in the body of the job description, or should these be kept separately?
3. How should Jennifer go about collecting the information required for the standards, procedures, and job description? ♠♠♠

CHAPTER 4
HUMAN RESOURCE PLANNING

4.1 INTRODUCTION

To understand the Human Resource Planning First, we will see what is Planning? And why is it needed? **Plans** are methods for achieving a desired result. **Goals or objectives** are specific results you want to achieve. **Planning** is thus "the process of establishing objectives and courses of action prior to taking action." **Strategic planning**: is the process by which top management determines overall organizational purposes and objectives and how they are to be achieved. **Human resource planning (HRP):** is the process of systematically reviewing human resource requirements to ensure that the required number of employees, with the required skills, is available when they are needed.

4.1.1 What Is Planning Concerned With?

Planning provides a sense of purpose and direction. It is a comprehensive framework for making decisions in advance. It also facilitates the organizing, leading, and controlling functions of management. Planning: allows you to make your decisions ahead of time, it helps you to anticipate the consequences of various courses of action, it provides direction and a sense of purpose, it provides a unifying framework against which to measure decisions, and thus helps you avoid piecemeal decision making. Planning also helps identify potential opportunities and threats, and facilitates control. It is concerned with the end (what is to be done) as well as with means (how it is to be done).

4.2 HUMAN RESOURCE PLANNING [EMPLOYMENT PLANNING]

Employment planning is the process of formulating plans to fill future openings based on an analysis of the positions that are expected to be open and whether they will internal or external candidates. Therefore, employment planning refers to planning to fill any or all firm's future positions.

If the company have plans of entering new business, building new plans, or reduce the level of activities all influence the number of and types of positions to be filled. All these factors lead to employment planning and forecasting.

After an organization's strategic plans have been formulated, human resource planning can be undertaken. Human resource planning has two components: requirements and availability.

Forecasting human resource requirements involves determining the number and type of employees needed by skill level and location. In order to forecast availability, the human resource manager looks to both internal sources (presently employed employees) and external sources (the labor market). When employee requirements and availability have been analyzed, the firm can determine whether it will have a surplus or shortage of employees. Ways must be found to reduce the number of employees if a surplus is projected. Some of these methods include restricted hiring, reduced hours, early retirements, and layoffs. If a shortage is forecasted, the firm must obtain the proper quantity and quality of workers from outside the organization. In this case, external recruitment and selection is required. The systematic review of human resource requirements getting the right people at the right place at the right time.

i. Objectives of Human Resource Planning

Enable organizations to anticipate their future HR needs to identify practices that will help them meet those needs

ii. Benefits of HR Planning

- Helps in planning job assignments
- Helps cope with fluctuations in staffing
- Identifies recruiting needs
- Provides other useful information

iii. Reasons for HR planning

•Decisions to upgrade the quality of products or services to enter into new markets. These have implications for the nature of the employees you'll require. Ask whether the skills of current employees fit with your organizations new products and services.

•Technological and administrative changes resulting in increased productivity. Increased efficiency (in terms of output per hour) could reduce personnel needs. It might come about through installing new equipment or a new financial incentive plan.

•The financial resources available: For example, a larger budget lets you hire more people and higher wages. Conversely, a project budget crunch could mean fewer positions and lower salary offers.

4.3 FORECASTING

Forecasting human resource requirements involves determining the number and type of employees needed by skill level and location. In order to forecast availability, the human resource manager looks to both internal sources (presently employed employees) and external sources (the labor market). When employee requirements and availability have been analyzed, the firm can determine whether it will have a surplus or shortage of employees.

Forecasting is carried out in two basic areas which are demand forecast of workforce for organization and supply forecast for the organization.

4.3.1 Forecasting Methods:

Following are some methods used to fore cast manpower requirement in your organization:

a) ***Trend analysis***- study of a firm's past employment needs over a period of years to predict future needs that is valuable as an initial estimate and factors like changes in sales, volume and productivity will affect firm's future staffing needs. Ex: you might complete the number of employees in your firm at the end of each years, or perhaps the number in each subgroup like salespeople, production people and so on at the end of each of those years.

b) ***Ratio analysis***- a forecasting techniques determining future staff needs by using ratios between sales volume and number of employees needed. Ex: If you find that a salesperson traditionally generates $ 500,000 in sales and in two years you are required 10 salespeople to generate 5million in sales.

c) ***Scatter- plot analysis***- a graphical method used to help identify the relationship between two variables

d) ***Computerized forecast***- the determination of future staff needs by projecting a firm's sales, volume of production, and personal required to maintain this volume of output, using computers and software packages

e) ***Zero-Base Forecasting***-This method uses the organization's current level of employment as the starting point for determining future staffing needs. The key to zero-base forecasting is a thorough analysis of human resource needs.

f) ***Bottom-Up Approach***-A forecasting method in which each successive level of the organization, starting with the lowest, and forecasts its employee requirements in order to, ultimately, provide an aggregate forecast of employment needs.

g) ***Use of Mathematical Models***-Mathematical models can assist in forecasting HR requirements. The relationship between sales demand and the number of employees needed is a positive one.

h) ***Simulation***-It is a technique for experimenting with a real-world situation through a mathematical model representing that situation. A model is an abstraction of the real world.

4.3.2 Forecasting Human Resource Availability

Determining whether the firm will be able to secure employees with the necessary skills and from what sources these individuals may be obtained is called an availability forecast.

A. Surplus of Employees Forecasted

When a comparison of requirements and availability indicates a worker surplus will result, restricted hiring, reduced hours, early retirements, or layoffs may be required to correct the situation.

a. **Restricted Hiring**

When a firm implements a restricted hiring policy, it reduces the workforce by not replacing employees who leave.

b. **Reduced Hours**

Reaction to a declining demand can also be made by reducing the total number of hours worked. Instead of continuing a 40-hour week, management may decide to cut each employee's time to 30 hours.

c. **Early Retirement**

Early retirement of some present employees is another means of reducing the supply of workers.

d. **Layoffs**

At times, the firm has no choice but to actually lay off part of its workforce.

B. Shortage of Workers Forecasted

Faced with a shortage of workers, many organizations had to intensify their efforts to recruit the necessary people to meet the needs of the firm. Some actions that were taken included:

a. **Creative Recruiting**

A shortage of personnel often means that new approaches to recruiting must be used. The organization may have to recruit in different geographical areas than in the past, explore new methods, and seek different kinds of candidates.

b. **Compensation Incentives**

Firms competing for workers in a high-demand situation may have to rely on compensation incentives. Premium pay is one obvious method. However, this approach may trigger a bidding war that the organization cannot sustain for an extended period. More subtle forms of rewards may be required to attract employees to a firm, such as four-day workweeks, flexible working hours, telecommuting, part-time employment, and child care centers.

c. **Training Programs**

Special training programs may be needed to prepare previously unemployable individuals for positions with a firm. Remedial education and skills training are two types of programs that may help attract individuals to a particular company.

d. **Different Selection Standards**

Another approach for dealing with shortages of workers is the lowering of employment standards. Selection criteria that screen out certain workers may have to be altered to ensure that enough people are available to fill jobs. For instance, instead of desiring extensive work experience, a firm may be willing to hire an inexperienced worker and train him or her to do the job.

4.3.3 Forecasting the Supply Of Inside Candidates

Before determining how many outside candidates to hire, you must forecast how many candidates for your projected job openings will come from within your organization from the existing ranks.

A qualifications inventory can facilitate forecasting the supply of inside candidates and contain summary data like each employee's performance record, educational background, and promotability, compiled either manually or in a computerized system. Examples include manual systems and replacement charts and computerized information system.

Manual systems and replacement charts

There are several types of manual systems used to keep track of employees' qualifications

- Personnel replacement charts- Company records showing present performance and promotability of inside candidates for the most important positions.
- Position replacement card- a card prepared for each position in a company to show possible replacement candidates and their qualifications.

Is it profitable to choice from within the company?

Advantages

- Employees see that competence is awarded and morale and performance may thus be enhanced.
- Having already been with your firm for some time, inside candidates may be more committed to company and provide managers a longer-term perspective when making business decisions.
- It may also be safer to promote employees from within, since you are likely to have a more accurate assessment of the person's skills than you would outsiders.

Disadvantages

- Employees who apply for jobs and do not get them may become discontented.
- Many employees require managers to post job openings and interview all inside candidates. Yet a manager often knows ahead of time exactly whom he or she wants to hire, and requiring the person to interview a stream of unsuspecting inside candidates is therefore a waste of time for all concerned.
- Groups may also not be as satisfied when their new boss is appointed from within their own ranks as when he or she is a newcomer; sometimes it is difficult for the newly chosen leader to shake off the reputation of being "one of the gang".

Succession planning

Succession planning refers to the plans a company makes to fill its most important executive positions. Since succession planning requires balancing the organization's top management needs with the potential and career aspirations of available candidates, it includes these activities:

1. Analysis of demand for managers and professionals by company level, function, and skill.
2. Audit of existing executives and projections of likely future supply from internal and external sources.
3. Planning of individual career paths based on objective estimates of future needs and drawing on reliable performance appraisals and assessment of potential.
4. Career counseling undertaken in the context of a realistic understanding of the future needs of the firm, as well as those individual.
5. Accelerated promotions, with development targeted against the future needs of the business.
6. Performance- related training and development to prepare individuals for future roles as well as current responsibilities.
7. Planned strategic recruitment not only to fit short- term needs but also to provide people for development to meet future needs.
8. The actual activities by which openings are filled.

4.3.4 Forecasting the Supply of Outside Candidates

If there are not enough inside candidates to fill anticipated openings, you will probably focus next on projecting supplies of outside candidates- those not currently employed by your organization. This may require forecasting general economic conditions, local market conditions, and occupational conditions.

- General economic conditions and the expected prevailing rate of unemployment. Usually, the lower the rate of unemployment, the lower the labor supply and the difficult it will be to recruit personnel.

- Local market conditions. For example, the build up of computer and semiconductor programs resulted in relatively low unemployment recently in cities like Seattle, quite aside from general economic conditions in the country.
- Occupational market conditions- The Bureau of Labor Statistics of the U.S. Department of Labor keep record of supply and demand for various occupations, as do other agencies

EXERCISE:
Fill In The Blanks With Correct Answers From The Text:

1. _____________are methods for achieving a desired result.
2. _____________ are specific results you want to achieve.
3. _____________is thus "the process of establishing objectives and courses of action prior to taking action."
4. _____________ is the process by which top management determines overall organizational purposes and objectives and how they are to be achieved.
5. _____________ is the process of formulating plans to fill future openings based on an analysis of the positions that are expected to be open and whether they will internal or external candidates.
6. Human resource planning has two components: _________ and ________.
7. Forecasting human resource requirements involves determining the _______and _______of employees needed by skill level and location.
8. __________- study of a firm's past employment needs over a period of years to predict future needs that is valuable as an initial estimate and factors like changes in sales, volume and productivity will affect firm's future staffing needs.
9. __________- a forecasting techniques determining future staff needs by using ratios between sales volume and number of employees needed.
10. __________- a graphical method used to help identify the relationship between two variables

11. __________-This method uses the organization's current level of employment as the starting point for determining future staffing needs.

12. __________-A forecasting method in which each successive level of the organization, starting with the lowest, and forecasts its employee requirements in order to, ultimately, provide an aggregate forecast of employment needs.

13. __________can assist in forecasting HR requirements.

14. __________- the determination of future staff needs by projecting a firm's sales, volume of production, and personal required to maintain this volume of output, using computers and software packages

15. __________: is the process of systematically reviewing human resource requirements to ensure that the required number of employees, with the required skills, is available when they are needed.

16. __________-It is a technique for experimenting with a real-world situation through a mathematical model representing that situation. A model is an abstraction of the real world.

17. __________- Company records showing present performance and promotability of inside candidates for the most important positions.

18. __________refers to the plans a company makes to fill its most important executive positions.

19. __________- a card prepared for each position in a company to show possible replacement candidates and their qualifications.

20. Usually, the lower the rate of unemployment, the lower the labor supply and the difficult it will be to __________ __________.

♠♠♠

CHAPTER 5
RECRUITMENT

5.1 INTRODUCTION

HR hiring process involves the activities that are required to make the workforce or staff available to fill and keep filled different positions in the organization. This process includes the following steps

a) **Recruitment-** It is the process of attracting individuals on a timely basis, in sufficient numbers and with appropriate qualifications, and encouraging them to apply for jobs with an organization.

b) **Selection-** The process of making a "hire" or "no hire" decision regarding each applicant for a job

c) **Orientation-** The process of orienting new employees to the organization or the unit in which they will be working Today we will start discussing this hiring process with the detail discussion on first step that is Recruitment.

Recruitment is the process whereby a firm attracts or finds capable individuals to apply for employment. Of course, the objective is to find these applicants at the lowest possible cost. This process begins when new recruits are sought, and ends when applicants have submitted application forms or resumes. The result is a pool of job seekers from which the firms can then select the most qualified.

Smart companies recruit employees they can retain, and retention depends on getting the right people in the right job in the first place. So, while getting a large pool applicant is important, getting the right type of applicant is even more important.

Recruitment is an on-going process whereby the firm attempts to develop a pool of qualified applicants for future human resource needs even though specific vacancies do not currently exist. This practice is also necessary to maintain contacts with the sources of recruitment.

In a small organization, recruitment is usually done by the owner or manager. In a larger organization, the human resource department is usually responsible for developing sources of applicants. There is likely to be an employment office to do the recruiting and even initial selection of candidates for a job. Big organizations employing large number of professional and managerial employees may have a separate department engaged entirely in recruiting. The human resource department may be requesting recruitment assistance from the managers as may be the case when campus recruitment is proposed at the alma mater of one of the mangers.

Whoever does the recruiting, it is important for one department to coordinate the recruitment function in order to develop adequate sources, avoid duplication, and ensure that human resource needs for the whole organization are met as per specified terms and conditions.

In most cases, recruitment starts when a manager initiates an employee requisition for a specific vacancy (or anticipated vacancy). The requisition should contain the basic information describing the position to be filled, the duties to be performed, and the experience and qualifications required of the candidate for the job.

5.1.1 Recruitment

Once the number of employees to be appointed is decided the next phase is of recruitment of employees. Here an attempt is made to study various aspects of recruitment of employees suitable for employment both internal and external sources.

The process of recruitment means the efforts involved in finding the sources of the availability of future employees and encouraging them to send them their applications for appointment in enterprise. Thus, recruitment means making available the people to fill up the various posts created in the organization. Here an effort is made that a large number of people send their applications.

Definition:

Following are the important definitions of recruitment:

"Recruitment is a process of finding capable individuals to apply for employment."

Edwin B. Flippo "Recruitment is the process of searching fir prospecting candidates and stimulating them to apply for jobs in an organization."

Dalton E. McFarland "Recruitment is the process of attracting potential employees to the company."

Dale S. Beach "It is the development and maintenance of adequate man power resources."

The above definition clearly point out that under recruitment of employees first of all sources of prospective employees are located from where the employees can be made available and an effort is made to approach willing persons who can joint an organization. It is the process of attracting individuals on a timely basis, in sufficient numbers and with appropriate qualifications, and encouraging them to apply for jobs with an organization.

Mainly there are two recruitment goals

1. To attract qualified applicants -Recruiting process is used to create the pool of qualified applicants. By qualified applicants we mea those applicants who are having abilities that are perfect match with the job requirements.

2. To discourage non qualified applicants-Second goal of recruitment is to avoid nonqualified applicants. When recruiting is based upon careful designing of the job disruption and job specification most of the applicants having irrelevant qualifications are eliminated fro the list of potential applicants which makes recruiting process more effective and easier.

5.1.2 Constraints of Recruitment Process:

Different factors in internal or external environment can influence the effectiveness of recruiting process in negative manner and can become hurdles in recruiting process. They mainly include:

1. Image of the Organization.

If employees believe that their employer deals with them fairly, the positive word-of-mouth support they provide is of great value to the firm. It assists in establishing credibility with prospective employees. Image of the organization is mainly assessed by its performance, salary, benefits provided by it potential opportunities to excel and respect etc. If all these factors are good enough than the image of the organization will be positive in the market that will help the organization to have reasonable number of applicants ready to apply for then given job openings, But if the salary benefits provided by the organizations are not compatible with the market there are no potential opportunities for the career development and to excel in future than these factors will be contributing towards negative image of the organization. This bad image is hurdle in acquiring good number of applicants through recruitment process specially if any firm is having business in the declining industry and management is least bothered about the welfare and wellbeing of the employees.

2. Attractiveness of the job

Attractiveness of the job mainly depends upon its contribution towards achievement of organizations objectives, challenging assignments, its contribution in the career development of the job holder. Secondly the benefits and salary associated to particular job also plays important role in defining the importance of the job. There fore jobs having challenging assignments, career oriented in nature and having good remuneration package can attract best applicants from the labor force available in the market or vice versa.

3. Government Influence

The recruitment process is influenced by the laws provided by the government. Organizations to be more successful are required to work according to these laws.

4. Labor Market Influence:

The recruitment process is influenced by labor market conditions. When the economy is growing rapidly and unemployment levels are very low, recruiting is extremely difficult. However, when the economy is stagnant and unemployment levels are high, organizations can obtain large applicant pool with very little effort.

5. Recruiting Costs

Companies use to bear very high costs while performing the recruitment process especially when the recruitment is external. Therefore organizations can perform this function only and only if they are having sufficient resources to perform the recruitment process.

6. Global Issues

When ever staffing function is performed at the international level or across the national boundaries beside internal environment of organization polices of the host country regarding employment also influence the recruitment process. They can include basic labor laws regarding quality of work life EEO, remuneration packages, etc.

7. Diversity through Recruiting Efforts:

To offset the momentum of past discrimination in employment, firms must resort to additional recruitment approaches. A recruitment program that is designed to specifically attract women and minorities is referred to as affirmative recruitment. To ensure that an organization's recruitment program is nondiscriminatory, the firm must analyze its recruitment procedures. Each individual who engages in recruitment should be trained in the use of objective, job-related standards. With few exceptions, jobs must be open to all individuals. When placing job orders with employment agencies, an organization should emphasize its nondiscriminatory recruitment practices. Organizations engaged in affirmative recruitment should develop contacts with minority, women's, and other community organizations.

5.3 PROCESS OF RECRUITMENT

Following steps are included in the process of recruitment of employees.

1. Requisition of Employees. The process of recruitment begins with estimation of number of employees required. All the managers determine the number of employees needed therein and pass on this information to the personnel manager.

2. Identification of the Sources of Recruitment. After the personnel manager gets the requisitions from all the departments, he decides with the help of his knowledge and experience about the sources of availability of people required for different posts and with different qualifications.

3. Invitation to Interested People. After having identified the sources of availability of people, interested people are invited to send in their applications. For this, personnel manager prepares detailed information which includes the following details:

(i) Number of vacant jobs,
(ii) Nature of the job,
(iii) Expected qualifications,
(iv) Experience,
(v) Details about salary,
(vi) Conditions for employment,
(vii) Last date for sending applications, and
(viii) A brief account of the process of selection.

4. Preparing the list of deserving Applicants. All applications are scrutinized. During scrutiny the applications are divided into two parts – firstly, all those who possess the desired qualifications, and secondly, those who do not. Those who have required qualifications are included in the process of selection.

5.3.1 Sources of Recruitment

The second step in the process of recruitment which consists of identifying the sources of recruitment. The success of the entire process of recruitment depends on it. If the manager is not able identify the right sources, competent prospective employee will not be available. Two types of sources are generally utilized for obtaining prospective employees:

I. Internal Sources or Recruitment from within the Enterprise.
II. External Sources or Recruitment from Outside.

Internal Sources. Under the internal resources vacant posts are filled up by the employees available in the enterprise. The following are the main internal sources:

1. Promotion. Promotion is that process under which an employee working on a lower post is promoted to the high post, where his responsibility increases, post is higher and salary is raised. Promotion has three chief characteristics: (a) Promotion is adopted to fill up the top level and middle level posts; (b) Promotion to high level generally gives birth to a chain, in other words, filling the high level post leaves the lower post vacant, and again filling the post vacated by the promoted leaves the lower post vacant and this process moves down to the lowest level; (c) Filling up the vacant posts in the enterprise by promotion system does not end the need for employees but only the level of the needed post changes.

2. Transfer. Under transfer an employee is transferred from one department to another department or from one branch to another branch on the same post. Normally transfer is resorted to only when the number of employees in one department exceeds its need and there is a need for an employee of the same level in the other department.

3. Job posting- An organization can also use the policy of job posting as a internal recruitment source. In the job posting system the organization notifies its present employees about job openings through the use of bulletin boards, company publications, or personal letters. The purpose of the job posting is to communicate that the job opening exists.

4. Contacts and Referrals- Many firms have found that their employees can assist in the recruitment process. Employees may actively solicit applications from their friends and associates. Before going outside to recruit employees, many organizations ask present employees to encourage friends or relatives to apply for the job openings. Contacts and referrals from the present employees are valuable sources of recruits. Employee referrals are relatively inexpensive and usually produce quick responses. However some organizations are concerned about problems that result from hiring friends of employees for example, the practice of hiring friends and relatives favoritisms, cliques etc.

5.3.2 Merits and Demerits of Internal Recruitment.

Merits of the internal source of recruitment:

1. Increase in Morale. Recruitment through the internal sources, particularly promotion, increases the morale of the employees. Everybody in the organization knows that they can be promoted to a higher post, their morale will be boosted and their work efficiency will increase.

2. Better Selection. The people working in the enterprise are known by the management and for selection higher post does not carry any risk as the employees are known.

3. Economical Internal. Internal source is highly economical because no expenditure is involved in locating the source of recruitment and no time is wasted in the long process of selection. Moreover, these employees do not need extensive training because they already know about all the works of the enterprise.

4. Labor-turnover is reduced. When the employees know that they can be promoted to higher posts, they do not leave the enterprise. As a result of this policy labor turnover is reduced and the status of the company increases.

5. Better Labor-Management Relations. When the internal source of recruitment is used the employees remain satisfied which leads to the establishment of better labor-management relationship.

Demerits. The internal source of recruitment of employees suffers from the following demerits:

1. Check in Young Blood. The defect of the internal source of recruitment is that the young people fully equipped with modern technical knowledge remain excluded from the entry in the enterprise. As a result, the old people run the enterprise with the old ideas and experience.

2. Limited choice. The internal recruitment of the employees reduces the area of choice. The reduction in the area of choice means less number of applicants. The choice is to be made out of people working in the enterprise.

3. Encourages Favoritism. Internal source encourages favoritism in this system; the superiors usually select their favorites. Sometimes even less capable person is selected which harms the enterprise. In this system generally the personal impression of the managers about the employee is given preference for selection.

5.3.4 External Sources or Recruitment from Outside

The external source of recruitment of employees means filling up the vacant posts in the enterprise by inviting people from outside. Mostly the external source is usually for filling up the posts at the lower level. Sometimes it is also used for filling up some specific posts – for example, the appointment of Engineers, Chartered Accountants, etc. External sources are greater in number in comparison to internal source and every employer makes an effort to interview the maximum number of people before selecting the right person. The major external sources of recruitment are as follows:

1. Re-employing the Former Employees. Former employees who had left the enterprise due to some personal reasons can be re-employed. They will need less training as compared to the new employees as they are fully acquainted with the different works in enterprise.

2 . Employment Agencies. Information about the prospective employees can be obtained from the employment agencies. These are two types:

(i) Public Employment Agencies. Usually there are employment offices in every district where the names of the people desirous of getting employment are registered. Under this system, the manager sends the information about vacant posts to the employment office. After that the Employment Officer sends the names of registered people with desirable qualifications to the enterprise. The manager of the enterprise invites those people and selects them according to the need of the enterprise. This system of recruitment of the employees is usually used in the selections of typists. clerks peons, etc.

(ii) Private Employment Agencies. These days' private employment agencies are also coming up as a good external source of recruitment. These agencies are established by private individuals. People desiring employment get themselves registered with them. They register the names of people desirous of being appointed at the higher or middle level. They perform the work of recruitment and selection on behalf of the enterprise. For rendering this service they charge some fee from the enterprise.

3. Advertising the Vacancies. Advertisement is an effective method of finding out the external prospective employees. Through it a large number of people are attracted towards the enterprise for the high-level and middle level posts. Advertisement is done through News Papers, Rozgar Samachar, Television, Magazines. etc. Advertisement gives information about the number of posts, nature of work, desirable qualifications, salary, etc. It increases the area of selection for the enterprise, and consequently the appointment of good employees becomes possible.

4. Educational Institutions. The places from where such persons are obtained include Colleges, Universities, Management institutes, Technical institutions, etc. Generally, an employment office is also opened in these institutions for the purpose of getting jobs for the young students. The manager of a company can contact the employment offices of these institutions and get the persons of his choice. This source is also known as campus recruitment.

5. Recruitment at Factory Gate. Under this system the people wanting a job themselves gather at the gate of the factory every day. These people are generally laborers or small artisans. The foreman of the factory selects the required number of persons according to his need. It is a very simple and convenient system of getting the labor.

6. Labor unions. Sometimes help is sought from labor unions for the recruitment of people at the lower level. This helps in getting the experienced persons and also establishes an environment of coordination among the managers and the labor unions.

7. Applications in anticipation. Some capable and brilliant persons send their applications from time to time to good enterprises hope in getting a job whenever it becomes available in those enterprises. A waiting list of these applicants is prepared and when a post falls vacant capable persons out of the waiting list are called.

8. Labor Contractors. Labor contractors are a link between the managers and the labor. The moment the managers demand the labor, the contractors make them available. This system of recruitment of employees is more popular with road construction, building construction and plantation industry.

9. Recruitment from Competitive Concerns. The people working in competitive concerns can be attracted by offering them better salary and other facilities. Trained and capable persons can be obtained by this system.

10. Recruiters- The most common use of recruiters is with technical and vocational schools, community colleges, colleges, and universities.

11. Special Events- It is a recruiting method that involves an effort on the part of a single employer or group of employers to attract a large number of applicants for interviews.

12. Internships- A special form of recruiting that involves placing a student in a temporary job. There is no obligation on the part of the company to permanently hire the student and no obligation on the part of the student to accept a permanent position with the firm. Hiring college students to work as student interns is typically viewed as training activity rather than as a recruiting activity. However, organizations that sponsor internship programs have found that such programs represent an excellent means of recruiting outstanding employees.

13. Executive Search Firms- Executive search firms sometimes called **Head Hunters** are specialized form of private employment agencies that place top level executives and experienced professionals. These are the organizations that seek the most-qualified executive available for a specific position and are generally retained by the company needing a specific type of individual.

14. Professional Associations - Associations in many business professions such as finance, marketing, information technology, and human resources provide recruitment and placement services for their members. Professional associations and trade organizations provide a valuable service in bringing together professional and professional job openings. Most professional organizations have newsletters, annual meetings and trade publications that advertise job openings. The annual meetings of these organizations are good occasion for professionals to learn about available job openings and for employers to interview potential applicants.

15. Unsolicited Walk-In Applicants - If an organization has the reputation of being a good place to work, it may be able to attract good prospective employees without extensive recruitment efforts.

16. Open Houses- Firms pair potential hires and managers in a warm, causal environment that encourages on-the-spot job offers.

17. Event Recruiting- Attend the events that the people you are seeking go to.

18. Virtual Job Fairs- Individuals meet recruiters face-to-face in interviews conducted over special computers that have lenses that transmit head-and-shoulder images of both parties.

19. Cyber Recruiting- Organizations can also use web sites and internet sources to recruit people application submission test and interview and other recruitment and selection activities can be performed online.

5.3.5 Merits and Demerits of External Recruitment

Merits of the external recruitment system

1. **Entry of Young Blood.** Recruitment through external source brings in new persons with modern ideas which can be profitable for the organization.

2. **Wide Choice.** The use of the external source of recruitment increases the number of candidates and widens the choice. The managers judge capabilities of the applicants and select the best ones for appointment.

3. **Less Chances of Favoritism.** Al the candidates, under this system of recruitment, are new for the managers and this excludes the possibility of favoritism.

Demerits. In spite of many merits, the system of recruitment in external sources is not free from defects. Its chief demerits are:

1. **Decrease in Morale of Existing Employees.** By adopting the system of external recruitment the chances of promotion of the present employee come to an end. Since there is no hope of any promotion the morale of employees decreases and they do not perform their work with dedication.

2. **Chances of Wrong Selection.** There are chances of wrong selection due to non-availability of information in case of external recruitment. Wrong selection will upset the working condition of the organization.

3. Costly Source. The external source of recruitment involves expensive advertisement, long selection process and training after selection which increases organizational expenditure.

4. Increase in labor-turnover. When the employees know that they cannot be appointed on high posts in the enterprise, they leave the organization at the first available opportunity and as a result an increase in the labor-turnover which lowers the prestige or the reputation of the enterprise.

5. Deterioration in labor-management relationship. Making use of the external source of recruitment affects the present employees and there is an increase in the incidents of strikes and lock-outs.

5.3.6 Internet Recruiting

Finding well-qualified applicants quickly at the lowest possible cost is a primary goal for recruiters. Recent trends indicate that, if you're looking for a job in the technical field or to fill a technical job, you need consider using the Internet. The same may well be true for non-technical jobs in the near future.

Advantages

A majority of firms that have actually used the Internet for recruiting consider the Internet more cost-effective than most recruitment methods.

Other advantages include: access to more people and a broader selection of applicants, the ability to target the type of people needed, access to people with a technical background who know computers, convenience, quicker response and turnaround, ease of use,

Disadvantages

Using the Internet to recruit poses a dilemma with respect to attracting the 'passive job seeker' -- the person who is not actively searching on the Internet, but may nonetheless be interested in openings in your organization..

To find these passive job seekers, companies might consider setting up their own Web sites which welcome applicants.

An increased volume of applicants may also become a problem if Internet recruiting is used. An organization must ensure that it uses an adequate tracking mechanism to deal with this increased volume.

A further disadvantage is that not everyone has access to or uses the Internet.

Integrating the Internet and the HRMIS

There are a number of products on the market that can import, store, sort, and retrieve electronic data from a variety of sources. Resumes can be imported into these systems by e-mail and fax or scanning. These data are then converted into text (if necessary). Resume imaging and scanning is becoming much more common.

Webpage generated resumes

Another approach to Internet recruitment is to permit people to generate a resume while online. Using the appropriate textboxes on the firm's Webpage, an applicant would be able to complete and application form and resume and then submit that data directly to the firm from the Webpage.

It is clear that, as the Web becomes more of a mainstream activity, more people will look there for jobs

5.3.7 Evaluating the Recruitment Process

Recruitment process can be evaluated by the following factors:

1. Quantity of the Applicants
2. Quality of the Applicants

1. Quantity of the Applicants

Recruitment process can be evaluated by the number of applicants who have applied for the job greater the number of applications greater will be the chance to select best people from available pool.

2. Quality of the Applicants

Effectiveness of recruitment can be estimated by the quality of the applicants. Quality can be assessed by the education, skills, capabilities and competencies of the applicants.

EXERCISE:

Fill In The Blanks With Correct Answers From The Text:

1. ____________- It is the process of attracting individuals on a timely basis, in sufficient numbers and with appropriate qualifications, and encouraging them to apply for jobs with an organization.
2. ____________- The process of making a "hire" or "no hire" decision regarding each applicant for a job
3. ____________- The process of orienting new employees to the organization or the unit in which they will be working Today we will start discussing this hiring process with the detail discussion on first step that is Recruitment.
4. In a small organization, recruitment is usually done by the ____________or __________
5. Once the number of employees to be appointed is decided the next phase is of recruitment of ___________.
6. "____________ is a process of finding capable individuals to apply for employment."
7. Second goal of recruitment is to avoid ___________applicants.
8. Attractiveness of the job mainly depends upon its contribution towards achievement of organizations objectives, ________ ___________, its contribution in the career development of the job holder.
9. When the economy is growing rapidly and unemployment levels are very low, recruiting is ________ ____________.
10. The second step in the process of recruitment which consists of identifying the sources of ____________.
11. Under the internal resources vacant posts are filled up by the employees available in the __________
12. ____________is that process under which an employee working on a lower post is promoted to the high post, where his responsibility increases, post is higher and salary is raised.
13. Under transfer an employee is ________from one department to another department or from one branch to another branch on the same post.

14. The external source of recruitment of employees means filling up the _______ in the enterprise by inviting people from outside.

15. _____________ - Friends and Relatives of Present Employees.

Case
Getting Better Applicants

Source: Adapted from: Human Resource Management – Gary Dessler, (10th Edition), Prentice Hall

If you were to ask Jennifer and her father what the main problem was in running their firm, their answer would be quick and short: hiring good people. Originally begun as a string of coin-operated Laundromats requiring virtually no skilled help, the chain grew to six stores, each heavily dependent on skilled managers, cleaner-spotters, and pressers. Employees generally have no more than a high school education (often less), and the market for them is very competitive. Over a typical weekend literally dozens of want ads for experienced pressers or cleaner-spotters can be found in area newspapers. All these people are usually paid around $7.00 per hour, and they change jobs frequently. Jennifer and her father are thus faced with the continuing task of recruiting and hiring qualified workers out of a pool of individuals they feel are almost nomadic in their propensity to move from area to area and job to job. Turnover in their stores (as in the stores of many of their competitors) often approaches 400%. "Don't talk to me about human resources planning and trend analysis says Jennifer. "We're fighting an economic war and I'm happy just to be able to round up enough live applicants to be able to keep my trenches fully manned." In light of this problem, Jennifer's father asked her to answer the following questions:

Questions

1. First, how would you recommend we go about reducing the turnover in our stores?
2. Provide a detailed list of recommendations concerning how we should go about increasing our pool of acceptable job applicants so we are no longer faced with the need of hiring almost anyone who walks in the door. (Your recommendations regarding the latter should include completely worded advertisements and recommendations regarding any other recruiting strategies you would suggest we use.)'

♠♠♠

CHAPTER 6
SELECTION

6.1 INTRODUCTION

In the previous chapter we saw recruitment involves searching for and attracting candidates to fill job vacancies. In this chapter we shall learn selection is a later stage of the recruitment process, which involves choosing competent and qualified applicants suited for the job.

Selection of competent employees is one of the most important activities a firm can do. Spending a few extra dollars, to select a competent employee who might potentially save the firm thousands of dollars, is money well-spent.

There are also legal considerations involved in the selection of new employees. The fear of wrongful termination lawsuits has caused many companies to become far more concerned about whom they hire. If a company is careful, thorough, and selective in its hiring practices, it can reduce the instances when it will be necessary to terminate employees.

Recruitment and selection process is the planned way in which the organization interfaces with the external supply of labor. Recruitment is the process of attracting a pool of candidates for a vacant position, and selection is the technique of choosing a new member of the organization from the available candidates. The processes of recruitment and selection incur significant costs, so it is natural for organizations to pay attention to these activities from a cost-effective viewpoint. For example, placing advertisements and using the services of managers in selection interviewing can be costly. It is also costly if the person selected to fill a particular vacancy does not perform satisfactorily in the job. Sub-standard performance on a production line can lead to having to correct a mistake, and a lack of skill in interacting with a customer could lead to a loss of business. Within a workgroup a poor performer can affect the rhythm and output of the team.

After determining the number of employees required and completing the process of recruitment, the process of selection commences. Under recruitment various sources for the prospective employees are identified and even they are encouraged to send their applications to the enterprise. By the time the recruitment process is completed, the applications of all the persons desirous of getting a job have been received. After this the process of selection is commenced under which the capability of the applicants is matched with the job and those applicants who come up to the desired requirements are selected.

Selection involves a series of steps by which the candidates are screened for choosing the most suitable persons for vacant posts. The process of selection leads to employment of persons who possess the ability and qualifications to perform the jobs which have fallen vacant in an organization.

6.1.1 Definitions of Selection

Selection means selecting capable applicants according to the pre-determined number out of a large number of applicants through different tests.

A well designed selection process will yield information about a candidate's skills and weaknesses. The Human Resource specialist must determine which selection tools are most appropriate for purposes of selecting the best candidate. Put simply, the main tools will be the kinds of questions that are asked of the applicants.

For example, applicant skills can be evaluated through application forms, interviews, tests, and reference checks, letters of recommendation or reference, and physical examinations. Clearly, some selection tools are more effective than others, but a combination of tools is usually best.

One way to look at the selection process is to view it as a series of obstacles that applicants must clear in order to obtain the job. Each successive obstacle eliminates some applicants from contention. Generally, the more expensive and time-consuming of the selection tools (obstacles) should be used later in the selection process.

1. According to **Dale Yoder**, *"Selection is the process in which candidates for employment are divided into two classes – those who are to be offered employment and those who are not."*

2. According to **Weinrich and Koontz**, *"Selecting a manager is choosing from among the candidates the one who best meets the position requirements."*

The above-mentioned definitions clearly show that under the process of selection one person or more than one are selected according to the pre-determined qualifications.

6.1.2 Purpose of Selection

The basic purpose of the selection process is *to choose the right type of candidates for various positions in the organization.* In order to achieve this purpose, a well-organized selection procedure involves and many steps are exercised so that unsuitable candidates are rejected. The recruitment, on the other hand, is a positive process. Its aim is *to attract applications for vacant jobs in the organization.* Various sources of recruitment are used for selection.

Thus, recruitment is a positive process because it aims at attracting applicants for various jobs. Selection is a negative process because it aims at rejecting candidates who are - unsuitable and offering jobs to suitable candidates.

6.1.3 Difference between Recruitment and Selection. The distinction between recruitment and selection is discussed below:

1. Recruitment is the *process of searching for prospective employees* and stimulating them to supply for jobs in the organization. On the other hand, selection means employment of workers or establishing a *contractual relationship* between the employer and the worker.

2. Recruitment is a *positive process* of searching for prospective employees, whereas selection is a *negative process* because it involves rejection of unusable candidates.

3. The purpose of recruitment is to create a *pool of applicants* for jobs in the organization. But selection aims at *eliminating unsuitable candidates* and ensuring most competent people for the vacant jobs.

4. Recruitment at a *simple process* as the candidates are required to fill in the prescribed forms and deposit the same with the employer. But selection is a *complex process* under which

each candidate is required to cross a number of hurdles before getting the offer for a job.

Both requirement and selection are the two phases of the employment process. Recruitment being the first phase envisages taking decisions on the choice of tapping the sources of labor supply. Selection is the second phase which involves giving various types of tests to the candidates and interviewing them in order to select the suitable candidates only.

6.1.4 Factors Affecting the Selection Process

A permanent, standardized screening process could greatly simplify the selection process. However, development of such a process—even if it were possible and desirable—would not eliminate deviations to meet the unique needs of particular situation.

1. **Legal Considerations** - Legislation, executive orders, and court decisions have a major impact on human resource management. It is important for hiring managers to see the relationship between useful and legally defensible selection tools.

2. **Speed Of Decision Making** - The time available to make the selection decision can have a major effect on the selection process. Closely following selection policies and procedures can provide greater protection against legal problems; however, there are times when the pressure of business will dictate that exceptions be made.

3. **Organizational Hierarchy** - Different approaches to selection are generally taken for filling positions at different levels in the organization.

4. **Applicant Pool** - The number of applicants for a particular job can also affect the selection process. The process can be truly selective only if there are several qualified applicants for a particular position. The number of people hired for a particular job compared to the individuals in the applicant pool is often expressed as a selection ratio.

5. **Type of Organization** - The sector of the economy in which individuals are to be employed—private, governmental, or not-for profit— can also affect the selection process.

6. **Probationary Period** - Many firms use a probationary period that permits evaluating an employee's ability based on

performance. This may be either a substitute for certain phases of the selection process or a check on the validity of the process.

7. **Selection Criteria** -Mostly the selection of applicant depends upon the following factors or criterions:

- Education
- Competencies
- Experience
- Skills And Abilities
- Personal Characteristics

Applicant who is best fit should be hired instead of hiring a person with extra ordinary skills it means right person for right job should be hired person who is over or under qualified for the particular job will not be able to adjust in the organization.

Selection is a critical process as it requires a heavy investment of money to get right of people. Induction and training costs are also high. If the right types of persons are not chosen, it will lead to huge losses to the employer in terms of time, effort and money. Therefore, it is essential to devise a suitable selection procedure. Each step in the selection procedure should help in getting more and more information about the applicants to facilitate decision-making in the process of selection.

Absenteeism and employee turnover are the important problems which are being faced by most of the organizations. The intensity of these problems can be reduced if in the future all selections are made carefully so that there are round pegs in the round holes'. Whenever unsuitable employees are appointed, the efficiency of the organization will go down. Such employees will shirk work and absent themselves from the work more often. They may also be compelled to leave their jobs. If this happens, all the expenses incurred on the selection and training of such employees will go waste.

Scientific selection and placement of personnel will go a long way towards building up a stable work force. It will keep the rates of absenteeism and labor turnover low and will increase the morale of the employees. When the employees are suitable according to the requirements of the jobs, they will show higher efficiency and productivity. This will also enable the organization to achieve its objectives effectively.

6.1.5 The Benefits of Correct Selecting

(i) **Suitable work force.** Proper selection and placement of personnel go a long way towards building up a suitable work force. It will keep the rates of absenteeism and labor turnover low.

(ii) **Higher Rate of Efficiency.** Competent employees will show higher efficiency an enable the organization to achieve its objective effectively.

(iii) **Lesser Accidents.** The rate of industrial accidents will be considerably low if suitable employees are placed on various jobs.

(iv) **Job Satisfaction.** When people get jobs of their taste and choice, they get higher job satisfaction. This will build up a contended work force for the organization.

(v) **High Morale.** The morale of employees who are satisfied with their jobs is often high.

6.1.6 Factors in Selecting the Right Person

The factors to be considered for selecting the right person for right job are as under:

1. **Physical Characteristics.** Sound body, limbs, height, weight, sight, etc.

2. **Personal Characteristics.** Age, sex, marital status, number of children, family background, etc.

3. **Proficiency or Skill and Ability.** Qualifications and previous experience.

4. **Competency.** Potentiality of an individual for learning and becoming proficient in a job. Competency points out capacity to acquire knowledge and skill for success on the job

5. **Temperament and Character.** Emotional, moral and social qualities, honesty, loyalty, etc. A high degree of intellectual competency can never serve as a substitute for such qualities as honesty and trustworthiness.

6. **Interest.** Without interest, work is colorless and monotonous. With interest, work seems meaningful and worthwhile to the individual and abilities are developed as well as accomplishments are realized. If a person skill and competency, but he has no interest in the job, he will be unhappy in his work.

6.2 STEPS IN THE SELECTION PROCESS

The selection process typically begins with the preliminary interview; next, candidates complete the application for employment. They progress through a series of selection tests, the employment interview, and reference and background checks. The successful applicant receives a company physical examination and is employed if the results are satisfactory. Several external and internal factors impact the selection process, and the manager must take them into account in making selection decisions. Typically selection process consists of the following steps but it is not necessary that all organization go through all these steps as per requirement of the organization some steps can be skipped while performing the selection process.

1. Initial Screening
2. Application Blank
3. Pre-employment Testing
   - General Intelligence Tests
   - Aptitude Tests
   - Personality and Interest Tests
   - Achievement Tests
   - Honesty Tests
4. Interview
   - Structured Interview
   - Unstructured Interview
   - Mixed Interview
5. Background Checks
6. Conditional job offer
7. Medical Exam/Drug Tests
8. Final Selection Decision

1. Initial Screening- The selection process often begins with an initial screening of applicants to remove individuals who obviously do not meet the position requirements. At this stage, a few straightforward questions are asked. An applicant may obviously be unqualified to fill the advertised position, but be well qualified to work in other open positions. The Purpose of Screening is to decrease the number of applicants being considered for selection.

Sources utilized in the screening effort:

Personal Resume presented with the job application is considered as source of information that can be used for the initial screening process. It mainly includes information in the following areas:

- Employment & education history
- Evaluation of character
- Evaluation of job performance

Screening Interviews:

Screening interviews are used to:

- To verify information provided on resume or application blank.
- They are usually very short (approximately 30 minutes or so).

Advantages of Successful Screening:

If the screening effort is successful, those applicants that do not meet minimum required qualifications will not move to the next stage in the selection process. Companies utilizing expensive selection procedures put more effort in screening to reduce costs.

2. ***Application Blank*** - is a formal record of an individual's application for employment. The next step in the selection process may involve having the prospective employee complete an application for employment. The specific type of information may vary from firm to firm and even by job type within an organization. However, the application form must reflect not only the firm's informational needs but also EEO requirements. Application forms are a good way to quickly collect verifiable and fairly accurate historical data from the candidate.

3. ***Pre Employment Testing*** - A personnel testing is a valuable way to measure individual characteristics. Hundreds of tests have been developed to measure various dimensions of behavior. The tests measure mantel abilities, knowledge, physical abilities, personality, interest, temperament, and other attitudes and behaviors. Evidence suggests that the use of tests is becoming more prevalent for assessing an applicant's qualifications and potential for success. Tests are used more in the public sector than in the private sector and in medium-sized and large companies than in small companies. Large organizations are likely to have trained specialists to run their testing programs.

Advantages of using tests:

Selection testing can be a reliable and accurate means of selecting qualified candidates from a pool of applicants. As with all selection procedures, it is important to identify the essential functions of each job and determine the skills needed to perform them.

Potential problems using selection tests

Selection tests may accurately predict an applicant's ability to perform the job, but they are less successful in indicating the extent to which the individual will want to perform it. Another potential problem, related primarily to personality tests and interest inventories, has to do with applicants' honesty. Also there is the problem of test anxiety. Applicants often become quite anxious when confronting yet another hurdle that might eliminate them from consideration.

Characteristics of Properly Designed Selection Tests

Properly designed selection tests are standardized, objective, based on sound norms, reliable and—of utmost importance—valid.

- **Standardization**: Refers to the uniformity of the procedures and conditions related to administering tests. It is necessary for all to take the test under conditions that are as close to identical as possible.
- **Objectivity**: Achieved when all individuals scoring a given test obtain the same results.
- **Norms**: Provide a frame of reference for comparing applicants' performance with that of others. A norm reflects the distribution of scores obtained by many people similar to the applicant being tested. The prospective employee's test score is compared to the norm and the significance of the test score is determined.
- **Reliability**: The extent to which a selection test provides consistent results. If a test has low reliability, its validity as a predictor will also be low. To validate reliability, a test must be verified.
- **Validity**: The extent to which a test measures what it purports to measure. If a test cannot indicate ability to perform the job, it has no value as a predictor.

Types of Validation Studies

There three main approaches that may be followed to validate selection tests: criterion-related validity, content validity, and construct validity.

- **Criterion-Related Validity** It is determined by comparing the scores on selection tests to some aspect of job performance. A close relationship between the score on the test and job performance suggests the test is valid.
- **Content Validity**
- It is a test validation method whereby a person performs certain tasks that are actually required by the job or completes a paper-and-pencil test that measures relevant job knowledge.
- **Construct Validity**
- It is a test validation method to determine whether a test measures certain traits or qualities that are important in performing the job. However, traits or qualities such as teamwork, leadership, and planning or organization ability must first be carefully identified through job analysis.

Types of Employment Tests

Individuals differ in characteristics related to job performance. These differences, which are measurable, relate to cognitive abilities, psychomotor abilities, job knowledge, work samples, vocational interests, and personality. Various tests measure these differences.

a. **Cognitive Aptitude Tests** - It measures an individual's ability to learn, as well as to perform a job. Job-related abilities may be classified as verbal, numerical, perceptual speed, spatial, and reasoning.

b. **Psychomotor Abilities Tests** - This type of test is used to measure strength, coordination, and dexterity. It is feasible to measure many abilities that are involved in many routine production jobs and some office jobs.

c. **Job Knowledge Tests** - This sort of test is designed to measure a candidate's knowledge of the duties of the position for which he or she is applying.

d. **Work-Sample Tests (Simulations)** - It identifies a task or set of tasks that are representative of the job. The evidence concerning these tests, to date, is that they produce high predictive validity, reduce adverse impact, and are more acceptable to applicants.

e. Vocational Interest Tests - It indicates the occupation in which a person is most interested and is most likely to receive satisfaction.

f. Personality Tests - It is a selection tools, personality tests have not been as useful as other types of tests. They are often characterized by low reliability and low validity. Because some personality tests emphasize subjective interpretation, the services of a qualified psychologist are required.

g. *Drug and* Alcohol Testing- Basic purpose of the drug-testing programs contends that it is necessary to ensure workplace safety, security, and productivity.

h. Genetic Testing- As genetic research progresses, confirmed links between specific gene mutations and diseases are emerging. Genetic testing can now determine whether a person carries the gene mutation for certain diseases, including heart disease, colon cancer, breast cancer, and Huntington's disease.

i. Honest Test/Polygraph Tests- For many years, another means used to verify background information has been the polygraph, or lie detector, test. One purpose of the polygraph was to confirm or refute the information contained in the application blank. Special tests have been constructed to measure the orientation of the individuals toward the issue of the honesty and personal integrity. Honesty tests are the most frequently used psychological tests in industry. These tests contain questions regarding such situations as whether a person who has taken company merchandise should be trusted in another job that involves handling company money. An individual's response to the test statements indicates the individual's attitudes towards theft, embezzlement, and dishonest practices. Extensive research has shown that some of these instruments not only produce reliable information that validly predicts dishonest behavior, but that they also are free from biases of age, race, and sex. These honesty tests represent a valuable selection tool for choosing employees who will occupy positions that involve handling company money.

j. Internet Testing- The Internet is increasingly being used to test various skills required by applicants.

4. Job Interviews- Interview is a goal-oriented conversation in which the interviewer and applicant exchange information. The employment interview is especially significant because the applicants who reach this stage are considered to be the most promising candidates.

I. Interview Planning

Interview planning is essential to effective employment interviews. The physical location of the interview should be both pleasant and private, providing for a minimum of interruptions. The interviewer should possess a pleasant personality, empathy and the ability to listen and communicate effectively. He or she should become familiar with the applicant's qualifications by reviewing the data collected from other selection tools. In preparing for the interview, a job profile should be developed based on the job description.

II. Content of the Interview

The specific content of employment interviews varies greatly by organization and the level of the job concerned.

- **Occupational experience**: Exploring an individual's occupational experience requires determining the applicant's skills, abilities, and willingness to handle responsibility.
- **Academic achievement**: In the absence of significant work experience, a person's academic background takes on greater importance.
- **Interpersonal skills**: If an individual cannot work well with other employees, chances for success are slim. This is especially true in today's world with increasing emphasis being placed on the use of teams.
- **Personal qualities**: Personal qualities normally observed during the interview include physical appearance, speaking ability, vocabulary, poise, adaptability, and assertiveness.
- **Organizational fit**: A hiring criterion that is not prominently mentioned in the literature is *organizational fit*. Organizational fit is ill-defined but refers to management's perception of the degree to which the prospective employee will fit in with, for example, the firm's culture or value system.

III. Types of Interviews

Interviews may be classified in two types by the degree to which they are structured.

a. The Unstructured (Nondirective) Interview

Unstructured interview is an interview where probing, open-ended questions are asked. This type of interview is comprehensive, and the interviewer encourages the applicant to do much of the talking.

b. The Structured (Directive Or Patterned) Interview

An interview consisting of a series of job-related questions that are asked consistently of each applicant for a particular job is known as structured interview. A structured interview typically contains four types of questions.

- **Situational questions**: Pose a hypothetical job situation to determine what the applicant would do in that situation.
- **Job knowledge questions**: Probe the applicant's job-related knowledge.
- **Job-sample simulation questions**: Involve situations in which an applicant may be actually required to perform a sample task from the job.
- **Worker requirements questions**: Seek to determine the applicant's willingness to conform to the requirements of the job.

c. Behavior Description Interviewing

A structured interview that uses questions designed to probe the candidate's past behavior in specific situations. It avoids making judgments about applicants' personalities and avoids hypothetical and self evaluative questions. Benchmark answers derived from behaviors of successful employees are prepared for use in rating applicant responses. Questions asked in behavior description interviewing are legally *safe* because they are job related.

IV. Methods of Interviewing

Interviews may be conducted in several ways.

a. One-On-One Interview

In a typical employment interview, the applicant meets one-on-one with an interviewer. As the interview may be a highly emotional occasion for the applicant, meeting alone with the interviewer is often less threatening.

b. Group Interview

Several applicants interact in the presence of one or more company representatives.

c. Board Interview

One candidate is interviewed by several representatives of the firm.

d. Stress Interview

Intentionally creates anxiety to determine how an applicant will react to stress on the job.

V. Realistic Job Previews

RJP Conveys job information to the applicant in an unbiased manner, including both positive and negative factors

VI. Legal Implications of Interviewing

Because the interview is considered to be a test, it is subject to the same validity requirements as any other step in the selection process, should adverse impact be shown. For the interview, this constraint presents special difficulties.

VII. How to Avoid Common Interviewing Mistakes

a. Snap Judgments:

This is where the interviewer jumps to a conclusion about the candidate during the first few minutes of the interview. Using a structured interview is one way to help avoid this, as well as properly training the interviewers.

b. Negative Emphasis:

When an interviewer has received negative information about the candidate, through references or other sources, he or she will almost always view the candidate negatively. The best way to avoid this is to keep references or other information from the interviewer. If possible, have different people do the reference checks and the interviews and not share the information until afterwards.

c. Poor Knowledge of Job:

When interviewers do not have a good understanding of the job requirements, they do not make good selections of candidates. All interviewers should clearly understand the jobs and know what is needed for success in those jobs.

d. Pressure to Hire:

Anytime an interviewer is told that he or she must hire a certain number of people within a short time frame, poor selection decisions may be made. This type of pressure should be avoided whenever possible.

e. Candidate Order

(Contrast) Error: When an adequate candidate is preceded by either an outstanding, or a poor candidate, by contrast he or she looks either less satisfactory or much better. This can be countered through interviewer training, allowing time between interviews, and structured interviews with structured rating forms.

f. Influence of Nonverbal Behavior:

Candidates who exhibit stronger nonverbal behavior such as eye contact and energy level are perceived as stronger by the interviewers. This can be minimized through interviewer training and structured interviews.

Sample Questions for Employment Interview

Describe your ideal job
What kind of work are you interested in?
Why do you want to work for our company?
What do you think would be a fair salary?
What are your career goals?
If you could do the last 5 years over, what would you do differently?
Why should we hire you ?
What do you think your salary should be in 5 years (10 years)?
Why did you select the post-secondary courses you did?
Do you have any geographical preferences?
What do you know about our company's products and services?
Describe your ideal (worst) boss
Describe your last job
Why did you leave your last job?
What job skills do you have?
What is your favorite sport (hobby, activity)?
How often do you expect to be promoted?
What is your major strength (weakness)?
Do you plan to take any extra training?
What jobs have you liked the most (least)?
What would you do if you encountered irreconcilable differences with your immediate superior?

5. ***Background Investigations***-This step is used to check accuracy of application form through former employers and references. Verification of education and legal status to work Credit history Criminal records is also made. Personal reference checks may provide additional insight into the information furnished by the applicant and allow verification of its accuracy. Past behavior is the best predictor of future behavior. It is important to gain as much information as possible about past behavior to understand what kinds of behavior one can expect in the future. Knowledge about attendance problems, insubordination issues, theft, or other behavioral problems can certainly help one avoid hiring someone who is likely to repeat those behaviors. Background investigations primarily seek data from references supplied by the applicant including his or her previous employers. The intensity of background investigations depends on the level of responsibility inherent in the position to be filled.

Types of References:

Personal References are usually provided by friends or family but the limitation is their objectivity and candor are questionable so they are not commonly used

Employment References differ from personal references they discuss the applicant's work history but the limitation is weather they are useful is questionable as sometimes former employers are unlikely to be frank. But the benefit is they can be used primarily as confirmation of prior employment these kinds of references are less used now a days.

The Telephone Inquiry

This is the widely used mode of reference checking used in these days because by the use of telephone the necessary information can be obtained faster, and the reliability of the reference can be judged by noticing voice inflections or hesitations to blunt questions.

A study of the utilize of references shows that less than 22% seek negative information , approx. 48% use references to verify application information approx. 30% use it to gather additional information.

*6. **Conditional Job Offer*** - After obtaining and evaluating information about the finalists in a job selection process, the manager must take the most critical step of all: making the actual hiring decision. The person whose qualifications most closely conform to the requirements of the open position should be selected. Initially the conditional job letter is offered that is followed by the physical exam/test.

*7. **Physical Exam*** -After the decision has been made to extend a job offer, the next phase of the selection process involves the completion of a physical examination for the successful applicant. Typically, a job offer is contingent on successfully passing this examination. Substance Abuse Screening – Because drug abuse is a serious problem for employers, it is common practice for most employers to conduct drug screening just before employees are formally hired.

*8. **Permanent Job Offer***-If physical test/exam proves eligibility of the candidate as per requirement of the job, final offer is made to applicant by the concerned department or supervisor in the concerned department.

Notification to Candidates: The selection process results should be made known to candidates—successful and unsuccessful—as soon as possible. Any delay may result in the firm losing a prime candidate, as top prospects often have other employment options. As a matter of courtesy and good public relations, the unsuccessful candidates should also be promptly notified.

6.3 SELECTING MANAGERS

While selecting mangers for the organization, organizations can have three options which are:

I. Hiring Parent Country Nationals (PCN)
II. Hiring Host Country Nationals (HCN)
III. Hiring third Country Nationals (TCN)

All of these approaches are having some pros and cons let's discuss them briefly:

6.3.1 Parent-Country Nationals

Parent country nationals are residents of home country.

Advantages
- Better organizational Control and Coordination
- Promising managers are given International experience.
- PCNs are the best people for the job.

Disadvantages
- Adaptation to the host country may take a long time
- PCNs may impose an inappropriate headquarter style
- Compensation for PCNs and HCNs may differ

6.3.2 Host-Country Nationals

Host country national are residents of the host country.

Advantages
- Language and other barriers are eliminated
- Hiring costs are reduced
- No work permit is required
- Continuity of management improved

Disadvantages
- Control and Coordination of headquarters may be impeded.
- Hiring HCN's limits opportunities for PCN's to gain overseas experience.

6.3.3 Third-Country Nationals

If required talent is not available in home or host country than national s of the third country can be hired as managers.

Advantages
- Salary and benefits requirements may be lower than for PCNs
- TCNs may be better informed than PCNs about the host country.

Disadvantages
- The host Government may resent the hiring of TCNs
- TCNs may not want to return to their own countries after assignment.

Once selection decision is made at any level of the organization, every applicant that is selected requires to be create awareness about the organization regarding basic work policies , rules regulations , do's and don'ts of the organization this information is communicated through orientation process.

6.4 Reviewing the Hiring Process

After completing the hiring, the process ought to be evaluated. The process begins with finding answers to questions like What about the number of initial applicants? Were there too many applicants? Too few? Does the firm need to think about changing its advertisement and recruiting to get the result desired? What was the nature of the applicants' qualifications? Were the applicants too qualified? Not qualified enough? Perhaps the advertisement needs to be re-worded to attract more appropriate candidates. In this case, using a job description can help. How cost-effective was the advertising? A simple way to measure is to divide the cost (not only in dollars but in your time) by either the number of total applicants or the number of applicants that you considered seriously. Were there questions that needed to be asked but weren't? How well did the interviewers do? One way to determine this is to ask the new employee to critique the interviewing process. Did employment tests support or help the hiring decision? If not, maybe the firm will have to reconsider the kinds of tests it is administering. Further, the evaluation process should help the firm decide if the cost and time involved in the testing is worth it. Would you have come to the same hiring decision without testing?

Common Components Of Application Forms

- ***Personal Data***

name
address
telephone number

- ***Employment Status***

employment objective
availability
position sought
salary desired
acceptability of part/full-time employment

- ***Education and Skills***

certification
courses taken

- ***Work History***

list of past jobs
gives clues about how often an applicant changes jobs

- ***Memberships, Awards, and Hobbies***

recruits are potential representatives of the employer in the community
awards show recognition for noteworthy achievements
hobbies may reinforce important job skills
may indicate an outlet for stress

- ***Signature Line***

signature
date
authorization to check

- ***References***

verify medical records
financial records
criminal records
A statement that the applicant affirms the information in the application to be true and accurate falsification may be grounds for discharge, should also be added.

EXERCISE:

Fill In The Blanks With Correct Answers From The Text:

1. After determining the number of employees required and completing the process of recruitment, the process of __________ __________ commences.

2. __________ means selecting capable applicants according to the pre-determined number out of a large number of applicants through different tests.

3. The basic purpose of the selection process is *to ______ the right type of _______ for various positions in the organization*

4. Proper selection and placement of personnel go a long way towards building up a ________ ________.

5. The rate of industrial accidents will be considerably low if suitable employees are placed on _________ _________.

6. The selection process often begins with an ________ _______ of applicants to remove individuals who obviously do not meet the position requirements.

7. _______ _______ - is a formal record of an individual's application for employment

8. __ _______ ________ is a valuable way to measure individual characteristics.

9. _________ _______ ______- It measures an individual's ability to learn, as well as to perform a job. Job-related abilities may be classified as verbal, numerical, perceptual speed, spatial, and reasoning.

10. _________ ________ ________- This type of test is used to measure strength, coordination, and dexterity. It is feasible to measure many abilities that are involved in many routine production jobs and some office jobs.

11. ______ _________ _______- This sort of test is designed to measure a candidate's knowledge of the duties of the position for which he or she is applying.

12. ______-_____ ________ (________) - It identifies a task or set of tasks that are representative of the job. The evidence concerning these tests, to date, is that they produce high predictive validity, reduce adverse impact, and are more acceptable to applicants.

13. __________ _________ ______ - It indicates the occupation in which a person is most interested and is most likely to receive satisfaction.

14. ________ ______/_______ ________- For many years, another means used to verify background information has been the polygraph, or lie detector, test.

15. The purpose of recruitment is to create a ________ ___ ______ for jobs in the organization.

16. Selection aims at __________ ________ _________ and ensuring most competent people for the vacant jobs.

17. Selection involves a series of steps by which the candidates are ________ for choosing the most suitable persons for vacant posts.

18. Absenteeism and employee turnover are the important problems which are being faced by most of the ____________

19. _________ The extent to which a selection test provides consistent results. If a test has low reliability, its validity as a predictor will also be low. To validate reliability, a test must be verified.

20. _________ The extent to which a test measures what it purports to measure. If a test cannot indicate ability to perform the job, it has no value as a predictor.

21. ________ ________ It is a test validation method whereby a person performs certain tasks that are actually required by the job or completes a paper-and-pencil test that measures relevant job knowledge.

22. __________ _________ It is a test validation method to determine whether a test measures certain traits or qualities that are important in performing the job. However, traits or qualities

such as teamwork, leadership, and planning or organization ability must first be carefully identified through job analysis.

23. _____-____-______ _________ In a typical employment interview, the applicant meets one-on-one with an interviewer. As the interview may be a highly emotional occasion for the applicant, meeting alone with the interviewer is often less threatening.

24. ________ _______ Several applicants interact in the presence of one or more company representatives.

25. ________ _________ One candidate is interviewed by several representatives of the firm.

26. ________ __________ Intentionally creates anxiety to determine how an applicant will react to stress on the job.

27. ________ ___________ This is where the interviewer jumps to a conclusion about the candidate during the first few minutes of the interview.

28. ________ ___________ When an interviewer has received negative information about the candidate, through references or other sources, he or she will almost always view the candidate negatively.

29. ________ ____________-This step is used to check accuracy of application form through former employers and references.

30. Parent country nationals are residents of home country, host country, national are residents of the ________ ________.

Case
Honesty Testing

Source: Adapted from: Human Resource Management – Gary Dessler, (10th Edition), Prentice Hall

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Jennifer and her father have what the latter describes as an easy but hard job when it comes to screening job applicants. It is easy because for two important jobs the people who actually do the pressing and those who do the cleaning-spotting the applicants are easily screened with about 20 minutes of on the job testing. As with typists, as Jennifer points out, "applicants either know how to press clothes fast enough or how to use cleaning chemicals and machines, or they don't and we find out very quickly by just trying them out on the job." On the other hand, applicant screening for the stores can also be frustratingly hard because of the nature of qualities that Jennifer would like to screen for. Two of the most critical problems facing her company are employee turnover and employee honesty. As mentioned previously, Jennifer and her father sorely need to implement practices that will reduce the rate of employee turnover. If there is a way to do this through employee testing and screening techniques. Jennifer would like to know about it because of the management time and money that are now being wasted by the never-ending need to recruit and hire new employees. Of even greater concern to Jennifer and her father is the need to institute new practices to screen out those employees who may be predisposed to steal from the company.

Employee theft is an enormous problem for the Carter Cleaning Centers, and one that is not just limited to employees who handle the cash. For example, the cleaner-spotter and/or the presser often open the store themselves without a manager present to get the day's work started, and it is not unusual to have one or more of these people steal supplies or "run a route." Running a route means that an employee canvasses his or her neighborhood to pick up pie's clothes for cleaning and then secretly cleans and presses them in the Carter store, using the company's supplies, gas, and power. It would also not be unusual for an unsupervised person (or his or her supervisor, for that matter) to accept a one-hour rush order for cleaning or laundering, quickly clean and press the Item. and return it to the customer for payment without making out a proper ticket; for the item or posting the sale. The money, of course, goes into the person's pocket instead of into the cash register. The more serious problem concerns the store manager and the counter workers who actually have to handle the cash. According to Jack Carter, "you would not believe the creativity employees use to get around the management controls we set up to cut down on employee theft." As one extreme example of this felonious creativity, Jack tells the following story: "To cut down on the amount of money my employees were stealing, I had a small sign painted and placed in front of all our cash registers. The sign said: "Your entire order free if we don't give you a cash register receipt when you pay. Call 962-0734." It was my intention with this sign to force all our cash-handling employees to place their receipts into the cash register where they would be recorded for my accountants. After all, if all the cash that comes in is recorded in the cash register, then we should have a much better handle on stealing in our stores, right? Well, one of our managers found a diabolical way around this. I came into the store one night and noticed that the cash register that this particular manager was using just didn't look right although the sign was dutifully placed in front of it. It turned out that every afternoon at about 5:00 p.m. when the other employees left, this character would pull his own cash register out of a box that he hid underneath all our supplies. Customers coming in would notice the sign and of course the fact that he was meticulous in ringing up every sale. But unknown to them and to us, for about five months the sales that came in for about an hour every day went into his cash register, not mine. It took us that long to figure out where our cash for that store was going."

Questions

1. What would be the advantages and disadvantages to Jennifer's company of routinely administering honesty tests to all its employees?

2. Specifically, what other screening techniques could the company use to screen out theft-prone employees, and how exactly could these be used?

3. How should her company terminate employees caught stealing and what kind of procedure should be set up for handling reference calls about these employees when they go to other companies looking for?

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CHAPTER 7
ORIENTATION

7.1 INTRODUCTION

After the selection of a new employee orientation follows. Orientation is welcome a new employee in an organization. A way by which employers can tell the new worker that you are glad that they have come to work in your establishment. This can make a big difference at this point. Remember your first day of school when you were just a youngster? It was a bit frightening, if you were like most kids. Lots of new people and a completely different environment. You weren't quite sure how you would be accepted. New employees feel much the same way. They are coming into a new environment, meeting new people, and are not sure how they will be accepted. Employers can ease the transition and take advantage of the opportunity to get the relationship off to a good start.

"**Orientation** is a program that introduces new employees to the organization as a whole, their work unit and co-workers, and their job duties."

7.1.1 Steps in Orientation Process

The orientation process involves introduction and induction:

The 1st step in orientation is introduction of the new employee to their organization. Employers or the supervisors in charge should show the new workers around the facility, point out any important features along the way like emergency exits and hazardous areas, the objective of doing this is to make them feel comfortable and for them to relax as much as possible.

2nd step is to Introduce them to people they will be associating with so that everyone gets a chance to learn who the new person is.

After this the new employee, should be explained what job they will be assigned and who they will be reporting to, and where to get any supplies they might need. This will help the new employees mentally fit into what they know of the organization.

During orientation the Employer should prepare a checklist of subjects, which should be reviewed with each new employee.

The New Employee Orientation Checklist should contain the following points:

- **Personnel file contents**

- Job application or resume
- Interview summary
- Reference check information
- Verification of any licenses or certifications required on this person's job (driver's license, teaching credential, broker's license, etc.)

- **Complete necessary paperwork**

- Employment agreement if you use them
- Receipt for their copy of your employee handbook
- Form for payroll withholding
- Personal data sheet so you will have the information necessary on emergency contacts, home address and telephone number, social security number, etc.
- Security or identification card information form
- Benefit coverage election and beneficiary designation forms for your benefit programs which provide immediate eligibility for all employees.

- **Explain the following practices and procedures you use in your organization:**

- Hours of work and attendance/tardiness policy
- Payroll periods, when paychecks are delivered and when first check will arrive
- Rates of pay
- Overtime rules
- Training or introductory employment period

- **Employee benefits for which they are or may become eligible:**

- Medical insurance
- Sick leave
- Vacation
- Personal leave, jury duty, holidays
- Pension programs, savings programs and/or stock plans
- Life, disability and accident insurance
- Employee activities
- Advancement or promotion opportunities and procedures
- Employee suggestion plan
- Parking arrangements
- Union-related information if this person will be in a represented group

- **Provide copies to the new employee of the following documents:**

- Employee handbook
- Safety plan
- Annual report
- Employee newsletter
- Direct payroll deposit request
- Employee benefit booklet explaining each of the organization's offered benefits

Show employee any marketing or informational materials which are used with your customers or clients. Play any video or audio tapes you have prepared for employees or customers that explain what your organization is all about. In order to reduce the anxiety that new employees may experience, attempts should be made to integrate the person into the informal organization. The initial T&D effort designed for employees is Orientation, the guided adjustment of new employees to the company, the job, and the work group.

7.1.2 Purposes of Orientation

Orientation formats are unique to each firm. However, some basic purposes include emphasizing these areas: the employment situation (job, department, and company), company policies and rules, compensation and benefits, corporate culture, team membership, employee development, dealing with change, and orientation.

a. The Employment Situation

A basic purpose, from the firm's viewpoint, is to have the new employee become productive as quickly as possible. Therefore, specific information about performing the job may be provided at an early point in time.

b. Company Policies and Rules

Every job within an organization must be performed considering the guidelines and constraints provided by policies and rules. Employees must have an understanding of these to permit a smooth transition to the workplace.

c. Compensation and Benefits

Employees will have a special interest in obtaining information about the reward system. Although this information is usually provided during the recruitment and selection process, a review of the data is appropriate during Orientation.

d. Corporate Culture

The firm's culture reflects, in effect, how we do things around here. This relates to everything from the way employees dress to the way they talk.

e. Team Membership

A new employee's ability and willingness to work in teams is most likely determined before he or she is hired. In Orientation, the importance of becoming a valued member of the company team may be emphasized.

f. Employee Development

Employees should know exactly what is expected of them and what is required by the firm for advancement in the job or via promotion.

g. Dealing with Change

Employees at all levels must learn to effectively deal with change in order to survive in their jobs. The best way individuals can be prepared for change is to continually develop and expand their skills.

h. Orientation

In order to reduce the anxiety that new employees may experience, attempts should be made to integrate the person into the informal organization.

7.1.3 Who Is Responsible To Socialize New Hires?

New employee orientation or orientation covers the activities involved in introducing a new employee to the organization and to his or her work unit. Who is responsible for the orientation of new employee? This can be done by the supervisor, the people in HRM, Peers, CEO, or combination of any of these.

a. **HRM Department:** HRM department can conduct the orientation in order to socialize the newly hired employees with the working environment of the organization. HRM plays a major role in new employee orientation-the role of coordination, which ensures that the appropriate components are in place. In addition HRM also serves as a participant in program. As job offers are made and accepted, HRM should instruct the new employee when to report to work. However, before the employee formally arrives, HRM must be prepared to handle some of the more routine needs of these individuals.

b. **Supervisor:** Immediate supervisor of particular department can also be the source of informing the employees about the culture, rules, procedures and policies of the organization. Mostly in smaller organizations, orientation may mean the new member reports to supervisor, who then assigns the new member to other employee who will introduce the new member to other coworkers. This may be followed by a quick tour to show the different parts and departments of the organization.

c. **Peers:** Peers and coworkers of the new hires can perform the orientation function in order to tell the expectation of employers and requirements of the organization as can also answer the queries raised from the employee side.

d. **Organizational culture:** Organizational culture itself can express the do's and don'ts of any organization. Every organization has its own unique culture. This culture includes longstanding, and often unwritten, rules and regulation; a special language that facilitates communication among members; shared standards of relevance as to the critical aspects of the work that is to be done; standards for social etiquette, customs for how members should relate to peers, employees, bosses and outsiders; what is appropriate and smart behavior with in organization and what is not.

e. **CEO:** Prior to mid 1980s, new employee orientation operated, if at all, with out any output from the company's executive management. But that began to change, due in part to management consultants advocating that senior management become more accessible to employees. The CEO's first responsibility is to welcome new employees aboard and talk to them about what a good job choice they made. The CEO is in position to inspire these new employees by talking about what it is like to work for the organization. When CEO is present in the orientation process, the company is sending a message that it truly cares for its employees.

7.2 STAGES IN ORIENTATION PROCESS

Orientation can be conceptualized as a process made up of three stages.

a. Pre-arrival Stage:

This stage explicitly recognizes that each individual arrives with a set of organizational values, attitudes, and expectations. For instance, in many jobs, particularly high skilled and managerial jobs, new members will have undergone a considerable degree of prior orientation in training and in school. Pre-arrival orientation, however, goes beyond the specific job. The selection process is used in most organizations to inform perspective employees about the organization as whole. In addition, of course, interviews in the selection process also act to ensure the inclusion of the "right type" determining those who will fit in. Indeed, the ability of the individuals to present the appropriate face during the selection process determines their ability to move into the organization in the first place. Thus success depends upon the degree to which aspiring members have correctly anticipated the expectations and desires of those in the organization in charge of selection.

b. Encounter Stage:

Upon entry into the organization, new members enter the encounter stage. Here the individuals confront the possible dichotomy between their expectations about their jobs, their coworkers, their supervisors, and the organization in general and reality. If expectations prove to have been more or less accurate, the encounter state merely provides a reaffirmation of the perceptions generated earlier. However, this is often not the case. Where expectation and reality differ; new employees must undergo orientation that will detach them from their previous assumption and replace these with the organization's pivotal standards.

Orientation, however, cannot solve all the expectation differences. At the extreme, some new members may become totally disillusioned with the actualities of their jobs and resign. It is hoped that proper selection would significantly reduce this latter occurrence.

c. Metamorphosis Stage:

Finally the new member must workout any problems discovered during the encounter stage. This may mean going through changes. Hence the last stage is termed as metamorphosis stage. Metamorphosis is complete as is the orientation process – when new members have become comfortable with the organization and their work teams. In this situation they will have internalized the norms of the organization and their coworkers; and they understand and accept these norms. New members will feel accepted by their peers as trusted and valued individuals. They will have gained an understanding of the organizational system- not only their own tasks but the rules, procedures and informally accepted practices as well. Finally they will know how they are going to be evaluated. They will know what is expected of them and what constitutes a good job. Consequently, successful metamorphosis should have positive effect on a new employee's productivity and the employee's commitment to the organization, and should reduce the likelihood that the employee will leave the organization any time soon.

7.3 EMPLOYEE ORIENTATION PROGRAM:

Following topics are covered in orientation or orientation process.

a. **Introduction:** Regarding the organization. supervisor, trainers, and coworkers and to system

b. **Job Duties:** It provides job related information like, Job location Job tasks Job safety requirements Overview of job, Job objectives Relationship to other jobs

c. **Organizational Issues:** This provides the information about the overall organization it may include; History of employer, organization of employer, name & titles of key executive, employee's titles and departments, layout of physical facilities, probationary period, overview of production process, company policies and rules, disciplinary regulations. employee handbook, safety procedures etc

d. **Employee Benefits:** This part provides the information about the benefits that are offered by the organization like: Pay scales & paydays, vacations rest break, training & education benefits, counseling, housing facilities, insurance benefits, retirement program, employee-provided services for employees, rehabilitation program

EXERCISE:

Fill In The Blanks With Correct Answers From The Text:

1. ____________ is a program that introduces new employees to the organization as a whole, their work unit and co-workers, and their job duties

2. ____________ in orientation is introduction of the new employee to their organization.

3. ____________ ______. Here the individuals confront the possible dichotomy between their expectations about their jobs, their coworkers, their supervisors, and the organization in general and reality

4. ____________ is complete as is the orientation process – when new members have become comfortable with the organization and their work teams

5. _____-______ ______ this stage explicitly recognizes that each individual arrives with a set of organizational values, attitudes, and expectations.

6. ______ ______ is to Introduce them to people they will be associating with so that everyone gets a chance to learn who the new person is

Case
The Better Interview

Source: Adapted from: Human Resource Management – Gary Dessler, (10th Edition), Prentice Hall

Like virtually all the other personnel management-related activities at Carter Cleaning Centers, the company currently has no organized approach to interviewing job candidates. Store managers, who do almost all the hiring, have a few of their own favorite questions that they ask. But in the absence of any guidance from top management, they all admit their interview performance leaves something to be desired. Similarly, Jack Carter himself is admittedly most comfortable dealing with what he calls the "nuts and bolts" machinery aspect of his business and has never felt particularly comfortable having to interview management or other job interviewees. Jennifer is sure that lack of formal interviewing practices, procedures, and training account for some of the employee turnover and theft problems. Therefore, she wants to do something to improve her company's batting average in this important area.

Questions

1. In general, what can Jennifer do to improve her employee interviewing practices? Should she develop interview forms that list questions for management and non management jobs and if so what form should these take and what questions should be included?

2. Should she implement a training program for her managers, and if so, specifically what should be the content of such an interview training program? In other words, if she did decide to start training her management people to be better interviewers, what should she tell them and how should she tell it to them?

♠♠♠

CHAPTER 8
TRAINING

8.1 TRAINING

Training refers to improving an employee's knowledge, skills, and attitudes so that he or she can do the job. All new employees or current employees in new jobs should be trained. Training prepares an employee for a job normally handled by someone else. Also, training is advisable when new processes; equipment or procedures are introduced into the workplace. If an employee has been off work for more than 30 days, training may be needed. In order to meet new challenges, even the best-educated employees need to increase and adapt their skills.

"**Training** is absolutely the fundamental point of getting more productivity. The only way you could really improve anybody, other than improving the method of how they do the work, is to train them"

"**Training** is a planned process to modify attitude, knowledge or skill behavior through learning experience to achieve effective performance in an activity or range of activities"

8.1.1 Basic Purpose of Training:

The need for training of employs would be clear from the observations and analysis made by different authorities

- **Organization analysis**:

a. To increase productivity
b. To improve quality

This analysis focuses on strategy and examining sales forecasts and expected changes in production, distribution and support systems, employers can determine which skills will be needed and to what degree. A comparison with current skill levels is used to estimate staff and training needs.

- **Task analysis**

a. To help company fulfill its future personnel needs
b. To improve health and safety

This analysis identifies the elements of current or future tasks to be done. It identifies of proper way or methods of doing a job thus ensuring the safety of the worker.

➢ **Personal needs analysis**

a. Personal growth

b. To improve organizational climate

This analysis involves asking employees and managers, either in an interview or in a self-administered questionnaire, to analyze their training needs. In general, agreement between managers and employees tends to be low, so it is important that both parties agree to decisions about the training of employees.

8.1.2 Types of Training:

Organizations invest in training programs to improve employees' performance. Training can either be for general awareness for example, safety or sexual harassment or for the specific job or task. Supervisors must understand the determinants of task performance in order to design job-related training. Effective supervisors can tell whether poor performance stems from a lack of ability by considering the difficulty of assigned tasks, the known ability of the employee, the extent to which the employee appears to be trying hard, and the degree to which the employee's performance improves over time.

➢ **Retraining** involves providing additional education or job-related training. The main purpose of retraining is to overcome current limitations that are causing an employee to perform at less than the desired level.

➢ **Diversity Training** Supervisors must understand, interact with, and motivate workers who are increasingly foreign-born, or retain a strong ethnic identity. They should acknowledge and respect cultural differences, interpret behavior correctly, explain expectations and use specific motivational techniques.

➢ **Cross-cultural training** prepares expatriate employees for global job assignments.

➢ **Expatriates** work in a nation other than their home country. This training includes cultural awareness and language instruction.

Effectiveness in a supervisory role is linked to one's ability to manage people who are different. Diversity training seeks to eliminate values, stereotypes, and managerial practices that inhibit employees' personal development and therefore allow employees to contribute to organizational goals regardless of their race, sexual orientation, religious orientation, and cultural background. Supervisors want to effectively utilize all the resources in the organization's labor pool. "**Diversity** among individuals encompasses not only obvious differences such as age, gender, race, and culture, but also more subtle dimensions such as work style, life-style, values, beliefs, physical characteristics, social and economic circumstances."

8.1.3 Training Program

Training programs should align with organizational values, goals, and objectives in order to be successful. Supervisors develop an effective training program by assessing training needs and designing training programs to meet those needs. If a gap is found in what is needed and what employees can do, training fills in the gap.

1. To start with, make sure the training program you provide is one your employees really need. Training should provide employees with skills or knowledge they don't already have but will need to perform their jobs.
2. To determine what kind of training your employees need, first identify the skills your employees are lacking and then match your employees with the skills you've identified.
3. Ask yourself, if taught this skill, would the employee immediately need to apply it on the job? The opportunity to apply the skill immediately is critical to the learning process. For most of us, repetition is the only way to ensure that something learned is remembered.
4. Next ask yourself if the employee already has the skill. If so, he or she probably doesn't need training.
5. Once you've developed a skills inventory and matched these skills to your employees, it's time to develop an effective training program.

8.1.4 Challenges in Training

Upgrading employees' performance and improving their skills through training is a necessity in today's competitive environment. The training process brings with it many questions that managers must answer. Included in these questions are:

- Is training the solution to the problems?
- Are the goals of training clear and realistic?

- Is training a good investment? Will the training work?
- Is Training the Solution?
- Are the Goals Clear and Realistic?
- Is Training a Good Investment?
- Will Training Work?

8.1.5 Selecting Training Program

While selecting the training ad development programs and selecting training and development methods to be used, following factors should be kept in mind in order to have more effective utilization of resources that are supposed to be spent on proposed training and development programs.

a. **Cost Effectiveness**: Any training or development implemented in an organization must be cost effective. That is the benefits gained by such programs must outweigh the cost associated with providing the learning experience. If measured the effectiveness of the training process, there should be air justification of assigning training programs in the organization because if organizations are not able to have advantages or development and enhancement of the performance after training it is only wastages of the resources.

b. **Desired Program Content**: Contents of the training program and the methods used to deliver the training should be in relevance to training objectives and need assessed for training.

c. **Learning Principles**: Learning principals should be implemented to have more effective training.

d. **Appropriateness of the Facilities**: Factors that are supposed to facilitate the training program should be appropriate and available.

e. **Trainee Performance and Capabilities**: There is chance and enough probability that training will lead to the enhancement of the trainees.

f. **Trainer Performance and Capabilities**: Trainers or people who are assigned responsibility to train the trainees are having enough experience, skills, capabilities and past trends that show that they can be effective trainers. Trainers themselves are required to be well trained in order to provide the training.

8.2 THE TRAINING PROCESS

8.2.1 Steps in Training

Step 1: Determine Training Needs. Identify what the employee is expected to do. The primary source for this information will be the job analysis. Decide who needs training by asking the employees themselves. Identify what the employee already knows. The needs assessment helps to determine training content and objectives. For an example of determining diversity training needs.

The first step in the Training process is to determine training needs. The overall purpose of the assessment phase is to determine if training is needed and, if so, to provide the information required designing the training program. Assessment consists of three levels of analysis: organizational, task, and person.

- **Organizational Analysis:** It is an examination of the kinds of problems that an organization is experiencing and where they are located within organization.
- **Task/Operational Analysis**: An operational analysis identifies the kinds of the skills and behaviors required of the incumbents of a given job and the standards of performance that must be met.
- **Personal Analysis:** The objective of the personnel analysis is to examine how well individual employees are performing their jobs. Training should be given to those who need it. Assigning all employees to a training program, regardless of their skill levels, is a waste of organizational resources and create a unpleasant situation for employees who do not need training.

Step 2: Identify Objectives. Once the employees' training needs have been identified, supervisors can prepare objectives for the training. Through planning, the supervisor determines an acceptable level of overall performance and specifies objectives. Employees must understand what is necessary in order to satisfy the supervisor's expectations. Objectives and expectations should be formulated collaboratively.

Instructional objectives, if clearly stated, tell employees what they should know, do, do differently or better, or stop doing. Having clearly defined objectives will enable the supervisor to evaluate whether they have been reached. Clear and measurable objectives should be thought out before the training begins. For an objective to be effective it should identify as precisely as possible what the employees will do to demonstrate that they have learned it, or that the objective has been reached. Objectives should also describe the important conditions under which the individual will demonstrate competence and define what constitutes acceptable performance. Using specific, action-oriented language, the training objectives should describe the desired knowledge, practice, or skill and its observable behavior. For example, rather than using the statement: "The employee will understand risk factors relating to lifting" as a training objective, it would be better to say: "The employee will demonstrate proper lifting procedures." Objectives are most effective when worded in sufficient detail that other qualified persons can recognize when the desired knowledge or behavior is exhibited.

Step 3: Choose Training Options, Methods, and Materials. Training options include training on the job site, at a corporate training center, a college classroom, a hotel meeting room, or in various workshops, seminars, and professional conferences. When choosing training options, methods, and materials, consider the type of job, the learning capacity of the employee, and the duration of the task or job. Training methods include on-the-job training (OJT), job rotation, machine-based training (computer programmed instruction, videotape, simulation), vestibule training that simulates the work environment and uses the actual equipment and tools in a laboratory setting, role-playing, lecture, and demonstration. Materials include handouts, posters, operations manuals, magazine articles, slides and photographs, film, instructional manuals, books, outlines and diagrams.

Step 4: Ensure Effectiveness of Training. For training to be effective, employees should be convinced that it is important to them. Explain the goals of the training. Give training that is relevant to the workplace. Keep the training simple yet thorough. Summarize the main points and objectives of the training.

Employee involvement is essential in any training program. Supervisors can encourage participation. Establish a one-on-one relationship with all employees that participate in the training. Encourage discussion and questions by providing an open communication environment that encourages participation. Ask employees for their comments and suggestions on training issues. Repeat key points and ask employees to explain or restate what has been presented to reinforce the information as well to spot gaps in understanding. If the training is effective, employees will be able to demonstrate that they have the skill and knowledge to perform their tasks.

Step 5: Conduct the Training .The supervisor or delegated trainer must know the training subject matter in order to complete the training cycle. The steps in the training cycle are found below.

Example: Training for use of photocopy machine

a. Give an oral and written overview of the training objective. Written directions and diagram are provided on a card. The supervisor provides orientation of the machine and its uses orally.

b. Provide examples of the task. Supervisor demonstrates how to make Xerox copies.

c. Allow employees to apply the training. Employee practices use of photocopy machine.

d. Monitor employees. Supervisor checks for understanding and successful use of photocopy machine

e. Evaluate employees' success rate. Determine number of employees successfully completing training. Assign independent practice to those employees.

f. Retrain where improvement is desired. Provide additional examples for the unsuccessful employees who did not experience success in using photocopy machine

g. Review training objective. Close the training session with written and oral overview of effective use of photocopy machine within the organization.

Training Cycle

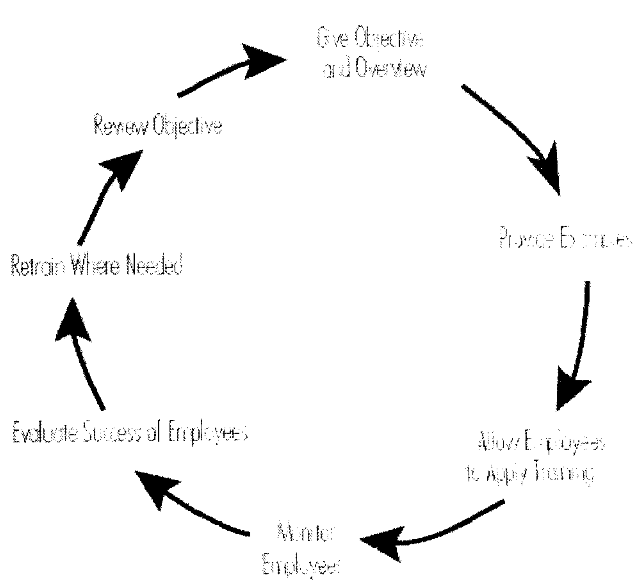

Figure 8.1 Showing Steps In Conducting Training Cycle.

Step 6: Evaluate Training. For a training program to be successful, periodic evaluation of the training is necessary. Training should be re-evaluated whenever new equipment, tools or techniques are introduced into the workplace and whenever new employees join the company or employees are assigned to different jobs. Supervisors should evaluate the training to see if problem areas are developing, to determine what type of further training is needed, and when training should be given. Evaluations should consider the complexity of the job for which the training is conducted. For example, a highly complex job may require more frequent training. Also, the time that has elapsed since the last evaluation should be considered. Evaluation of training effectiveness should be conducted at least annually.

Involve employees in the evaluation. If employees are not using the training, there may be reasons. Those reasons must be addressed and incorporated into future training sessions. Supervisors can make formal evaluations to determine the effectiveness of the training. Measure whether the objectives of the training have been reached. Honest and thorough evaluations

***Sample:* Training Evaluation Form**

TRAINING: ________________
DATE:____________________
INSTRUCTOR: ______________
LOCATION: ________________
1. What is your overall evaluation of today's training?
(Poor) 1 2 3 4 5 6 7 8 9 10 (Excellent)
2. How would you rate the instructor in terms of knowledge and presentation style?
(Poor) 1 2 3 4 5 6 7 8 9 10 (Excellent)
3. How long have you been employed by this organization?
0-30 Days
30 Days to 4 months
5 months to 1 year
1-2 Years
Greater than 2 Years
4. Please list two examples of how you can apply what you have learned today to your job.
1.)
2.)
5. Was there enough opportunity for interaction and participation?
YES NO
6. Was there enough variety of training materials?
YES NO
7. Were the materials understandable?
YES NO
8. Would you recommend this training to others?
YES NO
9. How could your training experience have been improved?
10. What other training topics might help you to do your job better?

will supervisors to provide meaningful and productive training.

Effectiveness of training can be measured in monetary or non-monetary terms. It is important that the training be assessed on how well it addresses the needs it was designed to address.

• **Participants' Opinions**: Evaluating a training program by asking the participants' opinions of it is an inexpensive approach that provides an immediate response and suggestions for improvements. The basic problem with this type of evaluation is that it is based on opinion rather than fact. In reality, the trainee may have learned nothing, but perceived that a learning experience occurred.

• **Extent of Learning:** Some organizations administer tests to determine what the participants in training program have learned. The pretest, posttest, control group design is one evaluation procedure that may be used.

• **Behavioral Change:** Tests may indicate fairly accurately what has been learned, but they give little insight into desired behavioral changes.

• **Accomplishment of Training Objectives:** Still another approach to evaluating training programs involves determining the extent to which stated objectives have been achieved.

• **Benchmarking:** Benchmarking utilizes exemplary practices of other organizations to evaluate and improve training programs. It is estimated that up to 70 percent of American firms engage in some sort of benchmarking.

• **A Case for Simplicity**: Value is the measure of impact and positive change elicited by the training. The most common approaches used to determine the effectiveness of training programs are as under:

a. Post Training Performance Method:

In this method the participants' performance is measured after attending a training program to determine if behavioral changes have been made.

b. Pre-Post Test approach:

Most commonly used approach towards measurement of effectiveness of training is Pretest Post test approach this approach performances the employees is measured prior to training and if required training is provided. After completion if the training again the performance is measured this is compared with performance before training if evaluation is positive e.g. increase in productivity that means that training is effective.

c. Pre- Post Training Performance with control group Method:

Under this evaluation method, two groups are established and evaluated on actual job performance.

Members of the control group work on the job but do not undergo instructions. On the other hand, the experimental group is given the instructions. At the conclusion of the training, the two groups are reevaluated. If the training is really effective, the experimental group's performance will have improved, and its performance will be substantially better than that of the control group.

8.2.2 Training Methods

The forms and types of employee training methods are interrelated. It is difficult to say which method or combination of methods is best coz the application of the method depends on many factors discussed above.

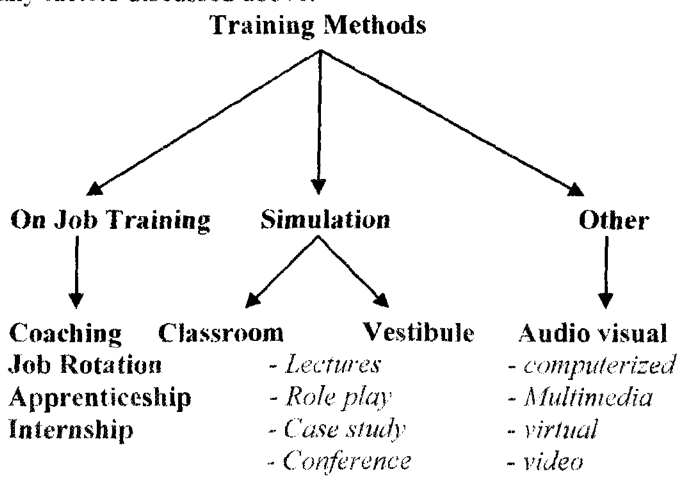

Figure 8.2 Showing Classifications of Training Methods.

Training methods can be classified into three categories

1. On Job Training
2. Simulation

3. Other

On Job Training: Here trainees train under the supervision of the experts, special trainers or training instructors, in the actual job environment. They associate with the same people they will work after training.

Some of the on job training methods involve

➢ **Coaching**: Coaching is a behavioral control technique used by the supervisor to give on-going guidance and instruction, to follow day-to-day progress, and to give feedback. Example : Apprenticeship, internship

➢ **Job Rotation**: here the trainee is made to move from one job to another for a certain interval or till he acquires the desired skill.

➢ **Apprenticeship: This** type of training refers to the process of having new worker, called an apprentice, work alongside and under the direction of skilled technician.

➢ **Internships** and assistantships provide training similar to apprenticeship training; however' assistantships and internships typically refer to occupations that require a higher level of the formal education than that required by the skilled trades. Many colleges and universities used to develop agreements with organizations to provide internships opportunities for students.

Simulations: Simulation is a technique which duplicates as nearly as possible the actual conditions encountered on a job.

➢ **Vestibule training**: it is training which is often imparted with the help of equipments and machines which are identical with those in use in the place of work. This technique enables the trainee to concentrate on learning the new skill rather than performing a actual job.

➢ **Classroom or off job method**: here the locations of the training may be the company classroom or universities or training associations.

These methods consist of:

-Lectures: formal organized talks by training specialists. This method can be used for large groups to be trained in a short time.

- The conference method: It is formal meeting conducted in accordance with an organized plan in which the leader seeks to develop knowledge and understanding by obtaining a considerable amount of oral participation of the trainees. It lays emphasis on small group discussions, on organized subject matter, and on active participation of the members involved.

- **Role playing:** in role playing the trainee acts out a given role as they would in stage play. It is defined as ' a method of human interaction which involves realistic behavior in imaginary situations. Role playing mainly involves employee – employer relations, hiring, firing, grievance procedure, interview etc

- **Case study:** Case is set of data [real of fiction] written or oral descriptions summarizing issues present and problems calling for solution on the part of the trainee. Here learning is achieved through independent thinking and use of knowledge.

Other: Here materials such audio tapes with lectures by experts or books by famous people in the field writing their own experience or video tapes showing particle applications are made use of while training for example instruction manuals.

➢ **Computer-based**

Computer based training is a teaching method that takes advantage of the speed, memory, and data manipulation capabilities of the computer for greater flexibility of instruction.

➢ **Multimedia**

Multimedia is an application that enhances computer-based learning with audio, animation, graphics, and interactive video.

➢ **Virtual reality**

It is a unique computer-based approach that permits trainees to view objects from a perspective otherwise impractical or impossible.

➢ **Video Training**

The use of videotapes continues to be a popular Training method. An illustration of the use of videotapes is provided by behavior modeling.

8.2.3 Maintaining Performance after Training

Effective training can raise performance, improve morale, and increase an organization's potential. Poor, inappropriate, or inadequate training can be a source of frustration for everyone involved. To maximize the benefits of training, managers must closely monitor the training process. Developing learning points, to assist knowledge retention, Setting specific goals, identifying appropriate reinforces and teaching trainees, self-management skills can help organizations to maintain performance after training.

8.2.4 Following up on Training:

Any training or development implemented in an organization must be cost effective. That is the benefits gained by such programs must outweigh the cost associated with providing the learning experience.

Training to be more effective, is supposed to be followed with careful evaluation. Evaluation methods are discussed in the previous lecture. Different techniques and approaches can be used to evaluate the training program and, if required at any level, revisions and redesigning should not be avoided. It is not enough to merely assume that any training effort of an organization is effective; we must develop substantive data to determine whether our training effort is achieving its goals- that is, if it's correcting the deficiencies in skills, knowledge or attitudes that were assessed in needing attention. Training programs are expensive. The cost incurred alone justify evaluating the effectiveness.

Although training is often used with development, the terms are not synonymous. Training typically focuses on providing employees with specific skills or helping them to correct deficiencies in their performance. In contrast, development is an effort to provide employees with the abilities that the organization will need in the future.

EXERCISE:
Fill In The Blanks With Correct Answers From The Text:

1. __________ refers to improving an employee's knowledge, skills, and attitudes so that he or she can do the job.
2. __________ is a planned process to modify attitude, knowledge or skill behavior through learning experience to achieve effective performance in an activity or range of activities
3. __________ ________.: To increase productivity and To improve quality
4. "_________ is absolutely the fundamental point of getting more productivity.
5. __________ _________ To help company fulfill its future personnel needs and To improve health and safety
6. __________ ______ ________ Personal growth and To improve organizational climate
7. __________ involves providing additional education or job-related training.
8. __________ _________ Supervisors must understand, interact with, and motivate workers who are increasingly foreign-born, or retain a strong ethnic identity.
9. __________ work in a nation other than their home country.
10. __________ among individuals encompasses not only obvious differences such as age, gender, race, and culture, but also more subtle dimensions such as work style, life-style, values, beliefs, physical characteristics, social and economic circumstances
11. _________ ________ ________ Identify what the employee is expected to do. The primary source for this information will be the job analysis.
12. ________ ________ It is an examination of the kinds of problems that an organization is experiencing and where they are located within organization.
13. ________ _______ The objective of the personnel analysis is to examine how well individual employees are performing their jobs. Training should be given to those who need it.

14. _______ ________ here the trainee is made to move from one job to another for a certain interval or till he acquires the desired skill.

15. ______________This type of training refers to the process of having new worker, called an apprentice, work alongside and under the direction of skilled technician.

16. _____________ and assistantships provide training similar to apprenticeship training; however' assistantships and internships typically refer to occupations that require a higher level of the formal education than that required by the skilled trades.

17. __________ _________ it is training which is often imparted with the help of equipments and machines which are identical with those in use in the place of work. This technique enables the trainee to concentrate on learning the new skill rather than performing a actual job.

18. _________ formal organized talks by training specialists. This method can be used for large groups to be trained in a short time.

19. ____ _________ _______ It is formal meeting conducted in accordance with an organized plan in which the leader seeks to develop knowledge and understanding by obtaining a considerable amount of oral participation of the trainees.

20. _______ ________It is defined as ' a method of human interaction which involves realistic behavior in imaginary situations

Case
The New Training Program

Source: Adapted from: Human Resource Management – Gary Dessler, (10th Edition), Prentice Hall

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At the present time the Carter Cleaning Centers have no formal orientation or training policies or procedures, and Jennifer believes this is one reason why the standards to which she and her father would like employees to adhere are generally not followed. The Carters would prefer that certain practices and procedures be used in dealing with the customers at the front counters. For example, all customers should be greeted with what Jack refers to as a "big hello." Garments they drop off should immediately be inspected for any damage or unusual stains so these can be brought to the customer's attention, lest the customer later return to pick up the garment and erroneously blame the store. The garments are then supposed to be immediately placed together in a nylon sack to separate them from other customers' garments. The ticket also has to be carefully written up, with the customer's name and telephone number and the date precisely and clearly noted on all copies. The counterperson is also supposed to take the opportunity to try to sell the customer additional services such as waterproofing or simply notify the customer that "Now that people are doing their spring cleaning, we're having a special on drapery cleaning all this month." Finally, as the customer leaves, the counter-person is supposed to make a courteous comment like "Have a nice day" or "Drive safely." Each of the other jobs in the stores pressing, cleaning and spotting, periodically maintaining the coin laundry equipment and so forth similarly contain certain steps, procedures, and most important, standards the Carters would prefer to see upheld. The company has also had other problems, Jennifer feels, because of a lack of adequate employee training and orientation. For example, two new employees became very upset last month when they discovered that they were not paid at the end of the week, on Friday, but instead were paid (as are all Carter employees) on the following Tuesday. The Carters use the extra two days in part to give them time to obtain everyone's hours and compute their pay. The other reason they do it, according to Jack, is that "frankly, when we stay a few days behind in paying employees it helps to ensure that they at least give us a few days' notice before quitting on us. While we are certainly obligated to pay them anything they earn, we find that psychologically they seem to be less likely to just walk out on us Friday evening and not show up Monday morning if they still haven't gotten their pay from the previous week. This way they at least give us a few days' notice so we can find a replacement." Other matters that could be covered during an orientation, says Jennifer, include company policy regarding paid holidays, lateness and absences, health and hospitalization benefits (there are none, other than worker's compensation) and general matters like the maintenance of a clean and safe work area, personal appearance and cleanliness, time sheets, personal telephone calls and mail, company policies regarding matters like substance abuse, and eating or smoking on the job. Jennifer believes that implementing orientation and training programs would help to ensure that employees know how to do their jobs the right way. And she and her father further believe that it is only when employees understand the right way to do their jobs that there is any hope their jobs will in fact be accomplished the way the Carters want them to be accomplished.

Questions

1. Specifically what should the Carters cover in their new employee orientation program and how should they cover this information?

2. In the personnel management course Jennifer took, the book suggested using a task analysis record form to identify tasks performed by an employee. "Should we use a form like this for the counterperson's job, and if so, what would the filled-in form look like?"

3. Which specific training techniques should Jennifer use to train her pressers, her cleaner-spotters, her managers, and her counter people, and why?

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CHAPTER 9
PERFORMANCE APPRAISAL

9.1 PERFORMANCE

Performance management is a process that significantly affects organizational success by having managers and employees work together to set expectations, review results, and reward performance. Performance management is a means of getting better results... by understanding and managing performance within an agreed framework of planned goals, standards and competence requirements. It is a process to establish a shared understanding about what is to be achieved, and an approach to managing and developing people so that it will be achieved. The Goal of measuring performance is to improve the effectiveness & efficiency of the organization by aligning the employee's work behaviors & results with the organization's goals improving the employee's work behaviors & results. It is on-going, integrative process.

Performance can be defined as efforts along with the ability to put efforts supported with the organizational policies in order to achieve certain objectives.

Performance is the function of:

a) **Ability:** The basic skills possessed by the individual that are required to give certain performance enhance the level of performance.

b) **Motivation:** Activities in HRM concerned with helping employees exert high energy levels and to get performance in desirable direction.

c) **Opportunity:** Circumstances under which performance is made they can be ideal or vice versa.

Why is performance measured?

• Enhances motivation & productivity
• Assists in validation studies
• Detects problems
• Helps evaluate change efforts
• Provides basis for making decisions
• Differentiates employees in job-related areas
• Helps ensure legal compliance

9.1.1 Determinants of Job Performance

There are three basic determinants of the job they are as following:

1) Willingness to perform: If employee is performing tasks and responsibilities in the organization with willingness level of the performance will be high and will be up to the standards.

2) Capacity to Perform: If the basic qualifications abilities and skills required performing specific tasks are possessed by the employees the level of performance will be in accordance with the set standards and vice versa.

3) Opportunity to Perform: Favorable circumstances and opportunities to perform the challenging tasks which are more contributory towards achievement of the organization's mission and objective can be reasons to have more effective performance from employees.

These indicators are used to measure Organizational Effectiveness. Researchers see primary management tasks as control, innovation, and efficiency. Control means dominating the external environment, attracting resources, and using political processes. Innovation entails developing skills to discover new products and processes and designing adaptable structures and cultures. Efficiency involves developing modern plants for rapid, low-cost production, fast distribution, and high productivity.

9.1.2 Approaches to Performance Appraisal

Here we will discuss some of the approaches in performance appraisal;

a. The External Resource Approach: Control

Using the external resource approach, managers evaluate a firm's ability to manage and control the external environment. Indicators include stock price, profitability, return on investment, and the quality of a company's products. An important factor is management's ability to perceive and respond to environmental change. Stakeholders value aggressiveness and an entrepreneurial spirit.

b. The Internal Systems Approach: Innovation

Using the internal systems approach, managers evaluate organizational effectiveness. Structure and culture should foster flexibility and rapid response to market changes. Flexibility fosters innovation. Innovation is measured by the time needed for decision making, production, and coordinating activities.

c. The Technical Approach: Efficiency

The technical approach is used to evaluate efficiency. Effectiveness is measured by productivity and efficiency (ratio of outputs to inputs). Productivity gains include increased production or cost reduction. Productivity is measured at all stages of production. Service companies could measure sales per employee or the ratio of goods sold to goods returned. Employee motivation is an important factor in productivity and efficiency.

d. Measuring Effectiveness: Organizational Goals

Organizational effectiveness is evaluated by both official and operative goals. Official goals are the formal mission of an organization. Operative goals are specific long-term and short-term goals that direct tasks. Managers use operative goals to measure effectiveness. To measure control, managers examine market share and costs; to measure innovation, they review decision-making time. To measure efficiency, they use benchmarking to compare the company to competitors. A company may be effective in one area and ineffective in another. Operative goals must be consistent with official goals.

9.1.3 Uses of Performance Appraisal

Performance appraisal serves two types of the objectives one is to make the evaluation decisions and other is to provide the need assessment source for the training and development if there is a gap between actual and expected performance. For many organizations, the primary goal of an appraisal system is to improve performance. A system that is properly designed and communicated can help achieve organizational objectives and enhance employee performance. In fact, PA data are potentially valuable for use in numerous human resource functional areas.

a. **Human Resource Planning** — in assessing a firm's human resources, data must be available that describe the promotability and potential of all employees, especially key executives.

b. **Recruitment and Selection** — Performance evaluation ratings may be helpful in predicting the future performance of job applicants.

c. **Training and Development** — A performance appraisal should point out an employee's specific needs for training and development. By identifying deficiencies that adversely affect performance, human resource and line managers are able to develop T&D programs that permit individuals to build on their strengths and minimize their deficiencies.

d. **Career Planning and Development**—Career planning and development may be viewed from either an individual or organizational viewpoint.

e. **Compensation Programs**—Performance appraisal results provide the basis for decisions regarding pay increases.

f. **Internal Employee Relations**—Performance appraisal data are also frequently used for

decisions in areas of internal employee relations including motivation, promotion, demotion, termination, layoff, and transfer.

g. **Assessment Of Employee Potential**—Some organizations attempt to assess employee potential as they appraise job performance.

9.1.4 Responsibility for Appraisal

In most organizations, the human resource department is responsible for coordinating the design and implementation of performance appraisal programs. However, it is essential that line managers play a key role from beginning to end.

a. **Immediate Supervisor**—An employee's immediate supervisor traditionally has been the most common choice for evaluating performance.

b. **Subordinates**—Some managers have concluded that evaluation of managers by subordinates is feasible.

c. **Peers**—Peer appraisal has long had proponents who believed that such an approach is reliable if the work group is stable over a reasonably long period of time and performs tasks that require considerable interaction.

d. **Self-Appraisal**—If individuals understand the objectives they are expected to achieve and the standards by which they are to be evaluated, they are—to a great extent—in the best position to appraise their own performance.

e. **Customer Appraisal**—The behavior of customers determines the degree of success a firm achieves. Therefore, some organizations believe it is important to obtain performance input from this critical source.

9.1.5 Appraisal Period

Performance evaluations are typically prepared at specific intervals. In most organizations these evaluations are made either annually or semiannually. The appraisal period may begin with each employee's date of hire, or all employees may be evaluated at the same time.

The Line Manager and Performance Appraisal:

Line managers have the following responsibilities in appraising the performance.

- **Complete the ratings**: Line managers facilitate the overall rating process, initially by providing goals to be achieved than comparing those goals with actual performance and finally providing the feedback to make the corrective actions if required.
- **Provide performance feedback**: Performance always requires feedback, if it is positive than feedback will act as a positive reinforcement factor that will lead to more improvement and if the performance is poor, it again requires feedback so that the poor performance can be improved by taking corrective steps. This task of providing feedback is carried out and facilitated by line managers.
- **Set performance goals**: Performance to b evaluated requires set standards. goals or benchmarks against which it can be compared for evaluation purpose these goals are provided by the line mangers.

9.2 PERFORMANCE APPRAISAL

Performance appraisal is a system of review and evaluation of an individual or team's job performance. An effective system assesses accomplishments and evolves plans for development. Performance management is a process that significantly affects organizational success by having managers and employees work together to set expectations, review results, and reward performance. Its goal is to provide an accurate picture of past and /or future employee performance. To achieve this, performance standards are established.

9.2.1 The Performance Appraisal Process

Many of the external and internal environmental factors previously discussed can influence the appraisal process. Legislation requires that the appraisal systems be nondiscriminatory. The labor union might affect the appraisal process by stressing seniority as the basis for promotions and pay increases. Factors within the internal environment can also affect the performance appraisal process. The type of corporate culture can serve to help or hinder the process. Identification of specific goals is the starting point for the PA process. After specific appraisal goals have been established, workers and teams must understand what is expected from them in their tasks. Informing employees of what is expected of them is a most important employee relations task. At the end of the appraisal period, the appraiser observes work performance and evaluates it against established performance standards. The evaluation results are then communicated to the workers. The performance evaluation discussion with the supervisor serves to reestablish job requirements.

Steps in the performance appraisal process

- Identify the specific performance appraisal goals.
- Establish job expectations (job analysis).
- Examine work performed.
- Appraise performance.
- Discuss appraisal with employee.

9.2.2 What to Evaluate?

What aspect of a person's performance should an organization evaluate? In practice, the most common sets of appraisal criteria are traits, behaviors, and task outcomes.

a. **Traits**—Many employees in organizations are evaluated on the basis of certain traits such as *attitude, appearance, initiative*, etc.

b. **Behaviors**—When an individual's task outcome is difficult to determine, it is common to evaluate the person's task-related behavior.

c. **Task Outcomes**—If ends are considered more important than means, task outcomes become the most appropriate factor to evaluate.

d. **Improvement Potential**—Some attention must be given to the future and the behaviors and outcomes that are needed to not only develop the employee, but also to achieve the firm's goals. This involves an assessment of the employee's potential.

9.2.3 Performance Appraisal Methods

The type of performance appraisal system utilized depends on its purpose. If the major emphasis is on selecting people for promotion, training, and merit pay increases, a traditional method such as rating scales may be most appropriate. Collaborative methods are designed to assist employees in developing and becoming more effective.

a. **360-Degree Feedback**—Involves input from multiple levels within the firm and external sources as well.

b. **Rating Scales**—Rates employees according to defined factors. The factors chosen for evaluation are typically of two types: job related and personal characteristics.

c. **Critical Incidents**—Requires written records be kept of highly favorable and highly unfavorable work actions.

d. **Essay**—The rater simply writes a brief narrative describing the employee's performance. This method tends to focus on extreme behavior in the employee's work rather than routine day-to-day performance.

e. **Work Standards**—Compares each employee's performance to a predetermined standard, or expected level of output.

f. **Ranking**—The rater simply places all employees in a given group in rank order on the basis of their overall performance. Paired comparison is a variation of the ranking method that involves comparing the performance of each employee with every other employee in the group.

g. **Forced Distribution**—An appraisal approach where the rater is required to assign individuals in the work group to a limited number of categories similar to a normal frequency distribution.

h. **Forced-Choice And Weighted Checklist Performance Reports**—The forced-choice performance report is a technique in which the appraiser is given a series of statements about an individual and the rater indicates which items are most or least descriptive of the employee. The weighted checklist performance report is a technique whereby the rater completes a form similar to the forced-choice performance report, but the various responses have been assigned different weights.

i. **Behaviorally Anchored Rating Scales**—A performance appraisal method that combines elements of the traditional rating scales and critical incidents methods.

j. **Results-Based Systems**—In a result-based system the superior and the subordinate jointly agree on objectives for the next appraisal period.

k. **Assessment Centers**—Recognizing the differences in purposes, and the difficulty that a PA system will have in achieving both aims, some firms opt to use an assessment center as an adjunct to their appraisal system

l. **Management by objectives (MBO)**—It is a goal-oriented performance appraisal method, requires that supervisors and employees determine objectives for employees to meet during the rating period, and the employees appraise how well they have achieved their objectives

m. **The Appraisal Interview**

The appraisal interview is the Achilles' heel of the entire evaluation process.

- **Scheduling the Interview**—Supervisors usually conduct a formal appraisal interview at the end of an employee's appraisal period.
- **Interview Structure**—A successful appraisal interview should be structured in a way that allows both the supervisor and the subordinate to view it as a problem solving rather than a faultfinding session.
- **Use of Praise and Criticism**—Praise should be provided when warranted, but it can have only limited value if not clearly deserved. Criticism, even if warranted, is especially difficult to give.
- **Employees' Role**—Two weeks or so before the review, they should go through their diary or files and make a note of every project worked on, regardless of whether they were successful or not.

▪ **Use of Software**—Computer software is available for recording the appraisal data.

▪ **Concluding the Interview**—Ideally, employees will leave the interview with positive feelings about management, the company, the job, and themselves.

9.3.4 Problems In Performance Appraisal

Many performance appraisal methods have been severely criticized. Many of the problems commonly mentioned are not inherent in the method but, rather, reflect improper usage.

a. **Lack of Objectivity**— A potential weakness of traditional methods of performance appraisal is that they lack objectivity. Some subjectivity will always exist in appraisal methods. However, the use of job-related factors does increase objectivity.

b. **Halo Error**—Occurs when the evaluator perceives one factor as being of paramount importance and gives a good or bad overall rating to an employee based on this factor.

c. **Leniency/Strictness**—The giving of undeserved high or low ratings.

d. **Central Tendency**—Occurs when employees are incorrectly rated near the average or middle of the scale.

e. **Recent Behavior Bias**—It is only natural to remember recent behavior more clearly than actions from the more distant past. However, performance appraisals generally cover a specified period of time, and an individual's performance should be considered for the entire period.

f. **Personal Bias**—Supervisors doing performance appraisals may have biases related to their employees' personal characteristics such as race, religion, gender, disability, or age group.

g. **Manipulating the Evaluation**—In some instances, supervisors control virtually every aspect of the appraisal process and are therefore in a position to manipulate the system.

9.3.5 Role of HRM Department in Performance Appraisal:

HRM department performs the following functions during performance appraisal process.

• **Develop the appraisal system**: HRM department plays important role in formulating the performance appraisal systems, it facilitated different departments in setting performance standards and acquiring appropriate appraisal performance method according to the requirements of particular department it also provides monitoring in appraising the performance of employees and hence are necessary for developing effective performance appraisal systems.

• **Provide rater training**: Evidence indicates that the training of appraisers can make them more accurate raters. The raters are bothered to be trained because, a poor appraisal is worse than no appraisal at all. Training can help raters to avoid and eliminate the basic appraisal errors. Raters are provided with the training opportunity through HRM department.

• **Monitor and evaluate the appraisal system**: Any system to be run and implemented effectively requires continuous monitoring. Performance appraisal is very important in any kind of organization both for employee as well as employer because many decisions are supposed to be made on data and result provided by the performance appraisal like, promotions, demotions and some times termination etc . To achieve more authentic and fair results through performance appraisal systems it requires monitoring and supervision which is performed by the HRM department.

9.3.6 Performance Appraisal Failures

Some times performance appraisal process do not satisfy the purpose for which it is conducted, that means

it is faced with some failures and there are certain reasons, these reasons are as under:

1. Manager lacks information
2. Lack of appraisal skills
3. Manager not taking appraisal seriously
4. Manager not prepared
5. Employee not receiving ongoing feedback
6. Manager not being honest or sincere
7. Ineffective discussion of employee development
8. Unclear language
9. Insufficient reward for performance

9.3.7 Strategies for Improving Performance:

If performance appraisal process indicates the poor performance of the employees than the following strategies can

be used to improve the performance of the employees and even for good performance these strategies can be used to keep on the trend. These strategies are as under:

a. Positive Reinforcement:

Applying a valued consequence that increases the likelihood that the person will repeat the behavior that led to it is termed as positive reinforcement. Examples of positive reinforcement include compliments, letters of recommendations, favorable performance appraisal, and pay raises. Equally important, Jobs can be positively reinforcing.

b. Punishment:

Punishment means administering an aversive consequence. Examples include criticizing or shouting at an employee, assigning an unappealing task, and sending a worker home without pay. Punishment strategy can be used to improve the performance of employees.

c. Self Management:

Many companies empower their employees to take responsibility for the day to day functions in their areas. Accordingly, these employees may now work without direct supervision and take on the administrative responsibilities that were once performed by their supervisor.

d. Employee Assistance Programs (EAPs):

Specific programs designed to help employees with personal problems. No matter what kind of organization one works in, one thing is certain. Whether that problem is job stress, legal, marital, financial, or health related, one commonality exists: if an employee experiences a personal problem, sooner or later it will manifest itself at the work place in terms of lowered productivity, increased absenteeism, or turnover. To help employees deal with these personal problems, more and more companies are implementing employee assistance programs.

9.4 JOB EVALUATION

Job evaluation means systematically determining relative worth of jobs to create job structure. An attempt to identify inputs that are most valuable to the organization & to develop job hierarchy based on which jobs have more or less of those dimensions

9.4.1 Job Evaluation Methods:

The essence of compensation administration is job evaluation and the establishment of the pay structure. Let's now turn our attention to the topic of job evaluation. By job evaluation we mean using the information in job analysis to systematically determine the value of each job in relation to all jobs with in the organization. In short, job evaluation seeks to rank all the jobs in the organization and place them in a hierarchy that will reflect the relative worth of each. There are four general job evaluation methods.

a. Ranking method:

Raters examine the description of each job being evaluated and arrange the jobs in order according to their value to the company. This method requires a committee – typically composed of both management and employee representative – to arrange job in a simple rank order from highest to lowest. No attempts are made to break down the jobs by specific weighted criteria. The committee members merely compare two jobs and judge which one is more important, or more difficult to perform. Then they compare the other job with the first two, and so on until all the jobs have been evaluated and ranked.

The most obvious limitation to the ranking method is its sheer inability to be managed when there are a large number of jobs. Other drawbacks to be considered are the subjectivity of the method- there are no definite or consistent standards by which to justify the rankings- and the fact that because jobs are only ranked in terms of order, we have no knowledge of the distance between the ranks.

b. Classification method:

A job evaluation method by which a number of classes or grades are defined to describe a group of jobs is known as Classification method. The classifications are created by identifying some common denominator skills, knowledge, responsibilities –with the desired goal being the criterion of a number of distinct classes or grades of jobs. Once the classifications are established, they are ranked in an overall order of importance according to the criteria chosen, and each job is placed in its appropriate classification. This later action is generally done by comparing each position's job description against the classification description and benchmarked jobs.

The classification method shares most of the disadvantages of the ranking approach, plus the difficulty of writing classification descriptions, judging which jobs go where, and dealing with jobs that appear to fall into more than one classification.

c. Factor comparison method:

Raters need not keep the entire job in mind as they evaluate; instead, they make decisions on separate aspects, or factors, of the job. A basic underlying assumption is that there are five universal job factors:

(1) Mental Requirements, (2) Skills, (3) Physical Requirements, (4) Responsibilities, and (5) Working Conditions. The committee first rank each of the selected benchmark jobs on the relative degree of difficulty for each of the five factors. Then, the committee allocates the total pay rates for each job to each factor based on the importance of the respective factor to the job. A job comparison scale, reflecting rankings and money allocations, is developed next. The raters compare each job, factor by factor, with those appearing on the job comparison scale. Then, they place the jobs on the chart in an appropriate position.

d. Point method:

Raters assign numerical values to specific job components, and the sum of these values provides a quantitative assessment of a job's relative worth. The point method requires selection of job factors according to the nature of the specific group of jobs being evaluated. After determining the group of jobs to be studied, analysts conduct job analysis and write job descriptions. Next, the analysts select and define the factors to be used in measuring job value and which become the standards used for the evaluation of jobs.

Education, experience, job knowledge, mental effort, physical effort, responsibility, and working conditions are examples of factors typically used. The committee establishes factor weights according to their relative importance in the jobs being evaluated, and then determines the total number of points to be used in the plan. A distribution of the point values to job factor degrees is made, with the next step being the preparation of a job evaluation manual.

EXERCISE:

Fill In The Blanks With Correct Answers From The Text:

1. ____________ ___________ is a process that significantly affects organizational success by having managers and employees work together to set expectations, review results, and reward performance.
2. ____________ can be defined as efforts along with the ability to put efforts supported with the organizational policies in order to achieve certain objectives.
3. ________ The basic skills possessed by the individual that are required to give certain performance enhances the level of performance
4. Many of the external and internal environmental factors previously discussed can influence the ________ ________.
5. Many employees in organizations are evaluated on the basis of certain traits such as _______, ________, ________.
6. ______ ______ - Rates employees according to defined factors
7. ________ ________ - Requires written records be kept of highly favorable and highly unfavorable work actions.
8. ________ ________ - An appraisal approach where the rater is required to assign individuals in the work group to a limited number of categories similar to a normal frequency distribution.
9. ________ ________ ________ _______ - A performance appraisal method that combines elements of the traditional rating scales and critical incidents methods.
10. _________ ___ _________ (____)—It is a goal-oriented performance appraisal method, requires that supervisors and employees determine objectives for employees to meet during the rating period, and the employees appraise how well they have achieved their objectives
11. ______ ________ means systematically determining relative worth of jobs to create job structure. An attempt to identify inputs that are most valuable to the organization & to develop job hierarchy based on which jobs have more or less of those dimensions

12. A job evaluation method by which a number of classes or grades are defined to describe a group of jobs is known as ______________ __________.

13. The point method requires selection of job factors according to the nature of the specific group of jobs being evaluated.

14. Performance appraisal is a system of review and evaluation of an individual or team's job performance

15. ____________ ___________ __________ **=(EAPs):**

Case
The Performance Appraisal

Source: Adapted from: Human Resource Management – Gary Dessler, (9th Edition), Pearson Education

Jennifer and Mel disagree over the importance of having performance appraisals. Mel says it's quite clear whether any Learn In Motion employee is doing his or her job. It is obvious, for instance, if the salespeople are selling, if the web designer is designing, if the Web surfer is surfing, and if the content management people are managing to get the customers' content up on the Web site in a timely fashion. Mel's position, like that of many small-business managers, is that "we have 1,000 higher-priority things to attend to" such as boosting sales and creating the calendar. And in any case, he says, the employees already get plenty of day-to-day feedback from him or Jennifer regarding what they're doing right and what they're doing wrong. This informal feedback notwithstanding, Jennifer believes that a more formal appraisal approach is required. For one thing, they're approaching the end of the 90-day "introductory" period for many of these employees, and the owners need to make decisions about whether they should go or stay. And from a practical point of view, Jennifer just believes that sitting down and providing formal, written feedback is more likely to reinforce what employees are doing right, and to get them to modify what they may be doing wrong. "Maybe this is one reason we're not getting enough sale they've been debating this for about an hour. No you, their management consultants, to advise them on what to do. Here's what they want you to do for them.

Questions and Assignments

1. Is Jennifer right about the need to evaluate the formally? Why or why not? If you think she's right, how do you explain away Mel's arguments?

2. Develop a performance appraisal method for sales-people, or Web designer, or Web surfer. Please make sure to include any form you want the owners to use.

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CHAPTER 10
COMPENSATION SYSTEM

10.1 INTRODUCTION

Human resource department uses different strategies to manage the workforce so that the desired results can be attained. These desired result as stated in earlier chapters as well, can be attained if organization is able to attract, select, develop and retain workforce in successful manner in short, the effective hiring and retaining workforce can be helpful in achieving organizational goals. This purpose can be attained through fair and effective rewards systems in the organization. Rewards are used as basic motivational tools in the organization so that performance of the employees can be influenced in desirable way. So to be more successful organizations need attractive and fair compensation and reward systems to be paid to the workforce.

To understand the basic concepts of compensation first of all we will define the pay

Pay: Pay is a statement of an employee's worth by an employer. Or Pay is a perception of worth by an employee

10.1.1 Job Pricing

Job pricing means placing a dollar value on the worth of a job.

- **Pay Grades**—The grouping of similar jobs together to simplify the job pricing process. Plotting jobs on a scatter diagram is often useful in determining the appropriate number of pay grades.
- **Wage Curve**—The fitting of plotted points in order to create a smooth progression between pay grades.
- **Pay Ranges**—Includes a minimum and maximum pay rate with enough variance between the two to allow some significant pay difference.
- **Broad Banding**—A technique that collapses many pay grades (salary grades) into a few wide bands in order to improve organizational effectiveness.
- **Single-Rate System**—Pay ranges are not appropriate for some workplace conditions. When single rates are used, everyone in the same job receives the same base pay, regardless of

seniority or productivity. This rate may correspond to the midpoint of a range determined by a compensation survey.

➢ **Adjusting Pay Rates**—when pay ranges have been determined and jobs assigned to pay grades, it may become obvious that some jobs are overpaid and others underpaid. Underpaid jobs normally are brought to the minimum of the pay range as soon as possible.

10.2 COMPENSATION: AN OVERVIEW

i. **Compensation**—The total of all rewards provided employees in return for their services.

ii. **Direct Financial Compensation**—Consists of the pay that a person receives in the form of wages, salaries, bonuses, and commissions.

iii. **Indirect Financial Compensation**—All financial rewards that are not included in direct compensation.

iv. **Non-financial Compensation**—Consists of the satisfaction that a person receives from the job itself or from the psychological and/or physical environment in which the person works. All such rewards comprise a total compensation program.

10.2.1 Equity in Financial Compensation:

Organizations must attract, motivate, and retain competent employees. Because achievement of these goals is largely accomplished through a firm's compensation system, organizations must strive for compensation equity.

a. **Equity**—Workers' perceptions that they are being treated fairly. Compensation must be fair to all parties concerned and be perceived as fair.

b. **External Equity**—Exists when a firm's employees are paid comparably to workers who perform similar jobs in other firms.

c. **Internal Equity**—Exists when employees are paid according to the relative value of their jobs within an organization.

d. **Employee Equity**—Exists when individuals performing similar jobs for the same firm are paid according to factors unique to the employee, such as performance level or seniority.

e. **Team Equity**—Achieved when more productive teams are rewarded more than less productive teams.

10.2.2 Determinants of Individual Financial Compensation:

Compensation theory has never been able to provide a completely satisfactory answer to what an individual is worth for performing jobs.

a) The Organization,
b) The Labor Market,
c) The Job,
d) The Employee
e) The political Influence
f) Luck
g) Special cases

These all have an impact on job pricing and the ultimate determination of an individual's financial compensation.

a. **The Organization as a Determinant of Financial Compensation:**

- **Compensation Policies**—An organization often establishes—formally or informally—compensation policies that determine whether it will be a pay leader, a pay follower, or strive for an average position in the labor market.

➢ **Pay Leaders**: Those organizations that pay higher wages and salaries than competing firms.

➢ **Market Rate or Going Rate**: The average pay that most employers provide for the same job in a particular area or industry.

➢ **Pay Followers**: Companies that choose to pay below the market rate because of poor financial condition or a belief that they simply do not require highly capable employees.

- **Organizational Politics**—Political considerations may also enter into the equation. A sound, objective compensation system can be destroyed by organizational politics. Managers should become aware of this possibility and take appropriate action.

- **Ability to Pay**—An organization's assessment of its ability to pay is also an important factor in determining pay levels. Financially successful firms tend to provide higher-than average compensation. However, an organization's financial strength establishes only the upper limit of what it will pay.

b. **The labor market as a determinant of financial compensation:**

Potential employees located within the geographical area from which employees are recruited comprise the *labor market*.

- **Compensation Surveys**—Large organizations routinely conduct compensation surveys to determine prevailing pay rates within labor markets.

1. Compensation surveys: Provide information for establishing both direct and indirect compensation.

2. Benchmark job: A job that is well known in the company and industry, one that represents the entire job structure, and one in which a large percentage of the workforce is employed.

- **Cost of Living**—A pay increase must be roughly the equivalent to the cost of living increase if a person is to maintain a previous level of real wages.
- **Labor Unions**—When a union uses comparable pay as a standard for making compensation demands, the employer must obtain accurate labor market data. When a union emphasizes cost of living, management may be pressured to include a cost-of-living allowance (COLA). This is an escalator clause in the labor agreement that automatically increases wages as the U.S Bureau of Labor Statistics' cost-of-living index rises.
- **Society**—Compensation paid to employees often affects a firm's pricing of its goods and/or services. Consumers may also be interested in compensation decisions.
- **Economy**—In most cases, the cost of living will rise in an expanding economy. Thus, the economy's health exerts a major impact on pay decisions.
- **Legislation**—The amount of compensation a person receives can also is affected by certain federal and state legislation.

c. **The job as a determinant of financial compensation:**

Organizations pay for the value they attach to certain duties, responsibilities, and other job-related factors. Techniques used to determine a job's relative worth include job analysis, job descriptions, and job evaluation.

- **Job Analysis and Job Descriptions**—Before an organization can determine the relative difficulty or value of its jobs, it must first define their content, which it normally does by analyzing jobs. Job analysis is the systematic process of determining the skills and knowledge required for performing jobs. The job description is the primary by-product of job analysis, consisting of a written document that describes job duties and responsibilities. Job descriptions are used for many different purposes, including job evaluation.
- **Job Evaluation**—That part of a compensation system in which a firm determines the relative value of one job compared with that of another.

d. **The employee as a determinant of financial compensation:**

In addition to the organization, the labor market, and the job, factors related to the employee are also essential in determining pay and employee equity.

- **Performance Based Pay**—PA data provide the input for such approaches as merit pay, variable pay, skill-based pay, and competency-based pay.
    - **Merit Pay**: A pay increase given to employees based on their level of performance as indicated in the appraisal.
    - **Bonus**: The most common type of variable pay for performance and is a one-time award that is not added to employees' base pay.
    - **Skill-based Pay**: A system that compensates employees on the basis of job-related skills and knowledge they possess, not for their job titles.
    - **Competency-Based Pay**: A compensation plan that rewards employees for their demonstrated expertise.
- **Seniority**—The length of time an employee has been associated with the company, division, department, or job is referred to as *seniority*.

• **Experience**—Regardless of the nature of the task, very few factors has a more significant impact on performance than experience.

• **Membership in the Organization**—Some components of individual financial compensation are given to employees without regard to the particular job they perform or their level of productivity.

• **Potential**—Organizations do pay some individuals based on their potential.

e. **Political Influence**—Political influence is a factor that obviously should not be used as a determinant of financial compensation. However, to deny that it exists would be unrealistic.

f. **Luck**—The expression has often been stated, "It certainly helps to be in the right place at the right time." There is more than a little truth in this statement as it relates to the determination of a person's compensation.

g. **Special Employee Classes**—These include pay for executives, which are discussed in a later section, and pay for professionals and sales employees.

10.3 COMPENSATION IN ORGANIZATION

1. Executive Compensation
2. Compensation for professionals
3. Sales Compensation
4. Incentive Compensation
5. Non-financial Compensation

1. Executive Compensation:

Executive skill largely determines whether a firm will prosper, survive, or fail. Therefore, providing adequate compensation for these managers is vital. A critical factor in attracting and retaining the best managers is a company's program for compensating executives.

a) Determining Executive Compensation—In determining executive compensation, firms typically prefer to relate salary growth for the highest-level managers to overall corporate performance. In general, the higher the managerial position, the greater the flexibility managers have in designing their jobs.

b) Types of Executive Compensation—Executive compensation often has five basic elements: (1) Base Salary, (2) Short-Term Incentives or Bonuses, (3) Long-Term Incentives and Capital Appreciation Plans, (4) Executive Benefits, and (5) Perquisites. The way an executive compensation package is designed is partially dependent on the ever-changing tax legislation.

1. **Base Salary:** Salary is obviously important. It is a factor in determining standard of living. Salary also provides the basis for other forms of compensation.

2. **Short-Term Incentives or bonuses:** Payment of bonuses reflects a managerial belief in their incentive value. Today, virtually all top executives receive bonuses that are tied to base salary.

3. **Long-Term Incentives and Capital Appreciation:** The stock option is a long-term incentive designed to integrate further the interests of management with those of the organization. The typical *stock option plan* gives the manager the option to buy a specified amount of stock in the future at or below the current market price.

4. **Executive Benefits:** Executive benefits are generally more generous than those received by other employees because the benefits are tied to their higher salaries. However, current legislation (ERISA) does restrict the value of executive benefits to a certain level above those of other workers.

5. **Perquisites (Perks):** Any special benefits provided by a firm to a small group of key executives that are designed to give the executives something extra. A *"golden parachute"* contract is a perquisite that protects executives in the event that their firm is acquired by another.

2 Compensation for professionals:

People in professional jobs are initially compensated primarily for the knowledge they bring to the organization. Because of this, the administration of compensation programs for professionals is somewhat different than for managers. Many professional employees eventually become managers. For those who do not

payment to employees in cash or stock as soon as profits have been determined. *Deferred plans* involve placing company contributions in an irrevocable trust to be credited to the account of individual employees. The funds are normally invested in securities and become available to the employee (or his/her survivors) at retirement, termination, or death. *Combination plans* permit employees to receive payment of part of their share of profits on a current basis, whereas payment of part of their share is deferred. Profit sharing tends to tie employees to the economic success of the firm.

➢ **Employee Stock Option Plan (ESOP)**: A defined contribution plan in which a firm contributes stock shares to a trust.

➢ **Gain Sharing**: Plans that are designed to bind employees to the firm's performance by providing an incentive payment based on improved company performance. The first gain sharing plan was developed by Joseph Scanlon during the Great Depression, and it continues to be a successful approach to group incentive, especially in smaller firms.

➢ **Scanlon Plan**: Provides a financial reward to employees for savings in labor costs that result from their suggestions.

5. Non-financial Compensation: Compensation departments in organizations do not normally deal with non-financial factors. However, non-financial compensation can be a very powerful factor in the compensation equation.

10.4 THE JOB AS A TOTAL COMPENSATION FACTOR

The job itself is a central issue in many theories of motivation, and it is also a vital component of a total compensation program.

a) **Skill Variety**—The extent to which work requires a number of different activities for successful completion.

b) **Task Identity**—The extent to which the job includes an identifiable unit of work that is carried out from start to finish.

c) **Task Significance**—The impact that the job has on other people.

d) **Autonomy**—The extents of individual freedom and discretion employees have in performing their jobs.

e) **Feedback**—The amounts of information employees receive about how well they have performed the job.

f) **Cyber-work**—A possibility of a never-ending workday created through the use of technology.

10.4.1 The Job Environment as a Total Compensation Factor

Employees can draw satisfaction from their work through several non-financial factors.

a) **Sound Policies**—Human resource policies and practices reflecting management's concern for its employees can serve as positive rewards.

b) **Competent Employees**—Successful organizations emphasize continuous development and assure that competent managers and non-managers are employed.

c) **Congenial Coworkers**—Although the American culture has historically embraced individualism, most people possess, in varying degrees, a desire to be accepted by their work group.

d) **Appropriate Status Symbols**—Organizational rewards that take many forms such as office size and location, desk size and quality, private secretaries, floor covering, and title.

e) **Working Conditions**—The definition of *working conditions* has been broadened considerably during the past decade.

10.4.2 Workplace Flexibility

Flexible work arrangements do more than just assist new mothers' return to full-time work. They comprise an aspect of non-financial compensation that allows many families to manage a stressful work/home juggling act.

a) **Flextime**—The practice of permitting employees to choose, with certain limitations, their own working hours.

b) **Compressed Workweek**—Any arrangement of work hours that permits employees to fulfill their work obligation in fewer days than the typical five-day workweek.

c) **Job Sharing**—An approach to work that is attractive to people who want to work fewer than 40 hours per week.

d) **Flexible Compensation (Cafeteria Compensation)**—Plans that permit employees to choose from among many alternatives in deciding how their financial compensation will be allocated.

e) **Telecommuting**—Telecommuting is a work arrangement whereby employees are able to remain at home, or otherwise

away from the office, and perform their work over telephone lines tied to a computer.

f) **Part-Time Work**—Use of part-time workers on a regular basis has begun to gain momentum in the United States. This approach adds many highly qualified individuals to the labor market by permitting both employment and family needs to be addressed.

g) **Modified Retirement**—An option that permits older employees to work fewer than regular hours for a certain period of time proceeding retirement. This option allows an employee to avoid an abrupt change in lifestyle and more gracefully move into retirement.

10.4.3 Other Compensation Issues

Several issues that relate to compensation deserve mention. These issues include comparable worth, pay secrecy, and pay compression.

a) **Severance Pay**—Although some firms are trimming the amount of severance pay offered, typically, one to two weeks of severance pay is given for every year of service, up to some predetermined maximum. Severance pay is generally shaped according to the organizational level of the employee.

b) **Comparable Worth**—Requires the value for dissimilar jobs, such as company nurse and welder, to be compared under some form of job evaluation and pay rates for both jobs to be assigned according to their evaluated worth.

c) **Pay Secrecy**—Organizations tend to keep their pay rates secret for various reasons. If a firm's compensation plan is illogical, secrecy may indeed be appropriate because only a well-designed system can stand careful scrutiny. An open system would almost certainly require managers to explain the rationale for pay decisions to subordinates.

d) **Pay Compression**—Occurs when workers perceive that the pay differential between their pay and that of employees in jobs above or below them is too small.

10.5 EMPLOYEE BENEFITS

Benefits are all financial rewards that generally are not paid directly to an employee. Benefits absorb social costs for health care and retirement and can influence employee decisions about employers.

Most organizations recognize that they have a responsibility to provide their employees with insurance and other programs for their health, safety, security, and general welfare. These *benefits include all financial* rewards that generally are not paid directly to the employee.

10.5.1 Mandated Benefits (Legally Required)

Although most employee benefits are provided at the employer's discretion, others are required by law. Legally required benefits include Social Security, unemployment compensation, and workers' compensation.

a) **Social Security**—It is a system of retirement benefits that provides benefits like disability insurance, survivor's benefits, and, most recently, Medicare.

b) **Unemployment Compensation**—An individual laid off by an organization covered by the Social Security Act may receive unemployment compensation for up to 26 weeks. Although the federal government provides certain guidelines, unemployment compensation programs are administered by the states, and the benefits vary state by state.

c) **Workers' Compensation**—Workers' compensation benefits provide a degree of financial protection for employees who incur expenses resulting from job-related accidents or illnesses.

d) **Family And Medical Leave Act Of 1993 (FMLA)**—The Family and Medical Leave Act applies to private employers with 50 or more employees and to all governmental employers regardless of the number of employees. The act provides for up to 12 workweeks of unpaid leave per year for absences due to the employee's own serious health condition or the need to care for a newborn or newly adopted child or a seriously ill child, parent, or spouse.

10.5.2 Discretionary Benefits (Voluntary)

Organizations voluntarily provide numerous benefits. Generally speaking, such benefits are not legally required. These benefits may be classified as

a) Payment for time not worked,

b) Health benefits

c) Security benefits,
d) Employee services, and
e) Premium pay
f) Benefits for part-time employees.

a) Payment for Time Not Worked—In providing payment for time not worked, employers recognize that employees need time away from the job for many purposes, such as paid vacations, payment for holidays not worked, paid sick leave, jury duty, national guard or other military reserve duty, voting time, and bereavement time. Some payments are provided for time off taken during work hours, such as rest periods, coffee breaks, lunch periods, cleanup time, and travel time.

• Paid Vacations: Payment for time not worked serves important compensation goals. Paid vacations provide workers with an opportunity to rest, become rejuvenated, and hopefully, become more productive.

• Sick Leave: Each year many firms allocate, to each employee, a certain number of days of sick leave, which they can use when ill.

b) Health Benefits—Health benefits are often included as part of an employee's indirect financial compensation. Specific areas include health, dental, and vision care.

• **Health care**: Benefits for health care represent the most expensive and fastest-growing cost in the area of indirect financial compensation. Many factors have combined to create this situation: an aging population, a growing demand for medical care, increasingly expensive medical technology, a lack of price controls, and inefficient administrative processes. In addition to self-insurance and traditional commercial insurers, employers may utilize one of several options. *Health maintenance organizations (HMOs)* are one option in which all services are covered for a fixed fee; however, employers control which doctors and health facilities may be used. *Point-of-service (POS)* permits a member to select a provider within the network, or, for a lower level of benefits, go outside the network. *Preferred provider organizations (PPOs)* are a more flexible managed care system. Although incentives are provided to members to use services within such a system, out-of-network providers may be utilized at greater cost. *Exclusive provider organizations (EPO)* offer a smaller PPO provider network and usually provide little, if any, benefits when an out-of-network provider is used.

➢ **Capitation**: Typically, the reimbursement method used by primary care physicians is an approach to health care where providers negotiate a rate for health care for a covered life over a period of time. It presumes that doctors have an incentive to keep patients healthy and to avoid costly procedures when they are paid per patient rather than per service.

➢ **Defined-Contribution** health care system: Companies give each employee a set amount of money annually with which to purchase health care coverage.

➢ **Utilization Review**: A process that scrutinizes medical diagnoses, hospitalization, surgery, and other medical treatment and care prescribed by doctors.

➢ **The Health Insurance Portability and Accountability Act of 1996**: Provides new protections for approximately 25 million Americans who move from one job to another, who are self employed, or who have preexisting medical conditions.

➢ **Dental and Vision Care**: Relative newcomers to the list of potential health benefits. Both types of plans are typically paid for entirely by the employers.

c) Security Benefits—Security benefits include retirement plans, disability insurance, life insurance, and supplemental unemployment benefits.

➢ **Retirement Plans**: Private retirement plans provide income for employees who retire after reaching a certain age or having served the firm for a specific period of time. In a *defined benefit plan*, the employer agrees to provide a specific level of retirement income that is either a fixed dollar amount or a percentage of earnings. A *defined contribution plan* is a retirement plan that requires specific contributions by an employer to a retirement or savings fund established for the employee. A *401(k) plan* is a defined contribution plan in which employees may defer income up to a maximum amount allowed. An *employee stock ownership plan (ESOP)* is a defined contribution plan in which a firm makes a tax-deductible contribution of stock shares or cash to a trust.

➢ **Disability Protection**: Workers' compensation protects employees from job-related accidents and illnesses. Some firms, however, provide additional protection that is more comprehensive.

➢ **Supplemental Unemployment Benefits (SUB)**: Supplemental unemployment benefits are designed to provide additional income for employees receiving unemployment benefits.

➢ **Life Insurance**: Group life insurance is a benefit commonly provided to protect the employee's family in the event of his or her death. Although the cost of group life insurance is relatively low, some plans call for the employee to pay part of the premium.

d) Employee Services—Organizations offer a variety of benefits that can be termed employee services. These benefits encompass a number of areas including relocation benefits, child care, educational assistance, food services/ subsidized cafeterias, and financial services.

➢ **Relocation Benefits**: Include shipment of household goods and temporary living expenses, covering all or a portion of the real estate costs associated with buying a new home and selling the previously occupied home.

➢ **Child Care**: Another benefit offered by some firms is subsidized *child care*. Here, the firm may provide an on-site child care center, support an off-site center, or subsidize the costs of child care.

➢ **Educational Assistance**: According to a recent benefits survey, 81 percent have *educational* benefits that reimburse employees for college tuition and books.

➢ **Food Services/ Subsidized Cafeterias**: Most firms that offer free or subsidized lunches feel that they get a high payback in terms of employee relations.

➢ **Financial Services**: One *financial benefit* that is growing in popularity permits employees to purchase different types of insurance policies through payroll deduction.

➢ **Unique Benefits**: A tight labor market gives birth to creativity in providing benefits.

e) Premium Pay—Compensation paid to employees for working long periods of time or working under dangerous or undesirable conditions.

- **Hazard pay**: Additional pay provided to employees who work under extremely dangerous conditions.
- **Shift differentials**: Paid to employees for the inconvenience of working undesirable hours.

f) Benefits for Part-Time Employees—Recent studies indicate that employers are offering this group more benefits than ever. Growth in the number of part-timers is due to the aging of the workforce and also to an increased desire by more employees to balance their lives between work and home.

10.5.3 Benefit-Related Legislation

a) **Employee Retirement Income Security Act Of 1974 (ERISA)**—The Employee Retirement Income Security Act of 1974 (ERISA) was passed to strengthen existing and future retirement programs. Mismanagement of retirement funds was the primary factor in the need for this legislation.

b) **Older Workers Benefit Protection Act (OWBPA)**—The Older Workers Benefit Protection Act (OWBPA) is a 1990 amendment to the ADEA and extends its coverage to all employee benefits. The act has an equal benefit or equal cost principle.

EXERCISE:

Fill In The Blanks With Correct Answers From The Text:

1. ________ Pay is a statement of an employee's worth by an employer. Or Pay is a perception of worth by an employee
2. _____ ________— The grouping of similar jobs together to simplify the job pricing process. Plotting jobs on a scatter diagram is often useful in determining the appropriate number of pay grades.
3. _______ _______— The fitting of plotted points in order to create a smooth progression between pay grades.
4. ______ _______— Includes a minimum and maximum pay rate with enough variance between the two to allow some significant pay difference.
5. _______ ________ — A technique that collapses many pay grades (salary grades) into a few wide bands in order to improve organizational effectiveness.
6. _____________ — The total of all rewards provided employees in return for their services.
7. ________ ________ _________ — Consists of the pay that a person receives in the form of wages, salaries, bonuses, and commissions.
8. _________ ________ _______ — All financial rewards that are not included in direct compensation.
9. _____-______ ____________ — Consists of the satisfaction that a person receives from the job itself or from the psychological and/or physical environment in which the person works. All such rewards comprise a total compensation program.
10. __________ - Workers' perceptions that they are being treated fairly. Compensation must be fair to all parties concerned and be perceived as fair.
11. _________ _______- Exists when a firm's employees are paid comparably to workers who perform similar jobs in other firms.
12. _________ ________ - Exists when employees are paid according to the relative value of their jobs within an organization.

13. ________ _______ - Exists when individuals performing similar jobs for the same firm are paid according to factors unique to the employee, such as performance level or seniority.

14. _______ ________ - Achieved when more productive teams are rewarded more than less productive teams.

15. _______ _______ Those organizations that pay higher wages and salaries than competing firms.

16. _______ ______ ___ _____ ______ The average pays that most employers provide for the same job in a particular area or industry.

17. _______ _______ Companies that choose to pay below the market rate because of poor financial condition or a belief that they simply do not require highly capable employees.

18. _______ ______ A pay increase given to employees based on their level of performance as indicated in the appraisal.

19. _______ The most common type of variable pay for performance and is a one-time award that is not added to employees' base pay.

20. _____-______ ______ A system that compensates employees on the basis of job-related skills and knowledge they possess, not for their job titles.

21. __________-_______ _____ A compensation plan that rewards employees for their demonstrated expertise.

22. __________ - The length of time an employee has been associated with the company, division, department, or job is referred to as *seniority*.

23. ___________ - Regardless of the nature of the task, very few factors has a more significant impact on performance than experience.

24. ________ ________ A compensation plan that results in the distribution of a predetermined percentage of the firm's profits to employees.

25. ________ _______ ________ _________ (____): A defined contribution plan in which a firm contributes stock shares to a trust.

26. ______ ________ Plans that are designed to bind employees to the firm's performance by providing an incentive payment based on improved company performance.

27. ________ ________ - The extent to which work requires a number of different activities for successful completion.

28. ________ ________ - The extent to which the job includes an identifiable unit of work that is carried out from start to finish.

29. ________ - The extents of individual freedom and discretion employees have in performing their jobs.

30. ________ ______ Provides a financial reward to employees for savings in labor costs that result from their suggestions.

Case
The Incentive Plan

Source: Adapted from: Human Resource Management – Gary Dessler, (9th Edition), Pearson Education

Of all its HR programs, those relating to pay for performance and incentives are Learn-In-Motion.com's most fully developed. For one thing, the venture capital firm that funded it was very explicit about reserving at least 10% of the company's stock for employee incentives.

The agreement with the venture capital firm also included very explicit terms and conditions regarding Learn-In-Motion's stock option plan. The venture fund agreement included among its 500 or so pages the specific written agreement that LearnInMotion.com would have to send to each of its employees, laying out the details of the company's stock option plan. While there was some flexibility, the stock option plan details came down, in a nutshell, to this: (1) Employees would get stock options (the right to buy shares of LearnInMotion.com stock) at a price equal to 15% less than the venture capital fund paid for those shares when it funded LearnInMotion.com; (2) the shares will have a vesting schedule of 36 months, with one-third of the shares vesting once the employee has completed 12 full months of employment with the company, and one-third vesting upon successful completion of each of the following two full 12 months of employment; (3) if an employee leaves the company for any reason prior to his or her first full 12 months with the firm, the person is eligible for no stock options; (4) if the person has stock options and leaves the firm for any reason, he or she must exercise the options within 90 days of the date of leaving the firm, or lose the right to exercise them.

The actual number of options an employee gets depends on the person's bargaining power and on how much Jennifer and Mel think the person brings to the company: The options granted generally ranged from options to buy 10,000 shares for some employees up to 50,000 shares for other employees, but this has not raised any questions to date. When a new employee signs on, he or she receives a letter of offer. This provides

minimal details regarding the option plan; after the person has completed the 90-day introductory period, he or she receives the five-l page document describing the stock option plan, which Jennifer or Mel, as well as the employee, signs.

Beyond that, the only incentive plan is the one for the! Sales people. In addition to their respective salaries, both salespeople receive about 20% of any sales they bring in, whether those sales are from advertising banners or course listing fees. It's not clear to Jennifer and Mel whether' incentive is effective. Each salesperson gets a base regardless of what he or she sells (one gets about \$50,000 the other about \$35,000). However, sales have simply not come up to the levels anticipated. Jennifer and Mel are not sure why. It could be that Internet advertising dried up in March 2000. It could be that their own business model is no good, and there's not enough demand for their company services. They may be charging too much or too little. It co be that the salespeople can't do the job due to inadequate skills or inadequate training. Or, of course, it could be the incentive plan. ("Or it could be all of the above," as Mel some-what dejectedly said late one Friday evening.) They want to try to figure out what the problem is. They want you, their management consultants, to help them figure out what to do. Here's what they want you to do for them.

Questions and Assignments

1. Up to this point we've awarded only a tiny fraction of the total stock options available for distribution. Should we give anyone or everyone additional options? Why or why-not?
2. Should we put other employees on a pay-for-performance plan that somehow links their monthly or yearly pay to how well the company is doing sales-wise? or why not? If so, how should we do it?
3. Is there another incentive plan you think would worth better for the salespeople? What is it?
4. On the whole, what do you think the sales problem is?.

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CHAPTER 11
HEALTH & SAFETY

11.1 INTRODUCTION

Safety: Involves protecting employees from injuries due to work-related accidents.

Health: Refers to the employees' freedom from physical or emotional illness.

Safety programs may be designed to accomplish their purposes in two primary ways. The first approach is to create a psychological environment and attitudes that promote safety. A strong company policy emphasizing safety and health is crucial. The second approach to safety program design is to develop and maintain a safe physical working environment.

Psychological Conditions: Conditions resulting from the workplace environment that result from organizational stress and low quality of working life. These include:

- Dissatisfaction, withdrawal
- Mistrust in others, irritability

Physical Conditions: Conditions resulting from the workplace environment that includes occupational diseases and accidents, such as:

- Repetitive motion injuries
- Back pain
- Cancer Etc.

11.1.1 Safety Programs

Today, it has become clear that optimal health can generally be achieved through environmental safety, organizational changes, and different lifestyles.

a. **Developing Safety Programs**—Organizational safety programs require planning for prevention of workplace accidents. Plans may be relatively simple or more complex and highly sophisticated in order to fit the organization's size. Top management's support is essential if safety programs are to be effective. Tremendous economic losses can result from accidents.

➢ **Job hazard analysis**: The main goal of safety and health professionals is to prevent job-related injuries and illnesses.

➢ **The Superfund Amendments Reauthorization Act, Title III (SARA)**: SARA requires businesses to communicate more openly about the hazards associated with the materials they use and produce and the wastes they generate.

➢ **Employee involvement**: One way to strengthen a safety program is to include employee input, which provides workers with a sense of accomplishment.

b. **Accident Investigation**—Accidents can happen even in the most safety-conscious firms. Each accident, whether or not it results in an injury, should be carefully evaluated to determine its cause and to ensure that it doesn't recur. The safety engineer and the line manager jointly investigate accidents—why, how, and where they occur and who is involved. Main causes that can create accidents at workplace are:

1. Chance occurrences
2. Unsafe working conditions
3. Unsafe acts by employees
4. Unsafe conditions
5. Physical conditions

➢ Defective Equipment
➢ Inadequate Machine Guards
➢ Lack of Protective Equipment

6. Environmental conditions

➢ Noise
➢ Dust, Fumes
➢ Stress
➢ Unsafe behaviors

c. **Evaluation of Safety Programs**—Perhaps the best indicator that a safety program is succeeding is a reduction in the frequency and severity of injuries and illnesses.

d. **Rationale for Safety and Health Trends**—Firms are spending an increasing amount of money on safety. Reasons include; (1) profitability—employees can produce only while they are on the job, (2) employee relations—firms with good safety records can attract and retain good employees, (3) reduced liability—an effective safety program can reduce corporate and executive liability, (4) marketing—a good safety record may well provide companies with a competitive edge, and productivity—

(5) an effective safety program may boost morale and productivity while simultaneously reducing rising costs.

11.1.2 Ways to manage Safe and Healthy environment in organization

To cope with physical hazards and other hazards such as stress, unsafe behavior, and poor health habits, employers often design comprehensive safety and health programs. Among these are safety programs, employee assistance programs, and wellness programs.

a. Safety Programs

A safe working environment does not just happen; it has to be created. The organizations with the best reputations for safety have developed well-planned and thorough safety programs.

b. Employee Assistance Programs (EAPs)

EAPs are programs designed to help employees whose job performance is suffering because of physical, mental, or emotional problems.

c. Wellness Programs

As health care costs have skyrocketed over the last two decades, organizations have become more interested in preventative programs. A complete wellness program has three components:

- It helps employees identify potential health risks through screening and testing.
- It educates employees about health risks such as high blood pressure, smoking, poor diet, and stress.
- It encourages employees to change their lifestyles through exercise, good nutrition, and health monitoring.

d. Smoking in The work place

Numerous studies have concluded that workplace smoking not only is hazardous to employees' health, but also is detrimental to the firm's financial health. Increased costs of insurance premiums, higher absenteeism, and lost productivity cost huge amount a year. These factors, along with rising opposition from nonsmokers and widespread local and state laws, have spurred many firms into action, and the trend continues.

11.1.3 Effective safety programs share the following features:

- They include the formation of safety committee and participation by all departments within the company. Employees participate in safety decision and management carefully considers employee suggestions for improving safety.

- They communicate safety with a multimedia approach that includes safety lectures, films, poster, pamphlets, and computer presentations.
- They use incentives, rewards, and positive reinforcement to encourage safe behavior.
- They communicate safety rules and enforce them.
- They use safety directors and/or the safety committee to engage in regular self-inspection and accident research to identify potentially dangerous situations, and to understand why accidents occur and how to correct them.

11.1.4 Benefits of a Safe and Healthy Workforce

- More productivity
- Increased efficiency and quality
- Reduced medical and insurance costs
- Lower workers' compensation rates and payments
- Greater workforce flexibility

11.1.5 The HRM Department and Employee Safety and Health

HRM department can help organizations and employers by performing tasks like:

- Develop safety and health programs.
- Select safety and health programs.
- Evaluate safety and health programs.
- Ensure legal compliance.
- Incorporate safety and health concerns in HRM practices.

EXERCISE:

Fill In The Blanks With Correct Answers From The Text:

1. ________ Involves protecting employees from injuries due to work-related accidents.
2. ________ Refers to the employees' freedom from physical or emotional illness.
3. ________ __________ Conditions resulting from the workplace environment that result from organizational stress and low quality of working life.
4. __________ ___________ Conditions resulting from the workplace environment that include occupational diseases and accidents,
5. __________ ___________ __________ (______) EAPs are programs designed to help employees whose job performance is suffering because of physical, mental, or emotional problems.

Case

The New Safety and Health Program

Source: Adapted from: Human Resource Management – Gary Dessler, (9th Edition), Pearson Education

At first glance, a dot-corn is one of the last places you'd expect to find potential safety and health hazards—or so Jennifer and Mel thought. There's no danger of moving machinery, no high-pressure lines, no cutting or heavy lifting, and certainly no forklift trucks. However, there are safety and health problems.

In terms of accident-causing conditions, for instance, the one thing dot-corn companies have lots of are cables and wires. There are cables connecting the computers to each other and to the servers, and in many cases separate cables running from some computers to separate printers. There are 10 telephones in the office, all on 15-foot phone lines that always seem to be snaking around chairs and tables. There is, in fact, an astonishing amount of cable considering this is an office with less than 10 employees. When the installation specialists wired the office (for electricity, high-speed DSL, phone lines, burglar alarms, and computers), they estimated they used well over five miles of cables of one sort or another. Most of these are hidden in the walls or ceilings, but many of them snake their way from desk to desk, and under and over doorways. Several employees have tried to reduce the nuisance of having to trip over wires whenever they get up by putting their plastic chair pads over the wires closest to them. However, that still leaves many wires unprotected. In other cases, they brought in their own packing tape, and tried to tape down the wires in those spaces where they're particularly troublesome, such as across doorways.

The cables and wires are only one of the more obvious potential accident-causing conditions. The firm's programmer, before he left the firm, had tried to repair the main server while the unit was still electrically alive. To this day, they're not sure exactly where he stuck the screwdriver, but the result was that he was "blown across the room," as Mel puts it. He was all right, but it was still a scare. And while they haven't received any claims yet, every employee spends hours at his or her computer, so carpal tunnel syndrome is a risk, as are a variety of other problems such as eyestrain and strained backs.

One recent accident particularly scared them. The firm uses independent contractors to deliver the firm's book-and CD-ROM-based courses in New York and two other cities. A delivery person was riding his bike at the intersection of Second Avenue and East 64th Street in New York when he was struck by a car. Luckily he was not hurt, but the bike's front wheel was wrecked, and the close call got Mel and Jennifer thinking about their lack of a safety program.

It's not just the physical conditions that concern the company's two owners. They also have some concerns about potential health problems such as job stress and burnout. While the business may be (relatively) safe with respect to physical conditions, it is also relatively stressful in terms of the demands it makes in hours and deadlines. It is not at all unusual for employees to get to work by 7:30 or 8 o'clock in the morning and to work through until 11 or 12 o'clock at night, at least five and sometimes six or seven days per week. Just getting the company's new calendar fine-tuned and operational required 70-hour workweeks for three weeks from five of Learn In Motion.com's employees.

The bottom line is that both Jennifer and Mel feel quite strongly that they need to do something about implementing a health and safety plan. Now, they want you, their management consultants, to help them actually do it. Here's what they want you to do for them.

Questions and Assignments

1. Based upon your knowledge of health and safety matters and your actual observations of operations that are similar to ours make a list of the potential hazardous conditions employees and others face at LearnInMotion.com. What should we do to reduce the potential severity of the top five hazards?

2. Would it be advisable for us to set up a procedure for screening out stress-prone or accident-prone individuals? Why or why not? If so, how should we screen them?

3. Write a short position paper on the subject "what should we do to get all our employees to behave more safely at work?"

4. Based on what you know and on what other dot-corns are doing, write a short position.

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CHAPTER 12
TRADE UNIONS

12.1 UNIONS

Organization of workers, acting collectively, seeking to protect and promote their mutual interests through collective bargaining is termed as union. The most significant impact of a union on the management of human resources is its influence in shaping HRM policies. In the absence of a union, the company may develop all HRM policies based on efficiency. But, when a union enters the picture, management must develop HRM policies that reflect consideration for the preferences of workers who are represented by a union. A union's strong preferences for high wages, job security, the ability to express dissatisfaction with administrative actions, and having a voice in the development of work rules that affect their jobs get injected into the equation along with the employer's preferences.

12.1.1 Union Objectives

Several broad objectives characterize the labor movement as a whole. These include:

(1) To secure and, if possible, improve the living standards and economic status of its members.

(2) To enhance and, if possible, guarantee individual security against threats and contingencies that might result from market fluctuations, technological change, or management decisions. (3) To influence power relations in the social system in ways that favor and do not threaten union gains and goals. (4) To advance the welfare of all who work for a living, whether union members or not. (5) To create mechanisms to guard against the use of arbitrary and capricious policies and practices in the workplace. In order to accomplish these objectives, most unions recognize that they must strive for continued growth and power.

➢ **Growth**—To maximize effectiveness, a union must strive for continual growth, but the percentage of union members in the workforce is declining. Union leaders are concerned because much of a union's ability to accomplish objectives comes from strength in numbers. Unions must continue to explore new sources of potential members.

➢ **Power**—we define *power* here as the amount of external control that an organization is able to exert. A union's power is influenced to a large extent by the size of its membership and the possibility of future growth. By achieving power, a union is capable of exerting its force in the political arena.

12.1.2 Factors Leading to Employee Unionization

Three types of factors play role in origin of employee unions they are:

a. **Working Environment:** Inadequate staffing, Mandatory overtime, Poor working conditions

b. **Compensation:** Non-competitive Pay, Inadequate benefits inequitable pay raises

c. **Management Style:** Arbitrary Management Decision Making, Use of fear, Lack of recognition

d. **Organization Treatment:** Job insecurity, unfair discipline and policies, Harassment and abusive treatments, not responsive to complaints

12.1.3 Why Employees Join Unions

Individuals join unions for many different reasons, and these reasons tend to change over time. They may involve dissatisfaction with management, need for a social outlet, and opportunity for leadership, forced unionization, and peer pressure.

A union is an organization that represents employees' interests to management on issues such as wages, hours, and working conditions. Generally, employees seek to join a union when they (1) are dissatisfied with aspects of their job, (2) feel a lack of power or influence with management in terms of making changes, and (3) see unionization as a solution to their problems.

a. **Dissatisfaction with Management**—Unions look for problems in organizations and then emphasize the advantages of union membership as a means of solving them. Management must exercise restraint and use its power to foster management and labor cooperation for the benefit of all concerned. Some reasons for employee dissatisfaction are described:

➢ **Compensation**: If employees are dissatisfied with their wages, they may look to a union for assistance in improving their standard of living.

➢ **Job Security**: If the firm doesn't provide its employees with a sense of job security, workers may turn to a union. Employees are more concerned than ever about job security due to a decline in employment in such key industries as automobiles, rubber, and steel.

➢ **Management Attitude**: Employees do not like to be subjected to arbitrary and capricious actions by management. In some firms, management is insensitive to the needs of its employees. When this situation occurs, employees may perceive that they have little or no influence in job-related matters, thus becoming prime targets for unionization.

b. A Social Outlet—Many people have strong social needs. Union-sponsored recreational and social activities, day care centers, and other services can increase the sense of solidarity.

c. Opportunity for Leadership—Employers often promote union leaders into managerial ranks as supervisors.

d. Forced Unionization—It is generally illegal for management to require that an individual join a union prior to employment. However, in the 29 states without right-to-work laws, it is legal for an employer to agree with the union that a new employee must join the union after a certain period of time (generally 30 days) or be terminated.

e. Peer Pressure—Many individuals will join a union simply because they are urged to do so by other members of the work group.

12.1.4 The Impact of Unions on Human Resource Management

Managers are more likely to develop HRM policies based on efficiency. But, when a union is in the picture, policies must reflect employees' preferences as well. Employees have preferences related to staffing, employee development, compensation, and employee relations.

a. Staffing: The contract can dictate how jobs are filled and on what basis they are filled.

b. Employee Development: Performance evaluations are rarely used in unionized organizations. However, there is often a greater amount of worker training.

c. Compensation: On average, union employees earn 10% to 20% higher wages than comparable non-union employees. Unionized firms avoid using merit pay plans and are likely to give across-the-board pay raises to employees based on market considerations.

d. Employee Relations: The labor contract gives employees specific rights. The employees, through the collective bargaining process, have a voice in the development of work rules that affect their jobs.

12.2 COLLECTIVE BARGAINING

Under a collective bargaining system, union and management negotiate with each other to develop the work rules. The performance of the mutual obligation of the employer and the representative of the employees to meet at reasonable times and confer in good faith with respect to wages, hours, and other terms and conditions of employment, or the negotiation of an agreement, or any question arising there under, and the execution of a written contract incorporating any agreement reached if requested by either party; such obligation does not compel either party to agree to a proposal or require the making of a concession.

12.2.1 Labor Management Relations and Collective Bargaining

- **Forms of Bargaining Structures AND Union/ Management Relationships**—the bargaining structure can affect the conduct of collective bargaining. The four major structures are one company dealing with a single union, several companies dealing with a single union, several unions dealing with a single company, and several companies dealing with several unions. Types of union/management relations that may exist in an organization are conflict, armed truce, power bargaining, accommodation, cooperation, and collusion.
- **The Collective Bargaining Process**—Both external and internal environmental factors can influence the process. The first step in the collective bargaining process is preparing for

negotiations. This step is often extensive and ongoing for both union and management. After the issues to be negotiated have been determined, the two sides confer to reach a mutually acceptable contract.

Although breakdowns in negotiations can occur, both labor and management have at their disposal tools and arguments that can be used to convince the other side to accept their views. Eventually, however, management and the union usually reach an agreement that defines the rules of the game for the duration of the contract. The next step is for the union membership to ratify the agreement. There is a feedback loop from "Administration of the Agreement" to "Preparing for Negotiation." Collective bargaining is a continuous and dynamic process, and preparing for the next round of negotiations often begins the moment a contract is ratified.

12.2.2 The Psychological Aspects of Collective Bargaining

Prior to collective bargaining, both the management team and the union team have to prepare positions and accomplish certain tasks. Vitally important for those involved are the psychological aspects of collective bargaining. Psychologically, the collective bargaining process is often difficult because it is an adversarial situation and must be approached as such. It is a situation that is fundamental to law, politics, business, and government, because out of the clash of ideas, points of view, and interests come agreement, consensus, and justice.

a. **Preparing For Negotiations**

Bargaining issues can be divided into three categories: mandatory, permissive, and prohibited.

- **Mandatory Bargaining Issues**—Fall within the definition of wages, hours, and other terms and conditions of employment.
- **Permissive Bargaining Issues**—May be raised, but neither side may insist that they be bargained over.
- **Prohibited Bargaining Issues**—Are statutorily outlawed.

b. **Bargaining Issues**

The document that results from the collective bargaining process is known as a *labor agreement* or *contract*. Certain topics are included in virtually all labor agreements.

➢ **Recognition**—Its purpose is to identify the union that is recognized as the bargaining representative and to describe the bargaining unit.

➢ **Management Rights**—A section that is often, but not always, written into the labor agreement and that spells out the rights of management. If no such section is included, management may reason that it retains control of all topics not described as bargainable in the contract.

➢ **Union Security**— The objective of union security provisions is to ensure that the union continues to exist and to perform its function.

12.2.3 The *Negotiation* Process

a. **Negotiating the Agreement**

The negotiating phase of collective bargaining begins with each side presenting its initial demands. The term *negotiating* suggests a certain amount of give and take, the purpose of which is to lower the other side's expectations. Each side does not expect to obtain all the demands presented in its first proposal. Demands that the union does not expect to receive when they are first made are known as *beachhead demands*.

b. **Breakdowns in Negotiations**

At times negotiations break down, even though both labor and management may sincerely want to arrive at an equitable contract settlement. Several means of removing roadblocks may be used in order to get negotiations moving again.

Third-Party Intervention—Often a person from outside both the union and the organization can intervene to provide assistance when an agreement cannot be reached and a breakdown occurs. At this point there is an impasse.

➢ **Mediation**: A process whereby a neutral third party enters a labor dispute when a bargaining impasse has occurred.

➢ **Arbitration**: A process in which a dispute is submitted to an impartial third party to make a binding decision.

➢ **Sources of Mediators and Arbitrators**: The principle organization involved in mediation efforts, other than the available state and local agencies, is the Federal Mediation and Conciliation Service (FMCS). Either or both parties involved in negotiations can seek the assistance of the FMCS, or the agency can offer help if it feels that the situation warrants this.

Union Strategies for Overcoming Negotiations Breakdowns—There are times when a union believes that it must exert extreme pressure on management to agree to its bargaining demands. Strikes and boycotts are the primary means that the union may use to overcome breakdowns in negotiations.

- **Strikes**: When union members refuse to work in order to exert pressure on management in negotiations.
- **Boycotts**: An agreement by union members to refuse to use or buy the firm's products. The practice of a union attempting to encourage third parties (suppliers and customers) to stop doing business with the firm is a *secondary boycott*.

Management's Strategies For Overcoming Negotiation Breakdowns—One form of action that is somewhat analogous to a strike is called a *lockout*. Management keeps employees out of the workplace and may run the operation with management personnel and/or temporary replacements. The employees are unable to work and do not get paid.

c. Ratifying The Agreement

In the vast majority of collective bargaining encounters, the parties reach agreement without experiencing severe breakdowns in negotiations or resorting to disruptive actions. Typically, this is accomplished before the current agreement expires. After the negotiators have reached a tentative agreement on all topics negotiated, they will prepare a written agreement complete with the effective and termination dates. However, the approval process can be more difficult for the union. Until it has received approval by a majority of members voting in a ratification election, the proposed agreement is not final. Union members may reject the proposed agreement, and new negotiations must begin.

d. **Administration of the Agreement**

The larger and perhaps more important part of collective bargaining is the administration of the agreement, which is seldom viewed by the public. The agreement establishes the union-management relationship for the duration of the contract.

12.2.4 Grievance Handling Under A Collective Bargaining Agreement

If employees in an organization are represented by a union, workers who believe that they have been disciplined or dealt with unjustly can appeal through the grievance and arbitration procedures of the collective bargaining agreement.

a. **Grievance Procedure**—A *grievance* can be broadly defined as an employee's dissatisfaction or feeling of personal injustice relating to his or her employment relationship.

b. **Arbitration**—The process that allows the parties to submit their dispute to an impartial third party for resolution.

c. **Proof that Disciplinary Action was needed**—Any disciplinary action administered may ultimately be taken to arbitration, when such a remedy is specified in the labor agreement.

d. **Weaknesses Of Arbitration**—The reason for the initial filing of the grievance may actually be forgotten before it is finally settled. Another problem is the cost of arbitration, which has been rising at an alarming rate.

12.2.5 Phases of Labor Relations

Labor relations consist of the human resource management activities associated with the movement of employees within the firm after they have become organizational members and include the actions of promotion, transfer, demotion, resignation, discharge, layoff, and retirement. Labor relations can be divided into following three phases:

a. **Union organizing:** Organization of workers, acting collectively, seeking to protect and promote their mutual interests through collective bargaining is termed as union. The most significant impact of a union on the management of human resources is its influence in shaping HRM policies. In the absence of a union, the company may develop all HRM policies based on efficiency. But, when a union enters the picture, management must develop HRM policies that reflect consideration for the preferences of workers who are represented by a union. A union's strong preferences for high wages, job security, the ability to express dissatisfaction with administrative actions, and having a voice in the development of work rules that affect their jobs get injected into the equation along with the employer's preferences.

b. **Collective bargaining:** The performance of the mutual obligation of the employer and the representative of the employees to meet at reasonable times and confer in good faith with respect to wages, hours, and other terms and conditions of employment, or the negotiation of an agreement, or any question arising there under, and the execution of a written contract incorporating any agreement reached if requested by either party; such obligation does not compel either party to agree to a proposal or require the making of a concession.

c. **Contract administration:** The larger and perhaps more important part of collective bargaining is the administration of the agreement, which is seldom viewed by the public. The agreement establishes the union-management relationship for the duration of the contract. The agreement established the union-management relationship for its effective length. Usually no changes in contract language can be made until the expiration date except by mutual consent. Administering the contract is a day-to-day activity. Ideally, the aim of both management and the union is to make the agreement work to the mutual benefit of all concerned. This is not easy. In the daily stress of the work environment, terms of the contract are not always uniformly interpreted and applied.

EXERCISE:

Fill In The Blanks With Correct Answers From The Text:

1. Under a collective bargaining system, union and management negotiate with each other to develop the ______ ______.

2. The document that results from the collective bargaining process is known as a ________ ___ ________ ___ _________.

3. The term ________ suggests a certain amount of give and take, the purpose of which is to lower the other side's expectations.

4. Demands that the union does not expect to receive when they are first made are known as _________ _________.

5. __________ A process whereby a neutral third party enters a labor dispute when a bargaining impasse has occurred.

6. __________ A process in which a dispute is submitted to an impartial third party to make a binding decision.

7. __________ When union members refuse to work in order to exert pressure on management in negotiations.

8. __________ An agreement by union members to refuse to use or buy the firm's products. The practice of a union attempting to encourage third parties (suppliers and customers) to stop doing business with the firm is a *secondary boycott*.

9. A _________ can be broadly defined as an employee's dissatisfaction or feeling of personal injustice relating to his or her employment relationship.

10. Types of union/management relations that may exist in an organization are _________, armed truce, power bargaining, accommodation, __________, and collusion.

Case

Keeping a Watchful Eye out for the Union

Source: Adapted from: Human Resource Management – Gary Dessler, (9th Edition), Pearson Education

The employees at dot-corns like LearnInMotion.com are young, well paid, and technologically sophisticated, and they're doing interesting, creative work with flexible hours. They are, in other words, exactly the sort of employees you might assume would have no interest in joining a union.

Jennifer, however. was surprised to find that unions are actively attempting to organize several dot-corns. For example, one article she happened to come across said, "union activity at U.S. Internet companies is on the increase and is illustrated by the Washington alliance of technology workers attempting to unionize Amazon.com. [The union] claims to be receiving enquiries on a daily basis regarding union membership, as workers at Amazon complain of low pay and long hours" ("U.S.: Rise in Union Activity at Dot.com Firms," Guardian, December 13, 2000, p. 18). "That's all we'd need is to have some disgruntled current or former employee call a union in on us," said Mel. The facts that LearnInMotion.com is in New York (which has a relatively high proportion of union workers) and that several employees have left under less-than-pleasant circumstances suggest to Jennifer that perhaps she should be vigilant, and take steps now to prevent a problem later. The question is, what should she and Mel do? Now, they want. you, their management consultants, to help them decide what to do. Here's what they want you to do for them.

Questions and Assignments

1. Produce a one-page position paper for us on the subject "concrete steps we can take today to avoid being unionized tomorrow."

2. How can we tell we're in the first, early stages of an organizing campaign? How can we find out for sure?

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CHAPTER 13
EMPLOYEE RIGHTS AND DISCIPLINE

13.1 EMPLOYEE RIGHTS

Employee rights allow them to engage in conduct protected by laws and social sanctions. Federal and state governments have enacted laws giving employees specific protection in their relationship with their employer. The courts have also been willing to protect workers from wrongful discharge. These rights include statutory, contractual. and other rights.

There are many laws and regulations governing human resource management that have been created to help define, maintain, and preserve employee rights. Discrimination laws essentially give people the right to work without being evaluated on the basis of non-job-relevant factors such as religion, origins, sex or race. Minimum wage legislation gives people the right to expect a certain base level of compensation for their work. Labor laws give employees the right to organize and join a labor union under certain prescribed circumstances. Employee rights allow them to engage in conduct protected by laws and social sanctions. Federal and state governments have enacted laws giving employees specific protection in their relationship with their employer. The courts have also been willing to protect workers from wrongful discharge. These rights include statutory, contractual, and other rights.

a) Statutory Rights

The key statutory rights can be found in laws such in Civil Rights Acts, the Occupational Safety and Health Act (OSHA), and the National Labor Relations Act (NLRA). These rights Protect employees from discrimination, Safe working conditions, Right to form unions

b) Contractual Rights

A written employment contract details the terms of the employment relationship. These contracts usually address such issues as seniority, due process, and wrongful discharge. Besides written contracts, there are implied contracts. Employee handbooks, employment policies, and statements made by an interviewer or manager may be interpreted by the courts as implied contracts.

c) Other Rights

Beyond statutory and contract rights, employees may have rights to ethical treatment, limited free speech, and limited privacy.

d) Ways Managers and Supervisors Can Influence Their Companies' Climate of Fairness and Behavior

- Take actions that develop trust, such as sharing useful information and making good on commitments.
- Act consistently so that employees are not surprised by unexpected management actions or decision.
- Be truthful and avoid white lies and actions designed to manipulate others by giving a certain (false) impression.
- Demonstrate integrity by keeping confidences and showing concern for others.
- Meet with employees to discuss and define what is expected of them.
- Ensure that employees are treated equitably, giving equivalent rewards for similar performance and avoiding actual or apparent special treatment of favorites.
- Adhere to clear standards that are seen as just and reasonable.
- Demonstrate respect toward employees, showing openly that they care about employees and recognize their strengths and contributions.

e) Management Rights

Management rights are the rights to run the business and to retain any profits generated. In particular, this includes the right to direct the work force (i.e., to hire employees and set pay levels). Often, these rights are residual. Residual rights are those remaining that are not affected by contracts or other (i.e., EEO) laws.

f) Employment at Will

It is a common law doctrine stating that employers have the right to hire, fire, demote, or promote whomever they choose, unless there is a law or contract to the contrary and Employees have the right to quit and got another job under the same constraints. The employment-at-will rule was adopted in the nineteenth century. Workers were free to terminate their relationship (employment) for any reason, so the courts deemed it fair for employers to be able to do the same. Such a rule has stacked the deck in favor of the employer, giving wrongfully discharged employees little legal recourse. Nevertheless, employment-at will is limited in certain situations. These include cases of public policy exceptions, implied contracts, and lack of good faith and fair dealing.

g) Employee Rights Challenges:

There is a thin line between the rights of employees and the rights of management. Workplace issues such as random drug testing, electronic monitoring and whistle-blowing highlight this conflict.

- **Random Drug Testing-** Companies that use drug tests must address several challenges such as establishing a policy, what to do with false positives, how to ensure security over urine specimens, and whether alternative tests should be used (e.g., performance tests).
- **Electronic Testing-**Companies attempt to fight various forms of employee theft by electronic monitoring. To use this type of monitoring successfully, employees should know what devices are being used, employers should create ways in which monitoring is beneficial to the employees as well, the employer should develop appropriate policies which are publicized throughout the company.
- **Whistle blowing-**Whistle blowing means employees can notify the wrongdoings of the management. While federal employees who blow the whistle have certain legal protections; private-sector employees are far less protected. Because employees may decide to blow the whistle on an employer, many companies realize that it is in their best interest to establish a policy on whistle blowing.

13.2 DISCIPLINING EMPLOYEES

Employee discipline is a tool that managers use to communicate a need to change behavior. Traditionally, such discipline is performed by supervisors. But, when teams are used, it may be the team's responsibility. Two different approaches to discipline are widely used. They include progressive and positive discipline

a. **Progressive Discipline**

The most commonly used form of discipline, progressive discipline, consists of a series of management interventions that gives employees opportunities to correct their behavior before being discharged.

b. **Positive Discipline**

Encouraging employees to monitor their own behaviors and assume responsibility for their own actions is called positive discipline. Management still intervenes, but with counseling sessions as opposed to punishment.

13.2.1 Factors to Consider when Disciplining

Before we review disciplinary guidelines, we should take at the major factors that need to be considered if we are to have fair and equitable disciplinary practices. The following seven contingency factors can help us analyze a discipline problem:

1. **Seriousness of the problem**. How sever is the problem? As noted previously, dishonesty is usually considered a more serious infraction than reporting to work 20 minutes late.

2. **Duration of problem**. Have there been other discipline problems in the past. and over how long a time span? The violation dies not take place in a vacuum. A first occurrence is usually viewed differently than a third or fourth offense.

3. **Frequency of the problem**. Is the current problems part of an emerging or continuing pattern of disciplinary infractions? We are continual with not only the duration but also the pattern of the problem. Continual infractions may require but also the pattern of the problem. Continual infractions may require a different type of discipline from that applied to isolated instances of misconduct. They may also point out a situation that demands far more sever discipline in order to prevent a minor problem demands far more severe discipline in order to prevent a minor problem from becoming a major one.

4. **Extenuating Factors**. Are there extenuating circumstances related to the problem? The student who fails to turn in her term paper by the deadline because of the death of her grandfather is likely to have her violation assessed more leniently than will her peer who missed the deadline because he overslept.

5. **Degree of orientation**. To what extent has management made an earlier effort to educate the person causing the problem about the existing rules and procedures and the consequences of knowledge that the violator holds of the organization's standards of acceptable behavior.

In contrast to the previous item, the new employee is less likely to have been socialized to these standards than the 20-year veteran. Additionally, the organization that has formalized, written rules governing employee conduct is more justified in aggressively enforcing.

6. **Violations of these rules than is the organization whose rules are informal or vague.** History of the Organization's Discipline practices. How have similar infractions been dealt with in the past within the department? Within the entire organizations? Has there been consistency in the application of discipline procedures? Equitable treatment of employees must take into consideration precedents within the unit where the infraction occurs, as well as previous disciplinary actions taken in other units within the organization. ? Equity demands consistency against some relevant benchmark.

7. **Management Backing**. If employees decide to take their case to a higher level in management, will you have reasonable evidence to justify your decision? Should the employee challenge your disciplinary action, it is important that you have the data to back up the necessity and equity of the action taken and that you feel confident that management will support your decision. No disciplinary action is likely to carry much weight if violators believe that they can challenge and successfully override their manager's decision.

How can these seven items help? Consider that there are many reasons for why we might discipline an employee. With little difficulty, we could list several dozen or more infraction that management might believe require disciplinary action. For simplicity's sake, we have classified the most frequent violations into four categories: attendance, on-the- job behaviors, dishonesty, and on the job behavior.

➢ **Attendance like:** Unexcused absence, chronic absenteeism, leaving without permission

- **Work Performance** problems can include action like not completing work assignments, producing substandard products or services not meeting established production requirements
- **Dishonesty and Related Problems like,** Theft, Falsifying employment application, Willfully damaging organizational property, Punching another employee's time card, Falsifying work records
- **On-the-job Behaviors like:** Insubordination ,Smoking in unauthorized places, Fighting, Gambling, Failure to use safety devices, Failure to report injuries, Carelessness, Sleeping on the job, Using abusive or threatening language with supervisors, Possession of narcotics or alcohol, Possession of firearms or other weapons, Sexual harassment, Infractions may be minor or serious given the situation or the industry in which one works. For example, while concealing defective work in a hand –power tool assembly line may be viewed as minor, the same action in an aerospace manufacturing plant is more serious. Furthermore, recurrence and severity of the infraction will play a role. For instance, employees who experience their first minor offense might generally expect a minor reprimand. A second offense might result in a more stringent reprimand, and so forth. In contrast, the first occurrence of a serious offense might mean not being allowed to return to work, the length of time being dependent on the circumstances surrounding the violation.

13.2.2 Disciplinary Guidelines:

All human resource managers should be aware of disciplinary guidelines. In the section, we will briefly describe them.

a. Make Disciplinary Action Corrective Rather than punitive. The objective is to correct an employee's undesirable behavior. While punishment may be a necessary means to that end, one should never lose sight of the eventual objective.

b. Make disciplinary Action progressive. Although the type of disciplinary action that is appropriate may vary depending on the situation, it is generally desirable for discipline to be progressive. Only for the most serious violations will an employee be dismissed after a first offense. Typically, progressive disciplinary action begins with a verbal warning and proceeds through a written warning, suspension, and, only in the most serious cases, dismissal. More on this in a moment.

c. Follow the "Hot-stove" Rule. Administering discipline can be viewed as analogous to touching a hot stove (hence, the hot-stove rule).84 While both are painful to the recipient, the analogy goes further. When you touch a hot stove, you get an immediate response; the burn you receive is instantaneous, leaving no question of cause and effect. You have ample warning; you know what happens if you touch a red-hot stove, you furthermore, the result is consistent: every time you touch a hot stove, you get the same response you get burned. In all, the result is impersonal; regardless of who you are, if you touch a hot stove, you will get burned. The comparison between touching a hot stove and administering discipline should be apparent, but let us briefly expand on each of the four points in the analogy. The impact of a disciplinary action will be reduced as the time between the infraction and the penalty's implementation lengthens. The more quickly the discipline follows the offense, the offense, the more likely it is that the employee will associate the discipline with the offense rather than with the manager imposing the discipline. As a result, kit is best that the disciplinary process begin as soon as possible after the violation is noticed. Of course, this desire for immediacy should not result in undue haste. If all the facts are not in, managers may invoke a temporary suspension, pending a final decision in the case.

The manager has an obligation to give advance warning prior to initiating formal disciplinary action. This means the employee must be aware of the organization's rule and accept its standards of behavior. Disciplinary action is more likely to be interpreted as fair by employees when there is clear warning that a given violation will lead to discipline and when it is known that discipline will be. Fair treatment of employees also demands that disciplinary action be consistent. When rule violations are enforced in an inconsistent manner, the rules lose their impact. Morale will decline and employees will question the competence of management. Productivity will suffer as a result of employee insecurity and anxiety. All employees want to know the limits of permissible behavior, and they look to the actions of their managers for such feedback. The last guideline that flows from the hot-stove rule is: keep the discipline impersonal. Penalties should be connected with a given violation, not with the personality of the violator. That is, discipline should be directed at what employees have done, not the employees themselves. As a, manager, you should make it clear that violation personal judgments about the employee's character. You are penalizing the rule violation, not the individual, and all employees committing the violation can expect to be penalized.

Furthermore, once the penalty has been imposed, you as manager must make every effort to forget the incident; you should attempt to treat the employee in the same manner as you did prior to the infraction.

13.2.4 Disciplinary Actions (Progressive discipline)

As mentioned earlier, discipline generally follows a typical sequence of four steps: written verbal warning, written warning, suspension, and dismissal. Let's briefly review these four steps.

a. Written Verbal Warning

The mildest form of discipline is the written verbal warning. Yes, the term is correct. A written, verbal warning is a temporary record of a reprimand that is then placed in the manager's file on the employee. This written verbal warning should state the purpose, date, and outcome of the interview with the employee. This in fact, what differentiates the written verbal warning from the verbal warning? Because of the need to document this step in the process, the verbal warning must be put into writing. The difference, however, is that this warning remains in the hands of the manager; that is, it is not forwarded to HRM for inclusion in the employee's personnel file.

The written verbal reprimand is best achieved when completed in a private and informal environment. The manager should begin by clearly informing the employee of the rule that has been violated and the problem that this infraction has caused. For instance, if the employee has been late several times, the manager would reiterate the organization's rule that employees are to be at their desks by 8:00 A.M, and then proceed to give specific evidence of how violation of this rule has resulted in an increase in workload for others and has lowered departmental morale. After the problem has been made clear, the manager should then allow the employee to respond. Is he aware of the problem? Are there extenuating circumstances that justify his behavior? What does he plan to do correct his behavior?

After the employee has been given the opportunity to make his case, the manager must determine if the employee has proposed an adequate solution to the problem. If this has not been done, the manager should direct the discussion toward helping the employee figure out ways to prevent the trouble from recurring. Once a solution has been agreed upon, the manager should ensure that the employee understands what, if any, follow-up action will be taken if the problem recurs.

b. Written Warning

The second step in the progressive discipline process is the written warning. In effect, it is the first formal stage of the disciplinary procedure. This is because the written warning becomes part of the employee's official personnel file. This is achieved by not only giving the warning to the employee but sending a copy to HRM to be inserted in the employee's permanent record. In all other ways, however, the procedure concerning the writing of the warning is the same as the written verbal warning; that is, the employee is advised in private of the violation, its effects, and potential consequences of future violations. The only difference is that the discussion concludes with the employee being told that a formal written warning will be issued. Then the manager writes up the warning-stating the problem, the rule that has been violated, any acknowledgment by the employee to correct her behavior, and the consequences form a recurrence of the deviant behavior-and sends it to HRM.

c. Suspension

A suspension or layoff would be the next disciplinary step, usually taken only the prior steps have been implemented without the desired outcome. Exceptions-where suspension is given without any prior verbal or written warning –occasionally occur if the infraction is of a serious nature. A suspension may be for one day or several weeks; disciplinary layoffs in excess of a month are rare. Some organizations skip this step completely because it can have negative consequences for both the company and the employee. From the organization's perspective, a suspension means the loss of the employee for the layoff period. If the person has unique skills or is a vital part of a complex process, her loss during the suspension period can severely impact her department or the organization performance if a suitable replacement cannot be located. From the employee's standpoint, a suspension can result in the employee returning in a more unpleasant and negative frame of mind than before the layoff. Then why should management consider suspending employees as a disciplinary measure? The answer is that a short layoff is potentially a rude awakening to problem employees. It may convince them that management is serious and may move them to accept responsibility for following the organization's rules.

d. Dismissal

Management's ultimate disciplinary punishment is dismissing the problem employee. Dismissal should be used only for the most serious offenses. Yet it may be the only feasible alternative when an employee's behavior seriously interferes with a department or the organization's operation. A dismissal decision should be given long and hard consideration. For almost all individuals, being fired from a fob is an emotional trauma. For employees who have been with the organization for many years' dismissal can make it difficult to obtain new employment or may require the individual to undergo extensive retraining. In addition, management should consider the possibility that a dismissed employee will take legal action to fight the decision. Recent count cases indicate that juries are cautiously building a list of conditions under which employees may not be lawfully discharged.

EXERCISE:

Fill In The Blanks With Correct Answers From The Text:

1. Employee rights allow them to engage in conduct protected by _______and __________

2. __________ ________ A written employment contract details the terms of the employment relationship.

3. Management rights are the rights to run the business and to retain any __________ ________.

4. Employee discipline is a tool that managers use to communicate a need to _________ ________.

5. ___________ __________ consists of a series of management interventions that gives employees opportunities to correct their behavior before being discharged.

6. ___________ __________ Encouraging employees to monitor their own behaviors and assume responsibility for their own actions.

7. Management's ultimate disciplinary punishment is ________ the problem employee.

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CHAPTER 14
EMPLOYEE SEPARATIONS

14.1 EMPLOYEE SEPARATIONS

An employee separation occurs when an employee ceases to be a member of an organization. The rate of employee separations in an organization (the turnover rate) is a measure of the rate at which employees leave the firm.

a. **The Costs of Employee Separations**

There are always costs associated with employee separations. The cost may be more or less, depending on whether managers intend to eliminate the position or to replace the departing employee. Costs included in separations include: recruitment costs, selection costs, training costs, and separation costs.

1. Recruitment costs.
2. Selection costs.
3. Training costs.
4. Separation costs.

b. **The Benefits of Employee Separations**

While many people understand the costs of employee separations, there are benefits as well. Some of the benefits of separations include: reduced labor costs, replacement of poor performers, increased innovation, and the opportunity for greater diversity.

1. Reduced labor costs.
2. Replacement of poor performers.
3. Increased innovation.
4. Opportunity for greater diversity.

14.1.1 Types of Employee Separations

Employee separations can be divided into two categories based on who initiates the termination of the employment relationship. Voluntary separations (quits and retirements) are initiated by the employee. Involuntary separations (discharges and layoffs) are initiated by the employer.

a. **Voluntary Separations**

1. Quits.

2. Retirements.

b. **Involuntary Separations**

Involuntary separations occur when management decides to terminate its relationship with an employee due to economic necessity or a poor fit between the employee and the organization.

1. Discharges.
2. Layoffs.
3. Downsizing and rightsizing. A reduction in the number of people employed by a firm (also known as *restructuring* and *rightsizing*); essentially the reverse of a company growing and suggests a one-time change in the organization and the number of people employed

14.1.2 Managing Early Retirements

When a company realizes that it needs to downsize its scale of operations, its first task is to examine alternatives to layoffs. One of the most popular of these methods is early retirement.

- **The Features of Early Retirement Policies:** Early retirement policies consist of two features: (a) a package of financial incentives that make it attractive for senior employees to retire earlier than they planned and (b) an open window that restricts eligibility to a fairly short period. After the window is closed, the incentives are no longer available to senior employees.
- **Avoiding Problems with Early Retirements:** Managing early retirement policies requires careful design, implementation, and administration. When not properly managed, early retirement policies can cause a host of problems. All managers with senior employees should make certain that they do not treat senior employees any differently than other employees.

14.1.3 Managing Layoffs

Generally, an organization will institute a layoff when it cannot reduce its labor costs by any other means. Managers should first try to reduce labor costs with layoff alternatives.

➢ **Alternatives to Layoffs:** There are many alternative methods of reducing labor costs that management should explore before deciding to conduct a layoff. These alternatives include things such as early retirements, employment policies (attrition and hiring freeze), job redesign (job sharing), pay and benefits policies (pay freezes and cuts), training and other voluntary workforce reductions.

1. Employment policies.
2. Changes in job design.
3. Pay and benefits policies.
4. Training.
5. Nontraditional alternatives to layoffs.

➢ **Implementing a Layoff:** A layoff can be a traumatic event that affects the lives of thousands of people, so managers must implement the layoff carefully. Issues that need to be considered include how to notify employees, developing layoff criteria, communicating to laid-off employees, coordinating media relations, maintaining security, and reassuring survivors of the layoff.

1. Notifying employees.
2. Developing layoff criteria.
3. Communicating to laid-off employees.
4. Coordinating media relations.
5. Maintaining security.
6. Reassuring survivors of the layoff.

14.1.4 Outplacement

Outplacement is a human resource program created to help separated employees deal with the emotional stress of job loss and to provide assistance in finding a new job

➢ **The Goals of Outplacement:**

The goals of outplacement reflect the organization's need to maintain employee productivity. The most important of these goals are

(1) Reducing the moral problems of employees who will be laid off so that they will remain productive;

(2) Minimizing the amount of litigation initiated by separated employees; and

(3) Assisting separated employees in quickly finding comparable jobs.

➢ **Outplacement Services:** The most common outplacement services provided to separate employees are emotional support and job-search assistance. These services can help achieve the goals of outplacement.

1. Emotional support.
2. Job-search assistance.

14.1.5 The role of HR Department in employee separations and outplacement

Cooperation and teamwork characterize the relationship between managers and HR staff in the employee separation process. HR staff can act as valuable advisers to managers, particularly in the dismissal process, by helping them avoid mistakes that can lead to claims of wrongful discharge. They can also help protect the employee whose rights may be violated by managers. Furthermore, they may assist in the development of and/or selection of the contents of voluntary severance plans or buyouts, early retirement plans, and outplacement services.

EXERCISE:

Fill In The Blanks With Correct Answers From The Text:

1. An employee separation occurs when an employee ceases to be a ________of an organization.
2. Costs included in separations include: ________ ______, selection costs, training costs, and __________ _______.
3. Some of the benefits of separations include: reduced labor costs, replacement of poor performers, _________ _______, and the opportunity for greater diversity
4. A reduction in the number of people employed by a firm (also known as__________ and ___________);
5. Generally, an organization will institute a layoff when it cannot reduce its ________ _______ by any other means.
6. ___________ is a human resource program created to help separated employees deal with the emotional stress of job loss and to provide assistance in finding a new job

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CHAPTER 15
INTERNATIONAL DIMENSIONS OF HRM

15.1 INTRODUCTION

This lecture demonstrates how managers can effectively utilize HRM practices to enhance their firms' competitive response in an era when the opportunities and challenges facing business are international in nature. It covers the stages of international involvement, the challenges of expatriate job assignments, and the ways to make those assignments more effective. It also discusses the development of HRM policies in a global context and the specific HR concerns of exporting firms.

15.1 Managing Human Resources in an International Business

Globally, HR executives are strategic partners with line managers and actively participate in top-level business decisions that bring human resource perspectives to the global management of a company.

Basically, the role of the global human resource executive is focused on being a strategic business partner and decision maker. Any human resource initiative must be based on maximizing productivity to best benefit the bottom line, and, therefore, a solid understanding of the total global system is essential. Just as global business enterprises evolve, so do the human resources that support them. The global human resources role is, and should be, a natural extension of the positive orientation toward global human resource management and the recognition of the strategic role that must play.

I. The Stages of International Involvement

Firms progress through five stages (e.g., domestic operations, export operations, subsidiaries or joint ventures, multinational operations, and transnational operations) as they internationalize their operations.

The evolution of global business stages are:

Exporting — Selling abroad, either directly or indirectly, by retaining foreign agents and distributors.

Licensing—An arrangement whereby an organization grants a foreign firm the right to use intellectual properties such as patents, copyrights, manufacturing processes, or trade names for a specific period of time.

Franchising —The parent company grants another firm the right to do business in a prescribed manner. Franchisees must follow stricter operational guidelines than do licensees. Licensing is usually limited to manufacturers, whereas franchising is popular with service firms such as restaurants and hotels.

Multinational Corporation (MNC) —A firm that is based in one country (the parent or home country) and produces goods or provides services in one or more foreign countries (host countries).

Global Corporation—Has corporate units that are integrated to operate as one organization worldwide in a number of countries.

The Stages of Internationalization

***Stage** 1: Domestic Operations: The firm's market is exclusively domestic.*

***Stage** 2: Export Operations: The firm expands its market to include other countries, but retains production facilities within domestic borders.*

***Stage** 3: Subsidiaries or Joint Ventures: The firm physically moves some of its operations out of the home country.*

***Stage** 4: Multinational Operations: The firm becomes a full-fledged multinational corp. (MNC) with assembly and production facilities in several countries and regions of the world. Some decentralization of decision making is common, but many personnel decisions are still made at corp. headquarters.*

***Stage** 5: Transnational Operations: Firms that reach this stage are often called transnational because they owe little allegiance to their country of origin. Operations are highly decentralized, with each business unit free to make personnel decisions with very loose control from corp. headquarters.*

15.2 GLOBAL HUMAN RESOURCE MANAGEMENT

The utilization of global human resources to achieve organizational objectives without regard to geographic boundaries. Those engaged in the management of global human resources develop and work through an integrated global human resource management system similar to that experienced domestically.

15.2.1 Global Staffing

A global organization must have qualified individuals in specific jobs at specific places and times in order to accomplish its goals. This process involves obtaining such people globally through human resource planning, recruitment, and selection.

A. Type of staff members

1. **Expatriate**: An employee working in a firm who is not a citizen of the country in which the firm is located but is a citizen of the country in which the organization is headquartered.

2. **Host-country national (HCN)**: An employee working in a firm who is a citizen of the country in which the firm is located, but where the firm is operated by an organization headquartered in another country. Normally the bulk of employees in international offices will be host-country nationals.

3. **Third-country national (TCN)**: A citizen of one country, working in a second country, and employed by an organization headquartered in a third country.

15.2.2 Approaches to Global Staffing

1. **Ethnocentric staffing**: Companies primarily hire expatriates to staff higher-level foreign positions.

2. **Polycentric Staffing**: When more host-country nationals are used throughout the organization, from top to bottom.

3. **Regiocentric Staffing**: Similar to the polycentric approach, but regional groups of subsidiaries reflecting the organizations strategy and structure work as a unit.

4. **Geocentric staffing**: A staffing approach that uses a worldwide integrated business strategy.

15.2.3 Global Human Resource Development

Global training and development is needed because people, jobs, and organizations are often quite different globally.

a. Expatriate Development—The development process should start as soon as the workforce is selected, even before beginning global operations if possible.

b. **Repatriation Orientation and Training**—Orientation and training is necessary prior to repatriation, which is the process of bringing expatriates home. Repatriation orientation and training is needed to prepare the employee, and the family, for a return to the home-country culture and to prepare the expatriate's new subordinates and supervisor for the return.

15.2.4 Global Compensation and Benefits

Probably the main reason that organizations relocate to other areas of the world is because of high-wage pressures that threaten their ability to compete on a global basis. Basically, the compensation levels are usually much lower globally. Variations in laws, living costs, tax policies, and other factors all must be considered when establishing global compensation packages.

15.2.5 Global Safety and Health

Safety and health aspects of the job are important because employees who work in a safe environment and enjoy good health are more likely to be productive and yield long-term benefits to the organization. For this reason, progressive global managers have long advocated and implemented adequate safety and health programs. Basically, U.S.-based global operations are often safer and healthier than those of the host country operations, but frequently not as safe as similar operations in the United States.

15.3 POSSIBLE BARRIERS TO EFFECTIVE GLOBAL HUMAN RESOURCE MANAGEMENT

Unfortunately, a global organization must cope with various unknowns. The management of HR functions globally is enormously complicated by the need to adapt HR policies and practices to different host countries. HR management must consider the potential impact of global differences on human resources. Differences in politics, law, culture, economics, labor/management relations systems, and other factors complicate the task of global human resource management.

a. **Political and Legal Factors**—the nature and stability of political and legal systems vary throughout the globe. firms enjoy a relatively stable political and legal system. The same is true in many of the other developed countries, particularly in Europe. However, in other nations, the political and legal systems are much more unstable. Some governments are subject to coups, dictatorial rule, and corruption, which can substantially alter the business environment as well as the legal environment. Legal systems can also become unstable, with contracts suddenly becoming unenforceable because of internal politics.

b. **Cultural Factors**—Cultural differences vary from country to country with corresponding differences in HR practices. HR practices must be adapted to local cultural norms, and, therefore, most HR staff members in a foreign subsidiary should be drawn from host-country nationals. However, just because certain cultural norms are restrictive does not mean that an attempt at change should not be made.

Companies must bring in a critical mass of expatriates who carry the culture with them and always leave one or two behind to oversee locals and ensure that they are following corporate policies. The key is to accommodate local cultures but maintain the critical nature of the corporate culture.

c. **Economic Factors**—Differences in economic systems must also be thoroughly investigated. In a capitalist system, the overwhelming need for efficiency favors HR policies and practices that value productivity and efficiency. In a socialist system, HR practices favor the prevention of unemployment, often at the expense of productivity and efficiency, which is often unacceptable. The impact of economic factors on pending global operations must be fully understood and accounted for prior to developing HR policies and practices. Probably one of the greatest economic factors is the difference in labor costs.

d. **Labor/Management Relations Factors**—The relationship between workers, unions, and employers varies dramatically from country to country and obviously has an enormous impact on HR management practices.

15.4 THE CHALLENGES OF EXPATRIATE ASSIGNMENTS

One of the most challenging tasks for any firm operating internationally is to manage its expatriate work force effectively.

a. **Why International Assignments End in Failure**

The failure. expatriates is estimated to be in the 20 to 40 percent range. Six factors account for most failures.

- Career blockage
- Culture shock
- Lack of pre-departure cross-cultural training
- Overemphasis on technical qualifications

- Getting rid of a troublesome employee
- Family problems

Difficulties on Return

When the expatriates return home, they may experience additional problems, which include:

- Lack of respect for acquired skills
- Loss of status
- Poor planning for return position
- Reverse culture shock

15.4.1 Effectively Managing Expatriate Assignments with HRM Policies and Practices

Companies can minimize the chances of failure by putting in place a sensible set of HRM policies and practices that get to the root of the problems. Such policies and practices would pertain to selection, training, career development, and compensation. Adequate practices in these areas can be used to avoid problems.

Selection

The choice of an employee for an international assignment is a critical decision. To choose the best employee for the job, management should:

1. Emphasize cultural sensitivity as a selection criteria
2. Establish a selection board of expatriates
3. Require previous international experience
4. Explore the possibility of hiring foreign-born employees
5. Screen candidates' spouses and families

Training

The assumption that people everywhere respond in similar fashion to the same images, symbols, and slogans has hurt U.S. companies. Cross-cultural training sensitizes candidates for international assignment to the local culture, customs, language, tax laws, and government.

Career Development

The expatriate's motivation to perform well on an international assignment will depend to a large amount on the career development opportunities offered by the employer.

Compensation

Firms can use compensation packages to enhance the effectiveness of expatriate assignments. However, compensation policies can create conflict if locals compare their pay packages to the expatriate's and conclude that they are being treated unfairly.

Global Equal Employment Opportunity

Equal employment opportunity worldwide ranges from virtually none to a highly sophisticated system. Some countries have extensive EEO laws, and they are enforced vigorously. Other countries have similar laws that are not enforced, whereas others have no laws relating to EEO.

15.4.2 Eight Keys to Global Human Resource Management of Expatriates

Global HR management of expatriates can be made simpler and more manageable by following eight steps, which are general guidelines for developing an expatriate workforce.

The global business plan must be completely understood to make it easier to determine how existing human resource policies can be adapted to accomplish global objectives.

The company's Foreign Service policy should be a set of guidelines, not rigid rules, for relocating employees and their families around the world while maintaining the domestic corporate culture.

Develop a global budget process so the overall cost of each expatriate global assignment can be estimated. Such costs represent enormous investments and should be carefully considered to determine if expatriates or host-country or third-country nationals should be used.

Profile the candidate and his or her family to determine who might be an effective candidate for a global assignment. Often an entire family, not just an employee, must be considered in making the determination.

The terms and conditions of the global assignment should be clearly stated up front. Expatriates should be given both a verbal and written presentation of the assignment's terms and conditions to ensure a complete understanding of both the benefits and responsibilities of the global assignment.

Prepare expatriates and their families for relocation with departure orientation and training. Employees and their families should be given language training and cultural training, as well as a general orientation of everyday living and local customs.

Develop and implement a continual development process to take advantage of the employee's global experiences, including career planning, as well as home-country development during the global assignment period.

Prepare returning expatriates and their families with repatriation orientation training.

15.4.3 Maintaining Corporate Identity through Corporate Culture

Maintaining an effective corporate culture that reflects that of the home country is essential for continuity worldwide and often requires innovative insight. When a U.S. company hires too many local people in its foreign offices, it risks losing the unique set of values and operating procedures that defines its corporate culture.

Often a corporation forms an alliance with a company in the host country. In such situations, it is essential that the corporate cultures and management styles of the partners blend together as quickly as possible.

Long-term success means having a corporate culture that supports the goals of the global organization and effectively deals with the international business environment. As a firm becomes more and more global in nature, it becomes more difficult to have a supportive corporate culture. Alliances are useful for all partners because collaboration makes it possible to share the costs and risks of doing business, and it enables companies to share financial resources, technology, production facilities, marketing expertise, and of course, human resources.

However, problems may occur in international alliances when people from different organizations and national cultures work together. Regardless of whether an alliance exists, it is essential that the corporate culture focus on making a profit. Combining an effective corporate culture that keys on innovatively coping with the global environment and, at the same time, being profitable is what all global companies must strive for. Ideally, the corporate culture of global corporations will closely parallel that of the home country.

EXERCISE:

Fill In The Blanks With Correct Answers From The Text:

1. ____________Selling abroad, either directly or indirectly, by retaining foreign agents and distributors.
2. ____________ - An arrangement whereby an organization grants a foreign firm the right to use intellectual properties such as patents, copyrights, manufacturing processes, or trade names for a specific period of time.
3. ____________ - The parent company grants another firm the right to do business in a prescribed manner.
4. __________ _________ (____)—A firm that is based in one country (the parent or home country) and produces goods or provides services in one or more foreign countries (host countries).
5. ___________ ________ - Has corporate units that are integrated to operate as one organization worldwide in a number of countries.
6. __________ An employee working in a firm who is not a citizen of the country in which the firm is located but is a citizen of the country in which the organization is headquartered.
7. ______-_______ ________ (_____): An employee working in a firm who is a citizen of the country in which the firm is located, but where the firm is operated by an organization headquartered in another country.
8. ______-_______ ________ (_____): A citizen of one country, working in a second country, and employed by an organization headquartered in a third country.
9. _________ ________ Companies primarily hire expatriates to staff higher-level foreign positions.
10. _________ _______ When more host-country nationals are used throughout the organization, from top to bottom.
11. ________ ________ Similar to the polycentric approach, but regional groups of subsidiaries reflecting the organizations strategy and structure work as a unit.
12. ________ ________ A staffing approach that uses a worldwide integrated business strategy.

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