CHAPTER – I

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CHAPTER – I
INTRODUCTION

1.1. Introduction to Management

Management has a special significance and importance in the all types of business organizations in these present days. The success of any business organization, it may be trading or manufacturing is depends upon the skilled management. Today’s business world is very competitive and to cope with this competition businesses must have excellent, dynamic and skilled management at the different levels of the business organizations. Generally the management is pertaining with the proper planning of the programmes for the achievement of predetermined objectives of the business organization as well as individual employees. Obviously, the success of business organization is mostly depends upon organization, management and administration.

It is very difficult to explain the concept management. It is very essential to think over what is the management before studying the human resource management. The concept of management is very old as the evolution of organized society. It is a wide and elastic concept and it changes as per the needs of the time and requirements of the business organization. To know this management concept well, it is need to review of the study of various authors, thinkers, experts and philosophers in the field of management done in various angles. Following are the definitions which helps the clear the idea of management.

1. According to Peter Drucker “Management is the crucial factor in economic and social development”. ¹
2. Schuldge has said “Management is a power which leads, guides and co-ordinate the whole organization to fulfils the predetermined objectives” ²
3. According to Henry Fayol, “To manage to forecast, to plan, to organize, to command, to co-ordinate and to control”, ³

In brief, to throw the light on the meaning, objectives and functions of the management, we can say that management is an important technique related with the directing of
business activities. It is a responsibility of a management to make the necessary efforts from all the employees in the business organization.

1.2. Human Resource Management

Human resource management is a sub-system in the whole system of the management. It gives special importance to a particular aspect that is human resource in the management process. Personnel management is a very old concept which was used alternatively as human resource management previously. Its nature, scope and areas of activities are changed with the time and requirement of the business organization. Different terms are used to denote human resource management they are labour relations, labour management, labour administration, employee-employer relations, industrial relations, personnel management, personnel administration, human capital management, human asset management and human resource management and so on. In a simple sense or word, human resource management means employing people, developing their skills and abilities, utilizing maintaining and compensating their services in accordance with their job and business organization’s requirements.

1. A personnel management is defined by the Institute of Personnel Management in UK and subsequently adopted by Indian Institute of Personnel Management is as “Personnel management is a responsibility of all those who manage people as well as being a description of the work of those who are employed as specialists. It is that part of management which is concerned with people at the work and with their relationships within an enterprise. It applies not only to industry and commerce but to all the field of employment.”  

2. According to George Terry “Personnel management is related with the recruitment of appropriate and satisfied workers to work in the factory and with the retaining of the workers there”.  

3. According to Edwin Flippo “Human Resource Management is the planning, organizing, directing and the procurement, development, compensation, integration, maintenance and reproduction of human resource to the end that individual, organizational and social objectives are accomplished”. 
1.2.1. **Features of Human Resource Management**

Following are the important features or characteristics of personnel or human resource management.?

1. The primary objective of HRM is to insure the availability of a competent and willing workforce for the organization and is related with the employees both as individual and as a group in achieving predetermined objectives and goals.

2. It covers all the levels of the management and all categories of the employees working in the business organization. It is related with the behaviour, emotional and social aspects of the man power of the business organization.

3. It applies to the employees in all types of organizations in the world such as industrial, trading, services, commercial, economical, social, religious, political, etc. It is very common to all types of organizations.

4. Human Resource Management is related mostly with the managing human resource at the work place. Human Resource Management is a continuous process and it never ends.

5. The purpose of Human Resource Management is to acquaint the full co-operation of all employees for the achieving of the predetermined objectives and goals of individual and business organization in a stipulated period and resources.

1.2.2. **Nature and scope of HRM:**

Human Resource Management is pertaining with the ‘Human’ factor in the business organization. Human resource is the real resource in a real sense and it is related with the total knowledge, information, skill, intelligence, speed, understanding power, natural art skill in the organization with the personal interest, enthusiasm, trust, belief, attitude, love, respect, relation and emotions. The human resources of the organization is the sum of total qualifications, abilities, knowledge, skills, views and intellectual level of the employees working in the organization. The scope of human resource management is starts with the entry of employee in the job and ends with his exit from the job. Following are the various activities are performed under the human resource management.

1. **Human Resource Planning:** Human resource planning involves forecasting the future demand and supply of human resources. It involves finding out the number of skilled, unskilled, and semiskilled people required.
2. Job Analysis: It is a process of collecting information about the job. Job analysis involves job description that is details about the job and job specification that is qualifications and qualities required to perform such job.

3. Recruitment: It is a process of finding and attracting capable people for the job. This process starts with the finding of new recruits and ends with applications are submitted.

4. Selection: Selection is the process of picking of persons from the various applicant persons. Persons who have essential and necessary qualification and qualities suitable for the job are selected.

5. Training and Development: Training and development refer to an attempt made by the business organization to improve and increase the current and future performance of the employees by imparting certain information, skills, knowledge and abilities.

6. Job Evaluation: It is the process of analyzing and assessing the various jobs systematically in order to ascertain their relative worth in the organization. It assists in determining economic gains and promotion of the employees.

7. Performance Appraisal: Performance appraisal is a systematic evaluation process of employee’s performance in a certain period of time. Usually such evaluation is done with respect of certain predetermined standard in relation to the job knowledge, quality and quantity of output, co-operation, etc.

8. Remuneration and Other Economic Benefits: Human resource management function’s involves deciding the amount to be paid as salary, bonus, commission, other economic incentives etc to the executives and the other employees.

9. Motivation: Employee performance depends upon the ability and the motivation imparted them. Employees have to be motivated either by offering them economic or by non-economic benefits.

10. Safety and Health: It involves ensuring safety to the all employees from professional and job oriented hazards. It also include that the employees don’t work in an unhygienic conditions and environment.

11. Labour Welfare: Employee welfare involves the services such as employee recreation facilities like gymkhana and cultural services, convenience like
provision of canteen facilities, drinking water, wash basins, medical facilities, working hours and so on. Employee welfare would improve and increase their performance and productivity of individuals as well as business organization.

12. Employee Communication: Human resource function involves developing a healthy communication between various members in the organization. Effective communication is essential for performing functions of planning, organizing, directing, motivating and controlling in an executive manner.

13. Promotion and Transfer: Promotion involves improvement and increase in the pay, prestige, position and corresponding responsibilities of an employee. Formulating promotion policies, transfer policies, selecting person for promotion or transfer etc. are included in the scope of the human resource management.

14. Trade Unions: Trade unions are voluntary organizations of workers formed to promote and protect their rights and interests through collective action. Human resource management should ensure that a healthy relationship between the owner, management and the union which will create a constructive environment for work.

1.2.3. Objectives of HRM:

The objectives of general management generally involves the efficient direction to the business organization, the optimum profit, increase and improvement in the standard of living of the workers and providing quality products and services in the reasonable prices to the customers. The long term objective of the management is to fulfill the requirements of the business organization in relation with the social development while achieving the overall development of the organization. The main objectives of the HRM are as per the following. 8

1. To increase the qualified and capable manpower of the employees and to retain them in the organization. And to create and utilize an ablest and motivated workforce to achieving and accomplish the basic organizational goals and objectives.

2. To make arrangement for the good work conditions and ideal work environment for the employees in the organization and to create and utilize an ablest and
motivated workforce to achieving and accomplish the basic organizational goals and objectives.

3. To establish proper relations in the organization for the successful co-ordination and to create the involvement, attachment and loyalty among the workers towards the organization and to maintain high employee morale and sound human relation sustaining and improving the various conditions and facilities in the organization.

4. To give the training to the employees, to increase their skill, to give promotion to them, to entrust work with responsibility to them and to implement the schemes of their full development through special efforts and to utilizes the skills and knowledge of employees effectively for the betterment of individuals and the organization.

5. To enhance job satisfaction and self actualization of workers encouraging them, to realize their full potential and to maintain the HRM contribution at a level appropriate to the organizations needs. Resources are wasted when HRM is either more or less artificial to suit the organizations demands.

6. To help employees in achieving their personal goals and objectives. Personal goals and objectives of employees must be met if employees are to be maintained, retained and motivated. Otherwise, employee performance and satisfaction may decline and they may leave the organization.

7. To provide training and development facilities, Induction facilities, welfare and standard of living, information and sources of HRM, information about rules, regulation, policies and discipline in the organization to the employees.

1.2.4. **Techniques of HRM**

This assists to understand and recognize the strengths and weaknesses of the all staff of the organization. It is beneficial to formulate and implement the schemes of education, training and development programmes. The techniques of human resource management are also known as human resource development methods, human resource development instruments, human resource development mechanisms or human resource development sub systems.
1.2.5. **Human Resource Management Principles:**

If policy is a plan and guide for managerial decisions and actions, principles are the fundamental truth established by research, scientific investigation and analysis. In designing personnel policies, the management of the business organization must balance the needs, aims, goals, objectives and values of the employers and employees. Many personnel policies have been established through practices, experiences and day to day observations. Principles are universal truths generally applicable to all over and all the organizations that may be productive or service rendered. Principles give direction to managers to formulating policies, programmers, procedures and practices of the business organization. Following are the principles of the Human Resource Management. ¹⁰

1. Principle of rationalization and humanization with handling human resource.
2. Principle of individual development to offer full and equal opportunities to every employee to realize their full potential.
3. All employees in the business organization should be treated with a justice and there must be consistency in treatment between all employees and over period of time. The business organization should function democratically rather than autocratically.
4. Principle of scientific recruitment and selection must be utilized. The scientific procedure with appropriate criteria and norms will assist greatly in selecting right persons for right jobs.
5. Principle of dignity of labour is one of the most important principles of personnel policies.
6. Principle of open and effective flow of communication to keep all channels of communication free and encourage upward, downward, horizontal, vertically, formal and informal communication. If unnecessary secrecy is maintained in the matter of conduct of business, it may create misunderstanding among employees and may affect adversely the management and employees relationships. Therefore, business policies, programmers, goals and objectives, etc should be communicated to employees.
7. Principle of participation is necessary that management and employees should work together to achieve the predetermined goals and objectives of business organization as well as individual employees.

8. Principle of co-operation is of great importance in the business organization. The absence of co-operation between management and employees will lead to industrial disharmony and unrest. Therefore, to gain co-operation from the employees, personnel policies should see that there is no support for favoritism, antagonism and coercion.

1.2.6. Human Resource Management (Functions) Practices:

Human resource management has to perform various types of functions. These are classified in a various groups for the purpose of accomplishment. 11

A. Managerial Functions:

There are some primary or fundamental functions of the human resource management. HRM has to perform these functions. They include the following functions.

1. Planning: Planning is deciding in advance what to do, how to do it, where to do it, and who is to do it. It is a predetermined course of action. For the HRM manager, planning means determination in advance of HRM programmes and policies. Planning includes the ability to think, to analyze and to search decision. In short, well planned programe relating to planning necessity, recruitment, selection, education, training, development, performance appraisal, schemes of social security, organizational discipline and the methods of solving conflicts.

2. Organizing: HRM manager has to organize the directive and operative functions by designing the framework of the structure of the relationship in between jobs, human resource and material factors to contribute towards goals and objectives of the business organization.

3. Directing: Direction is the concerned with the motivating and stimulating the people the assigned jobs to them. In a real sense direction is the soul management in which the actions such as determination of ways, giving orders and instructions, guidance and effective and dynamic leadership is provided. HRM
has to take special kinds of efforts for the proper execution of the manpower of the business organization.

4. **Co-ordination**: In the business organization many employees work on various levels in different departments. Management has to perform the function of establishing and bridge the co-ordination in the individual and group or collective activities of the employees in order to behave all the employees working in the business organization with the harmony, co-operative nature and collectively.

5. **Controlling**: Controlling is related with the rules and regulations of the activities in accordance with the plans. It is the observation and comparison of results with the predetermined standard or targets and correcting of deviations that may occur. Controlling helps the HRM manager to evaluate and control the performance of the employees and HRM department in doing the various operative functions of the business organization.

**B. Operative or Directive Functions:**

Operative functions are pertaining with the particular activities of the HRM department.

1. **Employment**: The most important operative function of the HRM is the employment of proper type and number of person necessary to achieve the goals and objectives of the organization. It involves manpower planning, recruitment, selection, appointment, placement, etc of the employee.

2. **Manpower Development**: It is second most important function of the HRM. After placement of the employees on the jobs, the HRM is related with giving them education, training to develop them to do their jobs effectively and efficiently. Proper development of human resource is essential to increase and improvement in their knowledge, skills and ability, attitude, personality, loyalty and values in the proper scale to show their performance of jobs.

3. **Compensation**: This function is related with the determination of adequate, fair and equitable remuneration of the employees in the business organization for their contribution to the organizational goals and objectives. The employees can be compensated both in terms of economic and non-economic factors.
4. **Industrial Relations:** It is an important function of HRM to achieve a reconciliation of the interest of the employees with that of the organization. An important problem concerned to reconciliation is communication. The HRM manager must provide an efficient system and structure of communication to insure two-way communication of personnel programmes because many times industrial disputes develop because of the poor communication network.

5. **Maintenance:** Only recruitment, selection and appointment and training of employees are not sufficient, they must be provided with good, safe and healthy working conditions and environment for their efficiency. The HRM also provides various labour welfare services which relate to the physical and social well being of the employees. These may involves provision of canteen, rest room, counseling, insurance, education to employee’s children, recreational facilities and so on.

### 1.2.7. Need and Importance of HRM

Human resource play a very crucial role in the in the development of business organization. It is very necessary for the development of human resource. Whatever may be the size of an organization and the nature and scope of its business transactions’, HRM is an important area of activities out of the various activities of the management of the business organization. According to Lavis, “the countries having equal man-power devices, generally differences are seen in their development levels”. Therefore, it is unavoidable to enquire into the difference or distance of the human behavior. Though there is an important contribution of use of natural resources, availability of physical and financial resources, internal help in the development of modern economy, no one factor out of these trove to be more important than the human resource. The importance of HRM is outlined as per the following:

1. HRM is a big challenge before the management organization in getting the work done through human resource. Though there is a large scale use of machinery in the production, these machineries do not run automatically. The productivity of the machines depends upon the efficiency, skills and ability of the employees who run them.
2. The success of the manager does not depend upon the authorities, rights and facilities received by him but his success depends upon the he gets work done through the employees.

3. HRM work is not easy. The physical, mental and intellectual variations found out in the employees, spread of education, changing social and cultural environment, increasing strength of the Trade unions, changes in identity of the employees, increasing needs and expectations of the organizations for all these reasons efficient and dynamic HRM is important.

4. Modern organizations are facing the problems of getting the work done through the employees because this resource of the organization is more complex and very sensitive to handle but HRM is giving very much help to the manager in solving the departmental problems.

5. HRM is related with the functions like increasing the efficiency of the manpower and of the organization and it helps to create a good and healthy work culture, good atmosphere and environment in the business organization.

6. It tries to increase in the productivity of an individual and the organization by creating smooth and harmonious industrial relations. HRM tries to understand the problems of individual and of the people working in the organization with more love and affection.

7. Management gets the co-operation from all the employees because of the environments created by in the organization and all the employees enjoy their work and they all will get satisfaction of their work done. HRM helps to increase and improve the productivity and efficiency of the workers and the business organization.

8. It creates a sense that something contribution should be made for the organization, among the employees through their job accomplishment. HRM create a sense of independence among the employees and it is increased.

9. A sense is created among the workers in order to develop their efficiency and ability so that they become more attentive for the personal and organizational development and HRM assists to reduce the impact of adverse effects of the trade unions.
1.2.8. **Role of HRM in an organization:**

The human resource department gives help and provides essential and required services to all the other departments such as finance, materials and store, production, marketing etc. on the personnel issues. HRM has acquired an important place in the modern organization. The rationale behind recognizing the place and role of HRM is that persons who are employed in an organization are human beings, with some aspirations and ambitions in their life. Therefore, an organization cannot be viewed in isolation, but as a part and parcel of the social system. In order to give better treatment to the work force in an organization, the appointment of human resource managers has become necessary. Human resource manager has to play an important role in the following field.  

1. To help management of the organization in the preparation, adoption and continuing evaluation of HR programmes and policies.
2. To undertake personnel or HR research that will keep management continuing informed so that better decisions can be made by management on matters or issues affecting personnel or human resource.
3. To development an effective performance appraisal systems which will be used by the management to provide a current inventory of work force resources.
4. To maintain a programme of continuous education, training and development which will provide work forces of the organization with skills, ability and required information essential to do various jobs and develop themselves.
5. To establish the structure and mechanism for the management of human resource services these are delegated to the human resource management department. This involves the maintenance of a stable workforce, a programme of education, training and development, working conditions, security, welfare service, etc.

1.2.9. **Problems of the Human Resource Management:**

There are some problems of human resource management. The HRM and HRD is an up-to-date type of medium for the assistance of management but it is not seen in the real sense because it is not used as per the sense of the HRM. The reasons are as per the under:  

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14.
1. There are two types of communication in an organization such as upward and downward. Due to the lack of good and effective communication between lower and top levels management, the decision taken at top level of the management are difficult to be executed effectively and properly.

2. Employee Unions are established to protect their interests from the evil attitude of the management. However, they become unsuccessful in achieving their objectives. For the success of the trade union, it is necessary to strengthen its power, stability, unity, and integrity. And also it is essential that these unions should be financially sound and independent. But unfortunately, absence of all these things is seen in the trade unions in India. Because of the indifferences of workers towards the unions is an important factor. There is always fear of misuse of the weakness of trade unions by the management.

3. In India, the management approach is always seen to be negative. If the integrity approach of the owner and employees are same, then the management effect should be the highest. However, it is not seen in actual practice. The practical approaches of the both of them are different. As a result the business organization aim is not achieved.

4. The basic policies and principles of the HRM are not followed in the management by the management. Therefore success is not obtained. When the management does not take the notice of the official services and duties provided by the employees with integrity and honesty it affects adversely on the employees. As a result, there is fear of spoiling the image of the business organization.

5. Once the requirements of the workers at the lower level are satisfied the hopes of the top level officers started to increase. This approach of management affects adversely on the workers and instead of improving, the workers- management relations are estranged. It is necessary that management should have positive and sympathetic view in the redressal of the complaints of the workers.

1.2.10. Approaches to HRM:

A. General approach to HRM:

After the overall discussion about HRM, we come to general attitude towards the management. Truly speaking, HRM is not Personnel Management but personnel
management is an integral part of the HRM. It includes Industrial Relations as well as Labour Welfare. Besides it includes Education, Training, Development, Planning, Methodologies also. Therefore we must look towards the concept of HRM from the view of humanization of the business organization. There are some assumptions which are necessary for the successful and ideal HR Development. These are as per the following.\textsuperscript{15}

1. The top or senior level officers should give the optimum time for the HRD because the workers or employee always observes the conduct and behavior of their senior officers and then they decide their action accordingly.

2. The management of the organization has to create supportive atmosphere and environment in the business organization for the development of employees.

3. Education, Training and Development programmers encourages the hidden merits, qualities and skills of the employees. Due to the lack of these programmers discourages the employees.

4. Management of the business organization must create trustful atmosphere and environment. This will help to eliminate the misunderstanding, conflicts, bitterness and lack of faith and ultimately there would be the healthy and trust relations between the employees and management of the organization.

5. The Management or the senior officials must utilize the maximum time, money and energy for the education, training and development programmers so that each and every employee in the organization would participate in each and every programme of the organization.

B. System approach to HRM:

A system is a set of interrelated but separate factor or element of a whole structure of organizations working towards a common goal or objective of the business organization. The business organization procures and transforms its available resources such as physical, financial, material and human resources into final such as products, services and satisfactions offered to entire stakeholders of the organization. To carry out its operational activities, each organization has certain divisions or departments known as subsystems such as production, finance, marketing, materials and administration ,
personnel or human resource etc and each these subsystems consists of a number of subsystems. The importance of this system approach is due to the following factors:

1. Increase in the size and complexity of the organizations. Rise in the professional and skilled workers.
2. Rapid development in advanced and modern technology. Growing expectations of society, customers and all the stakeholders from the organizations.
3. Revolution in the communication, transport and information technology.

Chart 1.1

System approach to Human Resource Management
C. Human Resource System is A Central Subsystem:

HR system is not only unique sub-system but a main or central sub-system in an organization and it operates and controls all other sub-systems organization. Therefore, according to the Wendell L. French “Human Resource Management or Personnel Management is a major pervasive sub-system of all organizations.” Whatever the environment affects the organization such as economic, social, cultural, legal, political, historical, competitors, customers etc. as a whole also affects the HRM system. Both HRM system and all other systems of organizations operate under the same environment constraints. 17

Chart 1.2
Human Resource Central Sub-System in an Organization
1.2.11. Evolution of HRM

The history of development of Human Resource Management in India is comparatively new and of recent origin. But in the past Kautilya had dealt with some of the important issues and aspects of human resource management in his book “Arthasastra” 400 B. C. Government in those days adopted the techniques of human resource management as suggested by Kautilya. In its modern sense HRM had developed only since independence of the nation. Though the importance of labour officers was recognized as early as 1929, the appointment of labour officers to solve labour and welfare problems gained momentum only after the enactment of the Factories Act of 1948, section 49 of the Act required the appointment of Welfare Officers in companies employing more than 500 workers. The earliest labour legislation in India dealt with certain aspects of Indian labourers (Regulation of Recruitment and Employment) sent to various British colonies in 1830. Following are the important phases of evolution of HRM. 

<table>
<thead>
<tr>
<th>Period</th>
<th>Development Status</th>
<th>Outlook</th>
<th>Emphasis</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>1920s to 1930s</td>
<td>Beginning</td>
<td>Pragmatism of Capitalists</td>
<td>Statutory Welfare Paternalism</td>
<td>Clerical</td>
</tr>
<tr>
<td>1940s to 1960s</td>
<td>Struggling For recognition</td>
<td>Technical, Logistic</td>
<td>Introduction of Techniques</td>
<td>Administrative</td>
</tr>
<tr>
<td>1970s to 1980s</td>
<td>Achieving Sophistication Promising</td>
<td>Professional, Legalistic’ Impersonal</td>
<td>Regulatory/Conforming Imposition of Standards on other functions</td>
<td>Managerial</td>
</tr>
<tr>
<td>1990s</td>
<td>-</td>
<td>Philosophical</td>
<td>Human Values, Productivity through the people</td>
<td>Executive</td>
</tr>
</tbody>
</table>

1.2.11. Environmental influences on HRM

HRM manager cannot perform his job in vacuum. He has to work with the influences of the internal and external environmental on the organization and the particular individual working in the business organization. The external environment is comprised of those factors like economical, social, political, governmental, legal, technological, demographical, cultural, customers, competitors, etc which affect on the human resource of the organization from the outside the organization. Each of these external forces separately and or combined may influences the HRM of the organization. Any changes in these factors make the challenge for the human resource manager. 19


Policy is a plain of action. It is statement of intention committing the management to a general course of action. HRM policies are the tools for the HRM department to achieve the goals and objectives of the business organization. Brewster and Richbell defined Personnel or HRM policies as, “a set of proposals and actions that act as a reference point for managers in their dealings with employees”. 20 HRM policies furnish the general standards or bases on which decisions are reached. HRM policy provides guidelines for a wide variety of employment relationship in the organization. HRM policies are formulated and developed by the top management with the help and advice of the HRM manager and his staff. Its implementation depends upon how the concerned people act and react to them. According to James B. Bambrick, “Policies are statements of the organization’s overall purposes and objectives in the various areas with which its operations are concerned—personnel, finance, production, marketing and so on” 21 Thus policies are principles and rules of conduct which formulate, redefine, break into details and decide a number of actions that govern the relationship with the employees. The policies identify the intention of business organization in recruitment, selection, promotion, training, development, transfer, compensation, performance appraisal, etc. Personnel policies serve as a road map for the managers. Following are the some policies:

1. Policy of hiring people with due respect to factors like social reservation, sex, marital status and so on. Policy related to medical assistance, sickness benefits and leaves and so on.
2. Policy pertaining to terms and conditions of employment, compensation policy and its methods, hour of work, shift of work, overtime and its methods of pay, promotion and its eligibilities, transfer, strike, layoff and so on.

3. Policy regarding to facilities like housing, transport, uniform and allowances. Policy related to education, training, development, need for training and development and its methods, training and development and so on.


1.2.13. Aims and objectives of HRM Policies

A HRM policy should have two types of objectives. General objectives should express the top management’s basic philosophy of HR which reflects the importance of people in the business organization. Specific objectives should refer to the various activities of HRM administration connected with staffing, training, developing, wage administration motivation, benefits, labour relation and HRM research. Therefore, the aim and objective of HRM policies should be:

1. To enable management to carry out the main objectives which are laid down as desirable minima of general employment policy and to ensure that employees are informed the items of and to secure their co-operation for their attainment.

2. To provide such condition of employment and procedures, which will enables the employee to develop sincere sense of unity with the business organization and to carry out their duties willingly and effectively and to provide an adequate, competent and trained staff and employees for all levels of execution and management of the business organization.

3. To protect the common interests of all parties and to recognize the role of trade unions in the business organization and to provide participation to employees in the management of an organization and to frame the conditions of such participation.

4. To create mutual trust and faith among those who work in the business organization by developing management leadership and by providing a happy and healthy relationship at all the levels of the business organization.
5. To establish conditions for mutual confidence and to avoid confusion and misunderstanding between the management and the employees and to provide security of employment to employees so that they will not be distracted by the uncertainties of the future.

6. To provide an opportunities for growth and develop within the business organization to all employees who are willing to learn and undergo through training to improve their future prospects.

7. To provide fair and adequate wages and salary to employees to receive their healthy and happy cooperation for an efficient working of the business organization and to create a sense of responsibility by treating employees as human beings and by protecting their fundamental rights.

1.2.14. Need of Personnel or HRM Policies

Consider the favoritism and discrimination in treating the workers; 23

1. Minimize the favoritism and discrimination in treating the workers;

2. Ensure that the action will be continued though the managers in key jobs;

3. Have standards of performance. Actual results can be compared with the policy to determine the level and nature of implementation;

4. Create and development employee enthusiasm and loyalty.

1.2.15. Advantages Of Personnel or HRM Policies

Following are the advantages of HRM Policies;

1. When there is a need to delegation there is no need to consult with the top management because the policies help to the managers pertaining to the delegation.

2. HRM policies increase the chance that different people in different levels of the business organization make the similar choices when they independently facing the similar situations.

3. As personnel policies specify the relationship among the organization, management and the employees, they permit members to work towards achievement of the goals and objectives of the business organization without conflict, paying the way for better controlling.
4. Policies serve as standards in the execution of the jobs. They enable the management of the business organization to find out whether the policies have been translated into the action by various groups or not. In the light of actual performance, the existing policies may be subjected to amendment or refinement.

5. Policies create confidence in the mind of executives and the employees at the time of execution of the policies. They reduce chances of misinterpretation, misrepresentation and friction. Therefore managers and employees can act with confidence.

6. Policies can increase the speed of decision making by providing a framework within which personnel decisions could be made. Policies provide the past experiences to the decision makers.

7. Personnel or HRM policies help in achieving the co-ordination. They ensure a course of action and prevent unwarranted deviations from planned operations.

1.2.16. Difficulties In Administering HRM Policies

The factors which make obstacles in the administering HRM policies:

1. Many time management or managers are reluctant to follow the policy guidelines, for they restrict the nature and scope of managerial work and reduce the executive freedom.

2. Many time conflicts rise between implied and expressed policy statement especially on the employment issues.

3. HRM policies demand revision, modification, and restructuring on a period based. In the absence of review or modification or restructuring it would be difficult to break the custom and tradition.

4. HRM policies are not easy to communicate. From the time they are initiated to the time they are used, there is always risk of falling into generalities and pleasantries.

5. Since policies grant freedom to managers to what is to be done in a particular situation there is always the danger of some managers strictly adhering to the policy rhetoric and deviating from the path excessively.

1.2.17. Scope of The HRM Policies

A. General Scope and Coverage:
HRM policies are formulated in such areas which are repetitive and general in nature. They may cover the following areas:\(^26\)

1. Organizational policies including general company policies.
2. External Policies having their impact on the organizational functioning.
3. Internal policies of the business organization which guide the internal relations among different units of the organization both vertically and horizontally.
4. Centralized policies which guide the relations among different groups of the company located in various geographical areas.

**B. Functional Scope and Coverage:**

The scope and coverage of HRM policies has been classified on the basis of functions which are underlined as per the following:

1. It is social responsibility of the organization to provide the equity in employment, consideration equal opportunities in promotion, improvement and development, reduce the monotony, stress and strain in the work, healthy and safe working conditions.
2. Provision of equal employment opportunities provided to all on the base of qualifications, skills and requirements of the jobs.
3. Promotion policies would attempt the demands of the employees for growth and development of the individual and business organization.
4. Training and Development policy provide guidelines for providing adequate and enough training and development facilities to employees officers for doing their jobs more effectively. These policies are also important for the employees and officers to prepare themselves for promotion through individual development.
5. Wages and Salary policies deal with the payment of wages, salaries, allowances and incentives. These policies establish the structure of wage and salary of the business organization. These policies are formulated with great care and in consultation with trade unions because unfair and inadequate wages and salary is one of the main causes of industrial unrest.
6. Human/ Labour or industrial relations policy establish the procedures for dealing with disputes and grievances and to find out the suitable solutions for maintaining
industrial peace. These policies are very useful to improve the relations between the management and the employees.

7. Welfare policies deal with the providing of welfare facilities to employees in and out the business organization. Such policies are concerned with safeguarding the health and safety of all employees at the workplace.

1.3. Recruitment:
Recruitment means filing in the organizational positions and posts by appointing suitable people. It involves the hunting or discovery of the sources of personnel and encouragement to the candidates to apply for employment. The process of recruitment may be simple and economical as well as complicated and expensive upon the need and size of the organization. Thus, recruitment is the process of getting potential employees willing to apply for a job into an organization. Recruitment is a process of attracting proper people for a purpose of carrying out specific job. According to the Edwin B. Flippo recruitment means, “Searching for prospective candidates and encouraging them to apply for vacant posts in the organization is recruitment.” The meaning of this definition is that search is conducted for such proper persons and these persons are encouraged to apply for specific jobs.

1.3.1. Objectives of Recruitment:
The objectives of recruitment are:

1. To attract persons with multi-dimensional skills, abilities and experiences that needs to fulfill the present and future requirements of the business organization.

2. To determine the number of employees that is needed for the business organization and to get together all such different persons interested in working and to make efforts providing their services to the business organization.

3. To introduce fresh blood at all levels of business organization and to make efforts in simplifying the selection process. To consider only such people who are eligible for employment and to discard the non-eligible people from this process.

4. To develop an organizational culture that attracts competent persons to the business organization.
5. To search or hunt people whose skills, abilities and values fit for the values of the business organization and make measures towards keeping a check on transferring and job hopping employees.

6. To make efforts so that all the social and legal norms in respect of recruitment of human resource are followed. To make efforts so that all different groups or sectors of the society are given a proper and appropriate representation in the process of the recruitment of the business organization.

7. To search for talent not only just within the organization or country but globally and evaluate all methods and techniques of recruitment and try to improve and develop their effectiveness.

1.3.2. Policy of the Recruitment:

Business organization needs to search or hunt for eligible and proper persons in order to initiate recruitment and selection process. Thereafter, they are encouraged to apply. For this purpose, the way that is determined is called the recruitment policy. This policy is derived from the personnel or HRM policy of the business organization. It should involves Governmental reservation policy, policy regarding sons of soils, HRM policy of other organization regarding merit, internal sources, social responsibility, policy minority sections, women representation etc. It should commit itself to the policy of the organization and it should absorb the weaker section and socially and economically disadvantaged people of the whole society.

1.3.3. Factors affecting the recruitment policy:

Following are the factors which affect the recruitment policy of business organization.

1. The size of the business organization is plays a very important role in the recruitment policy. Big or large organization needs more number of human resource and for this continuous efforts need to be made for the employment however, in smaller organization such efforts are not required.

2. This policy largely depends on the conditions of the employment in the nation. Job opportunities are less in number in underdeveloped nations. But number people asking for employment is more. Due to lack or less educational and technical facilities, proper employees are unavailable and at that time more efforts are needed in respect of recruitment process.
3. Compensation and the work conditions have the special importance in the business organization. This is very important element that affecting the supply of employees for the employment. If the considerations such as wage, salary and other benefits is more and work conditions are favourable, it attracts more workers towards the business organization for the employment. On the contrary, where the consideration paid is less and work conditions are unfavorable, the supply of workers is comparatively less.

4. There is a continuous recruitment of workers in developing and expanding business organization. Existing or old employees are promoted. However, in a non-developing or non-expanding there is no question of new recruitment.

5. Other factors are also affects while deciding the recruitment policy of the organization these are Government policy in respect of employment, HRM policies of the rival organization, HRM policies of the organization, Recruitment sources, needs and its cost.

1.3.4. Principles of Recruitment Policy:
1. To find and employ the best qualified candidates for each job.
2. To retain the best and most promising of those hired.
3. To offer opportunities for long time working careers.
4. To provide programmes and facilities for individual development and growth.

1.3.5. Sources of the Recruitment:
There are several sources and they are classified into internal sources and external sources. 29

A. Internal Sources:
Internal source of recruitment of employees means recruitment out of the employees from within the organization. Most eligible person is selected out of the employees working at different levels in the business organization. Following are the ways and means of internal sources of recruitment:

1. Promotion: Promotion means most eligible and efficient employee is placed to a higher post in order to complete more important job in the organization. This is very proper and ordinary way of recruitment of employee.
2. **Transfer**: Transfer means sending employees from one place or department to other according to the need of the job.

3. **Recommendation**: Many a time for the purpose of the employment, help can be asked from the trustworthy workers working in the organization. Hence these workers can recommend proper persons and which leads to selection of the most eligible and able persons for the specific job.

4. **Reinstatement of Employees**: In a business organization employees are employed as per their need. The numbers of employees which are in excess of the number of the need of work are terminated. However, if and when need be, they are re-instated.

5. **Retired Employees**: Sometime the organization retrenches the employees due to lay off. The organization takes the persons for the employment from the retired employees due to obligation.

6. **Dependents of Retired or Present Employees**: Some business organizations recruit the employee from the dependent or disabled of the retired or present employees with a view to develop the commitment towards employees.

7. **Temporary or Casual Employees**: Some organizations find the way to recruit and fill the vacant posts from the suitable and eligible temporary or casual employees.

**B. **External Sources:**

Internal sources of recruitment are limited and it is not possible to carry out the entire process of employment through the internal sources. Therefore, employees are recruited and selected from the outside organization and this process is called external sources of the recruitment. The external sources of recruitment are as under:

1. **Employment Exchange**: Employment exchange is also classified into two categories such as Government and Private employment exchange;

   a. **Government Employment Exchange Centre**: This is the most simple and ordinary source of the employment. The persons who are in need of job they register their name in such a centre for the getting job. The business organizations which are in need of employees, is demanded names of such persons and select the employees from the list provided by the such government employment centre.
b. **Private Employment Exchange Centre**: These types center are also established all over the nation. Such centre collects the information from the persons in need of job. They register the names of these people. The organizations that are in need of employees are supplied with the names of such people.

2. **Institutions**: There are some institutions which provide people for job to the business organizations and these are classified as per the following

   a. **Educational Institutions**: There are different kinds of educational institutions which are providing vocational and technical education. These educations work in order to provide to its students training and education which will help them to get a job. Business organizations are constantly in touch with such educational institutions.

   b. **Trade Unions**: These organizations work right from lower level employees up to the upper level officers. These unions provide guidance in respect of job, apart from their regular job in the business organization. These unions are well informed about the vacancies of employment and the names of business in which they are such vacancies.

   c. **Labour Contractors**: In most cases organizations are depending on their labour contractor for the filling of some kinds of vacancies. Labour contractor perform the work on behalf of the client business organization by charging fees.

3. **Other Sources**:

   a. **Advertisement**: Whenever a business organization is in need of employees, advertisement in respect of the vacancies can be given. In such advertisement, the information of the business organization, No. of vacancies, educational qualification, required skills, age limits, experience are provided for the employment purpose. Many persons applied that ongoing advertisement out of which eligible candidates are selected for the job.

   b. **Recommendations from the Employees**: Many time business organizations can get recommendations from their existing old and experienced employees for the employment of new employees in the organization. These old and experienced employees are very well aware of the working of the business organization and they are also aware of the proper persons who are eligible for a particular job in
the organization. It is very simple and easier method to select the person for the employment from the old employees.

c. **Unemployed Persons**: Some persons of the society keep in touch with the business organization even without giving the advertisement by the business organization for the employment. A waiting list is such persons can be prepared for the future references. Persons from such list can be considered, if there is a need of employment for the organization.

d. **Data Banks**: The business organization can collect the bio-data of the persons from different sources like employment exchange, educational and training institutions and or from the candidates and feed them in the computer.

e. **Similar Organizations**: Some time organization needs experienced persons and these are available in a similar product producing organization. The organization can get most suitable persons from this source. This would be the most effective source for the filling vacancies of the executives and for newly established business organizations.

1.3.6. **Techniques of The Recruitment**:

Following are the techniques of the recruitment:

1. **Promotions**: In order to stimulate the current or existing working employees, business organization follows the policy of internal promotions. Promotion means increase or improvement in pay, position, authority, responsibility and status of an employee within the business organization.

2. **Transfers**: Transfer means change in job of an employee or sending him from one place to another place. Whenever a vacancy is created within the business organization, management of the organization may fill the vacancy through the transfer existing employee rather than the recruiting and selecting a new employee.

3. **Recommendations from the Employees**: The employees from the business organization are recommended and contacted and they are encouraged to apply the job in the organization.

4. **Representations**: Some time business organization sends their representatives to other business organization or sources in search of future need of employees for
the organization. These representatives make discussions and contact with the proper persons. They give information about the organization to such persons. They try to eliminate problems and encourage them to apply for the job in the organizations.

5. **Advertisements**: It is widely accepted technique of recruitment of the employees. The different medium used for advertisements are news papers, televisions, radios, journals, magazines etc. And certain announcements are given for the purpose of the applying for the job in the organization through the advertisement.

### 1.3.7. Modern Sources of the Recruitment:

The number of modern recruitment sources and techniques are being used by the business organization in addition to traditional sources and techniques. These sources and techniques are as per the following: 30

1. **Scouting**: It means sending the representative of the organization to various sources of recruitment with a view to motivating and encouraging the eligible candidates to apply for the jobs.

2. **Walk-in**: The busy and rapid organizations do not find time to perform various process and functions of the recruitment process. Therefore, they advise the eligible job seekers to attend for an interview directly and without a prior application on a specified date, time and a specified place.

3. **Salary and Perks**: Under this modern sources and techniques, business organizations motivate and stimulate the perspective candidates by offering higher level salary package, more perks, quick and immediate promotions facilities etc.

4. **Consult-in**: Some business organization motivates and encourages the potential job seekers to approach them personally and consult them regarding job. Business organization selects the suitable candidates from such candidates.

5. **Head Hunting**: Under this techniques business organization request the professional agencies to search for the best persons particularly for the most senior executive positions.

6. **Body Shopping**: The professional agencies and training institutions develop the pool of human resources for the possible employment. The job seekers contact
these organizations to recruit the candidates or the organizations themselves approach job seekers to place their human resources. Such kinds of agencies are called as body shoppers and these activities are called body shopping.

7. **Employee Stock Ownership Plan:** A trust established by a business organization and which act as a tax-qualified, defined-contribution, retire plan by making the business organization’s employees partial owners.

8. **Business Alliances:** Business alliances like acquisitions, mergers and take-over of the other company help in getting the human resources for the business organizations. In addition, they do also have alliances in sharing their human resources on the ad-hoc basis.

### 1.4. Selection:

Recruitment and Selection are the two crucial steps in the HR process and are often used interchangeably. However, there is a fine distinction between in these two steps. Recruitment refers to the process of identifying and encouraging prospective candidates to apply for the jobs while selection is related with choosing and picking the right candidate for right jobs from the available candidates. Selection is the process of choosing and picking right persons with the requisite qualifications and skills to fill job in the organization. While selecting the person, qualities, skills, abilities, capabilities and aptitude of the persons is considered. Thus, the selection is an evaluation process of the prospective candidates.

#### 1.4.1. Selection Procedure:

Selection is the process of picking of persons from the various applicant persons. Persons who have essential and necessary qualification and qualities suitable for the job are selected.\(^{31}\)

1. **Application Blank or Application Form:** An application blank is a traditional, widely accepted tool for getting information from a prospective applicant which will enable a business management to make a proper selection. The blank application provides preliminary information with indicating areas of interest. It is good means of quickly collecting information’s, basic historical data from the prospective candidate. Through the blank application generally the following information is collected.
2. **Bio-graphical Data:** Name, father’s name, date and place of birth, age, sex, nationality, height, weight, identification marks, physical disability, marital status and member of dependents

3. **Educational Qualification:** Educational degree, subjects offered, secured marks, technical ability, and correspondence courses.

4. **Work Experience:** Previous work experience, the number jobs held with the same or other institutions, nature of duties and responsibilities performed, the duration of various assignments or jobs, salary received and reason for leaving the present employer’s job.

5. **Salary and Benefits:** Under this heading expected salary and benefits are asked to the candidate.

6. **Personal Items:** In this heading information like association memberships, NCC, NSS, extra –curricular, activities, sports, hobbies and any other pertinent information with supporting documents are collected from the candidate.

7. **Other Items:** Names and addresses of previous employers, references, etc. are involved.

8. **Test Examination:** After the group discussion various tests examination are conducted to test the knowledge and to collect the information about the concepts of jobs, reliability, validity and personality of the prospective candidates. There are various kinds of tests these are given as per the following: ²

9. **Interviews:** This is an important step in the process of the selection and face to face observation is possible. In this step successful candidates are called for personal interview. Interview is invaluable for evaluating the elements like candidate’s appearance, health, speaking and so on.

10. **Checking References:** Generally, the applicants are requested to give references with whom the enquiry should be made about the character and reputation of the candidate. Such references are checked through telephone, postal service or personal visit to a referee.

11. **Medical Examination:** The candidates selected in interview are required to go through the medical examination before their final selection. The basic purpose of
physical and medical examination is to determine the job for which the candidates are fittest and not to eliminate them altogether.

12. **Final Selection:** The final authority of the selection is the management of the business organization. Candidates who are found suitable for various jobs after the above all screening are sent to the line managers for final selection.

13. **Placement and Induction:** The selected candidates should be placed on a suitable job. Every selected employee is to be introduced to his fellow employees and senior supervisors. In the initial stage of his job, he is guided and assisted by the members of the group for his effective performance. Therefore, the placement and induction is the final stage in the procedure of selection.

### 1.5. **Training And Development:**

Training and development of HR in the business organization has been recognized as an important tool for the development of desirable motive or objectives and attitude both on the part of organization and the human resources. Training has been accepted as an essential factor to derive a perfect performance from the human resources. Training is to make the human resource perfect participants of the business organization. The clear and fruitful action will increase and improve the quality and speed of action of the employees at the work place. Training is of great useful to find out the own errors and mistakes. Thus, it has been universally accepted that training to employees is essential for the betterment of the employees as well as the betterment of the business organization. Training serves as an important means for the development of effective work habits and methods of work and thereby improves the job performance, reduces the waste and accidents, increase and improve the quality of the product etc. Therefore, business organizations offer various training and development programmes and courses for the labour force. The range of training and development programmes is evidenced by the wide variety of methods and techniques depending upon the size, nature and need of training. Training can be defined as “A planned process to modify attitudes, knowledge or skills and behavior through learning experience to achieve effective performance in an activity or range of activities”.

Dale S. Beach defines the training as, “the organized procedure by which people learn knowledge and/or skill for a definite purpose”.32
According to Edwin Flippo, “the process of increasing the knowledge and skills of an employee for doing a particular job is called training.”

Training is a short term, organized and systematic process using which employees are enabled to achieve technical know-how and skills for particular objectives. Dale Yoder.

1.5.1. Training Methods:
There are various methods to give training to the employees. These are as per the following.

A. On The Job Training:
When an employee receives specific orders and instructions as he is working, is called on the job training. In this method trainee observe the entire job and try to learn the processes. If he finds some difficulty or if he spends much more time to learn a particular thing, the trainer goes and helps him to understand.

1. **Job Rotation Method:** In this method, an employee is entrusted with different jobs turn by turn. This helps him to acquire the skills and knowledge to accomplish each job. He gets to know the best way to perform each and every job from his trainer. He understands the problems and difficulties that come up while performing each job and he come to know the skills and knowledge required for each job.

2. **Coaching Method:** The trainee is placed under a particular supervisor functions as a coach in training the person or an employee is asked to do a job under the guidance of a supervisor. The supervisor gives the employee feedback regarding his efficiency and gives the necessary instruction for the improvement.

3. **Job Instructions Method:** This method is also known as training through step by step. In this method, trainer gives the useful information to the trainees to complete the job.

4. **Committee Assignment Method:** In this method a group of trainee is prepared. This group is assigned the job of solving actual organizational difficulties and problems. The trainees attempt to solve the problems collectively.

5. **Training by Expert Employees:** A group of newly appointed employees is formed in this method. The highly experienced employees train these newly formed groups for the training. In the beginning, the trainer provides skills and
knowledge to them for how the job to be done. Then he gives them a demonstration.

6. **Apprenticeship Training Method:** Under this method each trainee is given a specific job according to predetermined schedule which enhances an efficient training for increasing and improving the knowledge and skills of the trainees

**B. Off The Job Training Method:**

1. **Vestibule Training Method:** Under this method, the newly appointed employees are trained in a separate training centre. In this method trainees are taught how to use the machines, tools and equipments which they are separately arranged in a separate room by the experienced job instructors as well as efforts are made to create natural working environmental as it prevails in the workshop where the production is being carried on.

2. **Role Playing Method:** In this method imaginary and problematic situation are created and trainees asked to solve this problematic situation. Trainees are made responsible for solving a specific problem and asked to play the role of solver. While playing a particular role, many factors have to be taken into consideration. Once trainee has played the role, all other trainees discuss it and express their opinion about various factors affecting the particular situation,

3. **Lecture Method:** This is the traditional and direct training method to provide training to the employees. The trainer organizes the materials and gives it to trainees in the form of talk or speaking. In this method trainer gives information by lecture method. Trainer tries to make the lecture as interesting and informative as possible. After the lecture is over, the trainer’s personal opinion or doubts raised by the trainees are discussed.

4. **Conference or Discussion Method:** This method is used to train clerical, professional and supervisors. New ideas are put forth and discussed by the group of trainees. The trainees discuss the idea with the help of their own experiences, opinions and available information and they become clear conclusions.

5. **Programmed Instruction Method:** Recently this method has become very popular as most effective training method. The subject matter of the training is divided into small units with carefully. The presentation is from easy to difficult is
to be made. The trainee studies each unit and answers the questions at the end. In this way, it is expected that the trainee understands the entire topic by the end of the course.

6. **Case Study Method:** This is one of the popular methods of training. It presents trainees with a written answer with description of a business problem. The description must be long and detailed.

7. **Behavioral Modeling Method:** It is a new method of training the employees. This method is used to impart the interpersonal skills and to change attitudes as per the changing business environment.

8. **Films and Television Method:** This is also modern method of training to the employees. Films are previously recorded and it can be shown on screen or television to the trainees. It gain is that the films can show objects and processes in detail and in motion. This facilitates to transfer skills and required information with visual images.

9. **In –Basket Technique Method:** The simulation kinds of training method place the trainee in the role of a person who must suddenly replace a manager. In this role, the trainee receives background information about the business and the person he or she is replaced, he also receives letters, memos and telephonic messages. Trainee must organize the information, make decisions and prepare memos and letters to handle problems. This method used for managerial job training.

10. **T– Group Method:** This method of training uses a small group of trainees. They meet trainer and gain insight into their own and behavior of others. Meetings have no agenda, and questions deal with the ‘hear and know’ of the group process, discussion focuses on “why participants behave as they do, how they perceive one another, and the feelings and emotions generated in the interaction process.

1.5.2. **Training Policy:**

The training policy should be based on the following basic principles.  

1. While developing training programme, individual differences should be taken into consideration because individual differ in ability and speed to learn, interests and other personal characteristics.
2. The nature, need and depth of training to employees should be based on the job analysis. Different methods should be used for different category of employees.

3. The trainees should take active participation in the training activities to make the training more effective.

4. The trainers should be well trained. They should be trained specially for that purpose.

1.5.3. Management or Executive Development:

Management or executive development is a very important for business to development the managers or executives working in the business organization. The success of any business organization is largely depends on the efficiency and the effectiveness of the management of the business organization. The efficiency and effectiveness of managers depends on the knowledge, skills, experience, decisions making ability of the managers or executives. Management or executive development is a systematically planned and continuous process of learning and designed to create behavioural change in the managers or executives by cultivating their mental abilities and inherent qualities through the acquisition and application of advanced knowledge, in-sights and skills. The managers keep on learning through job experiences and by participating in the training programmes. All efforts made to improve the efficiency of managers are involved in the term management development. Some experts have made definitions of Management Development. They are as per the following.

According to Reeves, “Attempts by managers to improve their efficiency under all conditions or efforts made by them to enable themselves to accept greater responsibility are covered by the concept of Management Development.”

The process achieving individual development so as to make optimum use of the capacity of managers is called Management Development. Koontz and O'Donnell Management Development is a systematic process of training and development through which individuals obtains knowledge, skills, foresight and attitudes and use them for effective management. D. S. Breech.

1.5.4. Objective of the Management Development:

The management development is a very essential part for an organization. Every business organization is required experienced and dynamic leadership through managers or
executives for the growth and development of the business organization. The following are the objectives of management development. 39

1. To improve the performance of the executives or managers and to increase and improve the morale of the executives or managers of business organization.
2. To increase the efficiency and effectiveness of the business organization through the management development programme.
3. To attracts the experienced and efficient managers towards business organization and to increase the productivity of the individual managers and in turn, the productivity of the business organization.
4. To improve ethical values, decision making ability and analytical ability among the executives and to finds new aspects of the manager’s personality and bring about a positive change in their attitudes.
5. To implant the policies, plans, rules, regulations, schemes and direction of the work in the managers and to make the optimum use of the skills, knowledge and capacities of the managers for the betterment of the business organization.
6. To keeps the management personnel ready for business expansion when they required for the business organization and to create a groups of efficient management personnel to fill up the vacancies created in the business organization.
7. To correct the misunderstanding and misconception in the minds of the managers and to enhance the outlook of the management personnel pertaining to their roles and the responsibilities toward the business organization.
8. To inculcate the issues like economic, social, cultural legal, technical and other business environmental factors in the minds of the managers and to impart the skills and knowledge of the problems of human relations and their corrective measures.

1.5.5. Importance of Management Development:
No any modern business can continue to be successful without systematically designed and planned attention to the improvement, growth and development of its managerial personnel. It is due to the rapid changing technology demanding specialized, qualified and skilled managerial human resource to manage complex and dynamic business
organization. According to Peter Drucker, “An institution that cannot produce its own managers will die. From an overall point of view the ability of an institution to produce managers is more important than its ability to produce goods efficiently and cheaply.”

The need and importance of management development can be explained with the help of the under mentioned points.

1. To increase in the skills, knowledge and capacities of the managerial personnel to cope with the cut throats competition among the business world.

2. To create a new and dynamic class of efficient managers for the development of the business organization and to increase the managerial personnel productivity through the management development programme.

3. It is essential to change the mindset of the managerial personnel and to create a mind of managers to learn to accept the changing challenges occurred through changing human civilization and the changing environment of the business organization.

4. To prevent efficiency fatigue which is created by the time and age factors in the mind of the managerial personnel and to provides and generate the opportunities like increase in the values, skills of human resource handling, to make effective decision, to increase the knowledge of public relations, promotion and other economic and non-economic benefits to retain them in the business organization.

5. To impart the information on new and advanced inventions and discoveries is available for the development of managerial personnel as well as the business organizations.

### 1.6. Performance Appraisal:

Performance appraisal is a systematic evaluation process of employee’s job and performance in a certain period of time. Usually such evaluation is done with respect of certain predetermined standard in relation to the job knowledge, quality and quantity of output, co-operation, etc. according to the Alfred & Betty, “An impersonal evaluation of an employee based on relatively how the institution benefits from him is performance appraisal or evaluation by allotting points.”

#### 1.6.1. Types of Performance Appraisals:

Following are the kinds of performance appraisal.
1. **Self Appraisal:** Employee self appraisal means evaluation of their own performance by themselves. Business organization provides standard self appraisal form to the individual employee. Employees fill up such self appraisal form with their own and with their rational. If an individual understand the objectives they are expected to achieve and the standard by which they are to be evaluated, they are to a great extent in the best position to appraise their own performance.

2. **Confidential Appraisal:** Confidential appraisal is one of the very crucial types of the appraisal method. In this appraisal process the senior evaluates and appraise the performance of the junior or subordinate. This process of appraisal is widely used in business organization. But these types of appraising method create some problems. In this process human errors occur when appraising the subordinate. Appraising authority evaluates the performance of the employee with the provided guideline by the business organization and report to the senior for the further action.

3. **Appraisal by Supervisor:** Supervisors include seniors or superiors officials of the departments. Such supervisors have the knowledge of the work of the subordinate employees. Common practice is that immediate superiors evaluates or appraise the performance of the employees and reviewed by the head or manager of the department.

1.6.2. **Objectives of Performance Appraisal:**

Following are the objectives of performance appraisal.

1. To deciding the wages or salary of an employee based on his efficiency among all other employees at the particular work.

2. To get information about to the skills, knowledge and experience of the employees and help in making decisions regarding his promotions, transfers and rise in salary.

3. To help the employee to overcome his/her weaknesses and improve his/her strength so as to enable to achieve the desired performance.

4. To help the organization to identify employees for the purpose of motivating, training and developing them and to maximize the productivity of the employee.
5. To help managers to have a proper understanding about their subordinates. Informing the employee about his performance appraisal and pointing out him what improvement is expected from him by the organization.

6. To guide to employee about qualities, skills and knowledge required for a particular job. It helps to obtain information regarding the employee’s contribution to work and organization.

7. It helps the supervisor to know the ability of the employee and he can decide the work allotment. It is useful in avoiding industrial disputes.

1.6.3. Need of Performance Appraisal:
Performance appraisal is a continuous process. It has become a very essential activity in most of the business organization. According to Dalton E. McFarland, “The purpose of any formal method of systematic employee appraisal is to provide greater objectivity in the executive’s judgment about subordinates. This performance appraisal process provides information about past, present and expected performance of the employees which is helpful in the process of taking decision on selection, training and development, increase in pay, promotion, transfers and the like.” Thus the performance appraisal is required for the following reasons:

1. Performance appraisal is required for deciding the employee’s salary fixation, making the employee permanent, promotion, transfer and the like.

2. It helps to getting information pertaining to the employee’s contribution towards the work habits. These types of information help to take review of his efficiency and the shortfalls and to cope with his problems, difficulties and any shortcomings.

3. It helps the management or supervisors to evaluate the performance and to know the potentials of their subordinates. It also helps to assign job to employees for which they are best suited. Thus, it facilitates the proper placement of the persons.

4. To prevent grievances and conflicts in the business organization. It helps in formulating training programme in a better way. Weaknesses of the employees are revealed by such appraisal and the training programme can be developed and modified accordingly.
5. It helps in guiding the employees. The supervisors may use the result of the system for the purpose of guiding the employees in the efficient performance of the work. The employees also come to know that where they stand and consequently they try to improve their performance.

6. Performance appraisal helps in avoiding industrial disputes, conflict among the employees and in discipline in the business organization. Performance appraisal helps in deciding the service conditions for the employees.

1.6.4. Problems in Performance Appraisal:

Following are the problems in the performance appraisal process.

1. Halo Effects: When the appraiser takes a particular skills, knowledge or ability of the employee to be evaluated and evaluates all units and skills based on this particular feature, it is called halo effect. This type evaluation is not based on the actual performance of the employee in all units of evaluation. The positive or negative impression regarding the employee to be evaluated on evaluator decision or opinion and he assign a very high grade or a very low grade or general grade according to his bias. If the evaluator is not fully aware of units of evaluation or he is doubtful regarding certain factors or personal relations come into play such a halo effect takes place. In certain cases, the employee is certain that he will receive a good remark for everything due to his good relations with the evaluator. Sometimes, the employee and evaluator relations are very poor and the employee receives very poor grades.

2. Tendency Effects: Every evaluator has his own style. This style of the evaluator affects his evaluation work. Some evaluators give higher grades to the employees than they deserve. This is called as positive leniency error. Some others give employees poorer grades than deserved and are called negative leniency error. These errors may occur due to difference of opinion among evaluators. There is another problem which generally everywhere. Those do not wish for any commitment take centrist tendency stand. And give general grade to every employee. But this type of tendency does not give justice to the objectives of employee evaluation and cannot be taken into consideration.

3. Spoil over Effects: This refers to allowing past performance to influence the evaluation of present performance.
4. **Personal Bias:** Many times we see people being discriminated against on grounds of gender, caste, race, nationality, or social status and this effect may also affect proper evaluation of employees or these types of evaluator makes their judgment on their personal values and prejudices.

1.6.5. **Principles or Ethics in Performance Appraisal Policy:**

The principles of performance appraisal or evaluation need to be taken into account to increase the effectiveness of the process. If these principles are ignored organizational problems will be created and objectives of the evaluation will not be met with. M. S. Kellog has given the following principles:

1. Do not undertake the appraisal process unless you know why it is needed. Evaluation should be done based on representative information.
2. Evaluation should be based on correct, objective and sufficient information. You should remain honest to the facts found during evaluation.
3. There should be on difference in words and needs where employees are concerned. When it is necessary to express opinions and decisions after analyzing information and should be clearly and is personal.
4. Information regarding the evaluation should be given only to those who intend making beneficial use of it. The report on evaluation should not have any mention of the factors that are not evaluated.
5. Do not accept an evaluation done by another person or authority without understanding the environmental factors on the base of which evaluation was done.

1.6.6. **Methods of Performance Appraisal:**

There are various methods or techniques developed for performance appraisal these are:

A- **Traditional methods of performance appraisal:**

1. **Ranking Method:** This method involves giving ranks to the employees depending upon their capabilities or absence of particular traits. An employee possessing most traits is given first rank and having least qualities is ranked last depending upon their possession of traits.
2. **Graphic Rating Scales:** This is the simplest and most popular method for evaluating employee performance. This test enables the rater to find out varying
degree of particular features in the employees. The rater observes the employees at the work place. This rating scale consists of several numerical scales and each representing a work related performance norms such as attendance, attitudes, team work, cooperation, persistence, endurance, patience, initiative etc.

3. **Paired Comparison:** This is also very simple test which is used for making comparison between performance given or made by employee. Here two people are compared with each other on certain prefixed traits.

4. **Grading Method:** In this method the raters predetermine the various types of grades like excellent, very good, good, average, poor etc. This grading is used for specific traits.

5. **Forced Choice Rating:** This appraisal technique is based on psychological attributes possessed by the employee. Here the rater has to select a statement which is most descriptive of the employee like the employee is hardworking, well informed, dynamic and organized. This forced choice rating enables selection of the most effective and efficient employee.

6. **Forced Distribution Method:** The main aim of this method is to eliminate partiality in the process of employee evaluation. The evaluator is expected to evaluate the employee based on predetermined set of standards. The number of employees to be put in a particular group is also predetermined. A merit list of employees is prepared after the evaluation.

7. **Checklist Method:** The main characteristic of this technique is a specially prepared questionnaire to point out the qualities of the employees with two separate columns such as YES and NO. The various types of questions are asked about the employees abilities and relating behavior. After filling up this questionnaire, the concerned hand over the checklist to the management to make a proper evaluation based on this checklist.

8. **Free Essay Method:** In this method, the supervisor is given freedom to make evaluation of the employees under his direction and command. The supervisor is expected to provide information regarding the abilities, skills, traits, knowledge and qualities of the each employee and record his decision about the same.
9. **Critical Incidence Method**: Critical incidence or incidences occurred in the organization which directly or indirectly affects on the performance, are found out and how the employee responded to these solutions are used to evaluate the employee.

10. **Group Appraisal Method**: In this method, a group is formed to evaluate the work of employee. This group expected to be aware of the job to be done and nature of the employee. This group compares the actual with pre fixed set of standard and submits the report to the appraising committee for evaluation.

11. **Confidential Report Method**: This is traditional method, under this method superior evaluates the performance of his subordinates based on his personal observations, judgment, and understanding with confidentially.

**B- Modern Methods of Performance Appraisal**:

1. **Assessment Centre Method**: This is method first used by German army in 1930 and British Army in 1960 for the selection of officers. The main aim of this method is to test the social environment of the employee working in the organization. In this method evaluation of several employees is done by various group established by using various methods.

2. **Appraisal by Management by Objectives**: This method is developed by the Peter Drucker. This technique is adopted for planning, Setting up of job standards, to motivate staff, to make a performance appraisal of their job and to effective control of their work.

3. **360 Degree Method**: 360 degree appraisal method is nothing but appraisal done by one which is related to the organization. It can be the senior, juniors, customers, creditors etc. Generally an organization would like to know the performance of its employees from different social group with whom the respective employee interact. This sort of evaluation can give a comprehensive scene and picture of performance of employees.

4. **Behaviorally Anchored Rating Scale**: Under this method the behavior of the employee towards the job, colleagues, customers, and organization is found out.

5. **Psychological Appraisal Method**: Psychology is a systematic and scientific study of human minds and its functions especially affecting behavior.
Organization appoints the psychologist to study the employee behavior at the work place. In this method emotional maturity, intellectual capacity, level of motivation etc can be tested.

1.7. **Compensation, Wage And Salary Administration:**

It is one of the most difficult functions of the Human Resource Management. The fixing or determining the rate of compensation is a very complex and tedious task for the management but it is very important both to the business organization and the individual employee. Compensation is a reward to an employee for the work done. It is a financial remuneration in the form of wages, salaries, bonus and any other forms of the direct financial reward. Most of the worker problems arise on account of wage and salary and therefore, it needs the establishment of a sound wage and salary policies. Wage and salary administration refers to the establishment and implementation of sound policies and practices of employee compensation.

1.7.1. **The Wage and Salary Policy:**

The wage and salary policies of different business organization vary from one another. Some business organizations pay only the minimum wage rates required by labour legislation. On the other hand, some organizations pay well above rates in the labour market. A ‘wage’ is the remuneration paid for the service of the labour in production, periodically to an employee or worker. “Wages” usually refer to the hourly rate or daily rate paid to such groups as production and maintenance employees and these employees are said to be blue collar workers. On the other hand “Salary” refers to the monthly rates paid to clerical, administrative and professional employees and they are called as white collar workers.

1.7.2. **Objectives of Compensation/ Wage and Salary:**

Following are the objectives of any payment system.

1. To enable the employee to earn a good and reasonable wage or salary.
2. To pay equitable sums to different individuals avoiding anomalies.
3. To reward and encourage high quality work performance and output.
4. To encourage employees to develop better methods of working.
5. To minimize the wastages of time, materials and equipments.
6. To encourage employees to use their initiative.
7. To discourage overtime working unless it is very essential.

1.7.3. **Factors Influencing Wage and Salary Administration:**

A sound wage and salary policy must adopt a job evaluation programme in order to establish fair differentials in wages and salaries based upon differences in job or work contents. In addition to these factors provided by job description and job evaluation, the factors to be taken into consideration for wage and salary are given below;  

1. Business organization’s ability to pay.
2. Going market wage and salary rate.
3. Productivity of the business organization as well as the employees.
4. Trade Unions bargaining power.
5. Job or work requirements.
7. Minimum pay as per government resolution.
8. The living wage and Cost of living.

1.7.4. **Principles of Wage and Salary Policies:**

Wage and salary administration should be controlled by some proper agency and the responsibility may be entrusted to the human resource department. The problem of wage and salary is very delicate and complicated and therefore, it is usually entrusted to a committee composed of high ranking officials. This committee makes the recommendations of basic wage and salary structure and helps in the formulation wage and salary policy. The following are the principles should be taken into consideration while designing the wage and salary policy.  

1. Principle of definite plan.
2. Principle of wages in the line with market rates.
3. Principle of distinction between jobs and employees.
4. Principle of equitable pay for equal work.
5. Principles of equitable practices regarding differences.
7. Principle of a system of information to employees and Trade Unions.
8. Principle of sufficient wage and salary.

### 1.7.5. Methods of Pay:

Basically there are only two methods of pay or remuneration of employees.  

**A. Time Base Payment:**

In this method, the employee is paid on the basis of time attended by him irrespective of the work done by him. The time unit may be per month, per week, per day or per hour. Extra payment for overtime work will also be paid under this method or system

Formulae:

\[ \text{Earning} = \text{Hours worked} \times \text{Rate per hour}. \]

**B. Job Or Piece Base Payment:**

Under this method, workers are paid at a fixed amount per unit of product manufactured by the workers irrespective of the time taken to produce goods.

Formulae:

\[ \text{Total Earning} = \text{No. of Units Produced} \times \text{Rate Per Unit}. \]

### 1.7.6. Labour Welfare Facilities and Social Security:

Employee Welfare Involves The Services Such As Employee Recreation facilities like gymkhana and cultural services, convenience like provision of canteen facilities, drinking water, wash basins, medical facilities, working hours, guest rooms and so on. Proper employee welfare would improve and increase their performance and productivity of individuals as well as business organization.

1. **Contract Labour (Regulation And Abolition) Act-1970:**

The Contract Labour (Regulation and Abolition) Act, 1970 has been enacted to regulate the employment of contract labour in certain establishments and to provide for its abolition in certain circumstances and for matters connected therewith. This act applies to all those establishments employing 20 or more than 20 contract labour and to all contractors who employs 20 or more contract labours.

2. **Worker’s Compensation Act 1923:**

Workmen’s Compensation Act, 1923 passed by Government of India. It became effective from 1\textsuperscript{st} July, 1924. This Act provided for payment of compensation to the workmen and
their dependents in case of injury, accident and some other occupational diseases arising out of and in the course of employment and resulting in disablement and or death. This Act is applicable to persons working in the factories including other areas too. But this Act does not apply to employees who are covered by the Employees State Insurance Act, 1948.  

3. **Labour Deposit Linked Insurancescheme-1976:**

Employees Deposit Links Insurance Scheme was introduced in 1976 under the Provident Fund Act, 1952. According this scheme, if a member of the employees Provident Fund dies while in the course of service, his dependents will be paid an additional amount equal to the average balancing during the last three years in his account but the amount should not be less than Rs. 1000/- at any point of time and more than Rs. 10000/-.  

4. **Employee Safety:**

Physical and job security to the employee is necessary. Employee security regarding physical and job should also be provided with a view to promoting security to the employee and his family members. The benefits of confirmation of the employee on the job creates sense of job security and a minimum and continuous wage or salary gives a sense of security to the life. The Payment of Wages Act, 1936, The Minimum Wage Act, 1948 and the payment of Bonus Act, 1965 provides income and economical security to the employees.

5. **Safety and Health:**

It involves ensuring safety to all employees from professional and job oriented hazards. Employee’s safety and health should be taken care of in order to protect the employee against accidents, unhealthy working conditions and environment and to protect employee’s ability and capacity. In our country, the Factory Act, 1948 fixed certain requirements pertaining working conditions with a view to provide a safe and healthy working environment. These requirements and provisions related to cleanliness, disposal of waste, ventilation and temperature, dust and fume, artificial humidification, over-crowding, lighting clean a drinking water and other essential utilities. Provisions relating to safety measures involve fencing of machinery, work on or near machinery in motion, employment of new employees or young employees on hazardous or dangerous machines, self acting machines, probation of women and children employees near or on
machines, hoists and lifts, lifting machines, chains, ropes of lifting tackles, revolving machines, pressure plants, floors, excessive weights, protection of eyes, precautions from fumes and dusts and gases etc.  

6. Social Security:
In an industrial economy, the workers are subject to periodic employment due to cyclical fluctuations in business, sickness, accidents and old age. There is nothing more serious to a worker and his/her family than unemployment. Sickness suspends earning capacity of a worker temporarily, industrial accidents may disable him/her permanently or partially, and old age may put a stop to his/her ability to earn and support himself/herself and the family. The worker does not have any financial resources to face the risk of sickness, accidents, unemployment and old age. Naturally, the state has the obligation to help the workers and provide them security. In western countries, Governments started various measures to protect the workers in times of sickness and unemployment and provide relief in case of accidents and old age. All these measures are known as social security schemes.

7. Provident Fund:
The benefit of the Provident Fund is meant for economic welfare of the employees. The Employee’s Provident Fund, Family Pension Fund and Employees Deposit Linked Insurance Act, 1952, provides for the institution of Provident Fund for employees in factories and establishments. Provident Fund Scheme Act provides for economical assistance to the employees and or their dependents during post retirement time of life. This facility provides security against social risk and this benefit enables the employees to have better retired life. Workers in all factories under Factory Act, 1948 are covered by the Act. In this scheme both the employees and the employers contribute to the fund. The employees on attaining 15 years of their membership are eligible for 100% of the contributions with interest. Generally the business organizations pay the Provident Fund amount with interest to the employees in retirement or the dependents of the employees in case of death of employees.

8. Pension:
The Government of India introduced a scheme of Employees Pension Scheme for the purpose of providing Family Pension and Life Insurance benefit to employee of various
establishment to which the Act is applicable. The Act was amended in 1971 when Family Pension Fund was introduced in the Act. Both the employer and the employee contribute to this fund. Contributions to Provident Fund to tune of 1.5% of employee wage. Employee’s Family Pension Scheme 1971 provides for a family pension to the family of a deceased employee as per the following rates: This scheme is also for the payment of a lump sum amount of Rs.4000/- to an employee on his retirement as retirement benefit and a lump sum amount of Rs.2000/- in the event of death of death of an employee as life insurance benefit.  

9. Gratuity:
This is another type of retirement benefit to be provided to an employee either on retirement or at time of physical disability and to the dependent of the deceased employee. Gratuity is a reward to an employee for his long service with his present employer. The Payment of Gratuity act, 1972, is applicable to the establishment in the entire country. The Act provides for a scheme of compulsory payment of gratuity by the management of factories, plantation, mines, oil field, railways, and other establishment employing 10 or more persons to their employees, drawing the monthly wages of Rs. 1,600/- per month. Gratuity is payable to all employees who render a minimum continuous service of five years with the present employer. It is payable to an employee on his superannuation or on his retirement or on his death or displacement due to accident or disease. The gratuity payable to an employee shall be at a rate of 15 days wage for every completed year of service on part thereof in excess of six months. Here the wage means the average of the basic pay last drawn by the employee. The maximum amount of gratuity payable to an employee shall not exceed 20 months wage.  

10. Medical Benefit:
This benefit shall be provided to an insured employee or to a member of his family where the benefit is extended to his family. This benefit is provided as per the following forms:

a. Out – patient treatment or attendance in a hospital, dispensary, clinic or other institution or by visits to the home of the insured person or

b. Treatment as in-patient in a hospital or other institution.
An insured person shall be entitled to medical benefits during any week for which contributions are payable, or in which he/she is eligible to claim sickness or maternity benefits or eligible for disablement benefits.59

11. Housing Facilities:
Of all the requirements of the workers, decent and cheap housing accommodation is of great significance. Most organizations are located very far from towns or cities where housing facilities are not available. Therefore, most of the organizations built houses or quarters near to the factory premises and provides with cheap and decent housing facilities to the employees, while some organizations provide and or arrange for housing loans to the employees and encourage them to build their own houses.

12. Canteens:
Canteen facility has a special importance for the employees in and around factory premises. Some business organizations have statutory obligation to provide canteen facilities as Section 46 of the Factory Act, 1948, imposes a statutory obligation to employees to provide canteens in factories employing more than 250 workers. Others have provided such facilities voluntarily. Foods tuffs are supplied at subsidized rates in these canteens. Some factories provide lunch rooms when canteen facilities are not available.

13. Consumer Societies:
Most of the business organizations located far from the towns and which provide housing facilities near factory site and the business organization set up the consumer stores in the site where employees are provided housing facilities and supply all the necessary goods at fair rates or prices to the employees.

14. Credit Societies:
This facility has a great importance in the life of the employees. The objective of setting up of employee credit societies is to provide loan facilities at affordable terms, conditions and rates of interest primarily to the employees of the business organizations. Some business organizations encourage to the employees to form cooperative societies with a view to fostering self help rather than depending upon money lenders, some of the business organizations provide loans to employees directly.
15. Education Facilities:
Economic and social progress is depend on the quality of work force and education plays a very crucial role in motivating and preparing employees for change and development that should happen in business organization. So some business organizations provide educational facilities to the employees with their family members too. Educational facilities include reimbursement of fees, setting up of schools, colleges, hostels, providing grants-in-aids to the other schools where a considerable number of students are from the children of employees. Reading rooms and library facilities are also provided for the benefit of the employees.

16. Transportation:
Some business organizations provide conveyance or transportation facilities to their employees from the place of their residence to the place of factory site. The provision of transport facilities to workers is to enable them to reach their work place without loss of much time. In the business organizations where transport services are not provided, conveyance allowance is to be paid to the employees. Some business organizations encourages employment to buy their own vehicles and for that advance loan provided by the employers or business organization.

17. Recreational facilities:
Recreation has a very vital significance in the life of employees. Recreation in the form of music, art, sports and games can play an important role in the mental and psychological development of employees. This facility creates a healthy environment in the business organization for industrial peace and well progress.

1.7.7. Executive Compensation:
For the top level management, salaries are influenced by the size of a performance of the business organization, by the specific industry, and in part by the contribution of the incumbent to the process of decision making and his contribution to the efforts of his department. If the business organization is more profitable it will pay the better compensation the executives. 60

1.7.7.1. features of executive remuneration:
Executive remuneration has the following features
It is not compared with the wage and salary policies meant for the other employees in the business organization. With the executive compensation or remuneration secrecy is maintained. Executive remuneration is generally paid and based on personal performance as well as organizational performance.

1.7.7.2. Components of executive remuneration:
Executive remuneration generally comprises four elements. These are as per the following.
Salary and Allowances are the first and most important component of executive remuneration. The salary is determined by mutual agreement between the individual executive and the employer of the business organization. Salary includes the all other agreed allowances. Bonus plays an important role in today’s competitive executive compensation and remuneration schemes. Bonuses related to performance are also aid to executives paying bonus at a certain percentage of the profits. Perquisites contribute a major source of income for executives. Incentives such as profit sharing at a certain percentages is also contribute the executive remuneration.

1.7.8. Promotion:
When there are vacancies created in business organization, they can be filled up by internal or external sources. If business organization prefers to fill up the vacancies by the external candidates through the recruitment and selection process or procedure, the internal candidates may also apply for the post and they may be tested and selected for a higher level post in the hierarchy of business organization. But only upward movement of an employee is not called promotion. If the business organization prefers to fill up a vacancy only by the internal candidates, and it assigns that higher level post to the tested and selected employee from within the promotional test which assigned by the management, such upward movement of the candidate can be said as promotion. According to Paul Pagers and Charles A. Myers, “Promotion is advancement of an employee to a better job – better in term of greater responsibility, more prestige and status, greater skill and especially increased rate of pay or salary.” Promotion involves improvement and increase in the pay, prestige, position and corresponding responsibilities of an employee. Formulating promotion policies, transfer policies,
selecting person for promotion or transfer etc. are included in the scope of the human resource management.  

1.7.8.1. Promotion policy:
The promotion policy of the business organization should be fixed on some definitely bases of promotion. Some business organization accept seniority as the base where as some accept ability as the base of promotion. Promotion policy should be:  

1. The promotion policy should be clear and definite. It should clearly state that whether the promotion should be granted from within the business organization or not.

2. The promotion policy should encourage the internal mobility of employees from one department to another department. Thus, the capable and competent employees will be promoted for opportunities in other levels.

3. The stages of promotion in the business organization should be well defined. These should be designed or formulated with the help of job analysis.

4. The vacancies to be filled in through promotions should be published on notice board of the business organization well in advance. This will enable the employees to apply within the given date.

5. Suitable training programmed should be developed to prepare the employees for promotion.

6. The employees should be given right to appeal against any particular case of promotion.

7. There should not be any compulsion on the employee to accept any promotion. It should be left to the discretion of the employee.

8. The competence of employees should be given due consideration along with the seniority of service in the business organization.

1.7.9. Transfer:
Business organization exchange staff from one place to another place or one job to another job and this is for the right person in the right job. This type of mobility which is restricted to movement of an employee from one job to another in the same level of organizational hierarchy and it is termed as transfer. Transfer is defined as “a lateral shift causing movement of individuals from one position to another usually without involving
any marked change in duties, responsibilities, skills needed or compensation.” There are various types of transfer such as. Production Transfer, Replacement Transfer, Rotation Transfer, Shift Transfer, Remedial Transfer, Temporary transfer, Permanent Transfer and Penal Transfer. 63

1.7.9.1. Transfer policy:
Transfer policy should satisfy the following purposes. 64

1. Transfers are made to satisfy the needs of business organization which may arise out of change quality and quantity of the production, changes in organizational structure, introduction of new product line etc.

2. Transfers are made on own request of employees. Such transfers are made when an employee feels uncomfortable on the job because of his dislike of his boss or supervisor or other employees or non availability of better opportunities for future advancement or change in his residence etc.

3. The transfers are made when the management feels that an employee is not performing his job satisfactorily and hence his services are to be transferred to other useful or suitable job where his abilities or capacities can be utilized properly.

4. An employee can be shifted from one job to another to enable him to gain a varied and broader experience of work. This is useful for the business organization to get more effective and experienced employee for a higher job.

5. Transfers are made to adjust the human resource of one department with that another when one department is closed down or the need of that such department.

6. The transfers are made to replace new employees by the employees who have been in the business organization for a sufficiently long time.

7. The transfers are made to help employees work according to their conveniences.

1.7.9.2. Principles of Transfer Policy:
Every business organization should have a just and impartial transfer policy and it should be known to each employee. A good transfer policy should have the following principles.

1. It should clarify the types of transfers and the conditions under which the transfers will be made.
2. It should locate the authority in some officers who may initiate and implement the transfer policy.
3. It should indicate the basis or reason for transfers.
4. It should indicate whether transfers can be made only within a sub-unit or also between department and or division.
5. It should decide the rate of pay to be given to the transferee.
6. It should intimate the fact of transfer to the person concerned will in advance.
7. The transfer should be in writing and duly communicated to all concerned.

1.7.10. Demotions:
Demotion is internal mobility but it is clearly opposite of promotion. It is a reassignment of employee at the lower level job with a lower level responsibilities and compensation or pay. Business organization should not use always this tool frequently because it affects career prospects and morale of the employees. Unsuitability of the employee to the existing assigned work or job, adverse business conditions such as reduction in production or withdrawal of some types of products or closure of some departments or any other economic drives, new technology and its need of higher level of knowledge and skills and existing employee unable to match or develop or increase his ability, indiscipline of a employee are the causes of demotions.  

1.7.10.1. Demotion policy should satisfy the following conditions:
1. There should be predesigned a clear and reasonable list of rules, the violations of which would subject an employee to demotion.
2. The framed rules and information about discipline should be clearly communicated to all employees.
3. There should be a competent investigation of any alleged violation.
4. If any violations are discovered, there should be a consistent and equitable application of the penalty to all who had committed a breach of rules or duty.

REFERENCES


